

HORWATH CONFIDENCE INDICATOR

HOTEL PERFORMANCE - 2ND QUARTER 2006



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2nd Quarter 2006

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We are pleased to present our Horwath Hotel Performance Confidence Indicator publication for the 2nd Quarter of 2006. The indicator aims to reflect confidence in the performance of the South African hotel industry on a quarterly basis.

For the purposes of this analysis, hotel managers throughout South Africa were asked to forecast their hotel's performance in terms of likely market demand in the 2nd Quarter of 2006 in comparison to the same period in 2005. In total 150 hotel managers, 88% of whom were General Managers, participated in the analysis.

The results are segmented by star grading, hotel size and geographic location, which should provide for interesting benchmarking opportunities.

We would like to thank all the hotels which participated and look forward to the industry's continued support. We welcome any comments and suggestions that will make this indicator more relevant and helpful to the South African hotel sector.

Sincerely,

Joseph Aminzadeh

Director

Summary of Results - 2nd Quarter 2006

The overall confidence for the 2nd Quarter of 2006 is quite positive with some 65% of all hotel managers predicting an increase in their occupancy and some 67% of all hotel manager expecting an increase in their Average Room Rate over the same period in 2005.

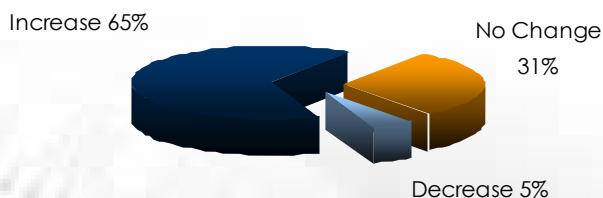
Though the majority of hotel managers are confident in an increase in their occupancy (65%), the confidence for the last two quarters has been significantly higher, with 73% forecasting an increase in the occupancy during Q1 2006 and 82% forecasting an increase in the occupancy during Q4 2005 respectively.

Hotel managers of 2- and 3-star hotels seem to be the least confident for the coming quarter where occupancy is concerned, with only 57% and 58% respectively forecasting an increase in occupancy. Hotel managers of 1-star hotels are the most confident when it comes to occupancy with 87% forecasting an increase.

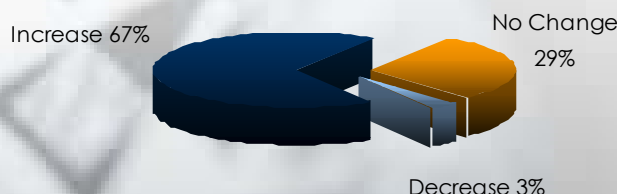
Where Average Room Rate (ARR) is concerned, hotel managers of 5-star hotels are the least confident with only 43% expecting an increase in their ARR. Hotel managers of 1-star properties are the most confident with 87% of the hotel managers surveyed expecting an increase in their Average Room Rate.

Overall Confidence - 2nd Quarter 2006

Occupancy



Average Room Rate



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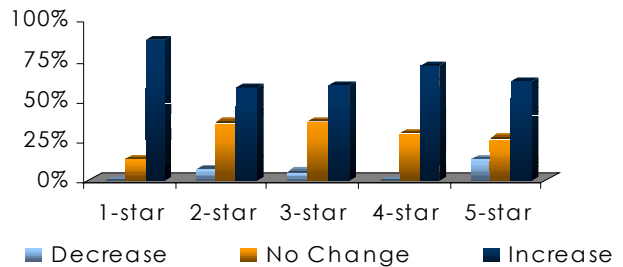
Confidence by Star Grading

For the 2nd Quarter of 2006, hotel managers of 1-star properties are most confident in an increase in occupancy followed by hotel managers of 4-star hotels. Hotel managers of both categories are also the most confident in an increase in Average Room Rate, with 87% of the 1-star hotel managers and 79% of the 4-star hotel managers forecasting an increase in their Average Room Rate for the 2nd Quarter of 2006.

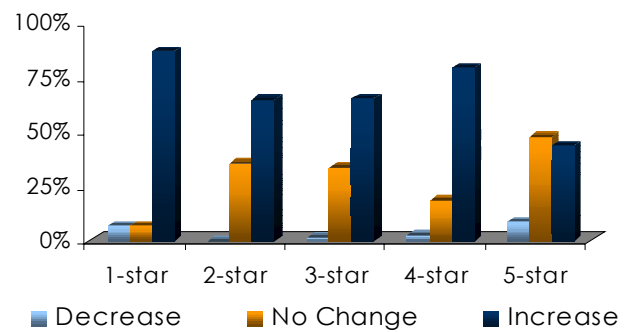
Hotel managers of 2- and 3-star hotels are the least confident in growth in occupancy for the period, with some 57% of hotel managers forecasting an increase and some 36% of hotel managers expecting similar occupancies to those achieved during the same period in 2005.

The confidence in an increase in Average Room Rate continues to be relatively low in the 5-star market segment with 43% of hotel managers forecasting an increase and 48% forecasting an Average Room Rate similar to that achieved during the 2nd Quarter of 2005.

Occupancy Confidence Indicator by Star Grading



Avg. Rm. Rate Confidence Indicator by Star Grading

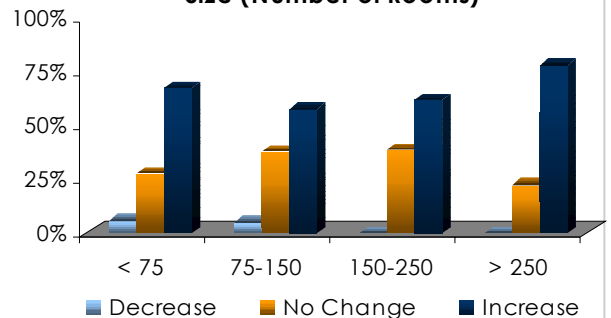


Confidence by Hotel Size

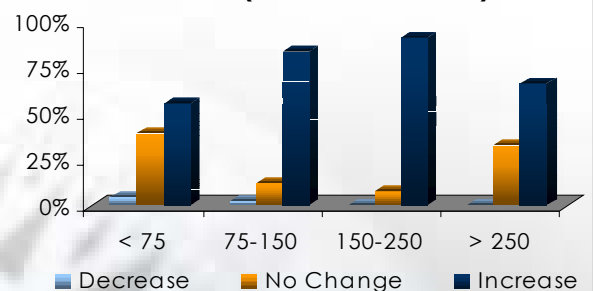
Compared to last quarter quite a change can be seen in the confidence of an increase in occupancy, with managers of hotels with more than 250 rooms being the most confident (78%), while managers of hotels with 75 to 150 rooms are the least confident in an increase in occupancy compared to the same quarter in 2005.

The confidence in an increase in Average Room Rate for the coming quarter compared to the same period in 2005 is the highest amongst managers of hotels of 150-250 rooms (92%) and 75-150 rooms (85%).

Occupancy Confidence Indicator by Hotel Size (Number of Rooms)



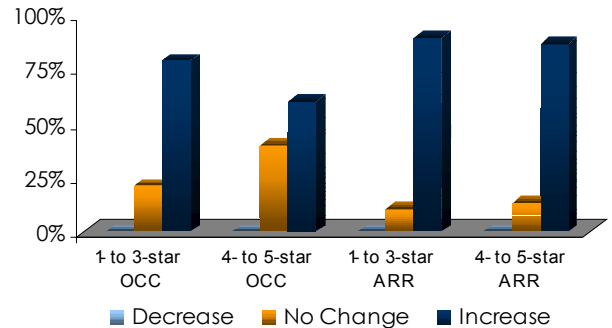
Avg. Rm. Rate Confidence Indicator by Hotel Size (Number of Rooms)



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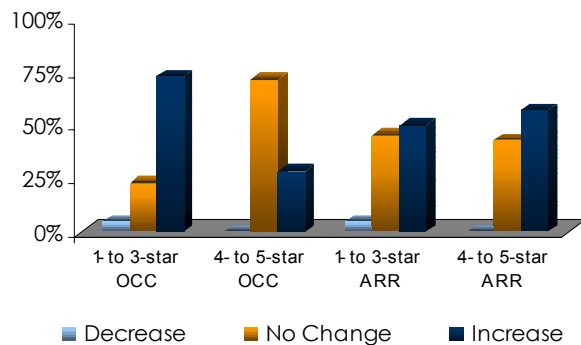
Hotel Performance Confidence Indicator - Gauteng

Overall confidence in an increase in both occupancy and Average Room Rate in comparison to the same period in 2005 is highest in Gauteng. The confidence in an increase in Average Room Rate for 1- to 3-star hotels is particularly high at 88%.



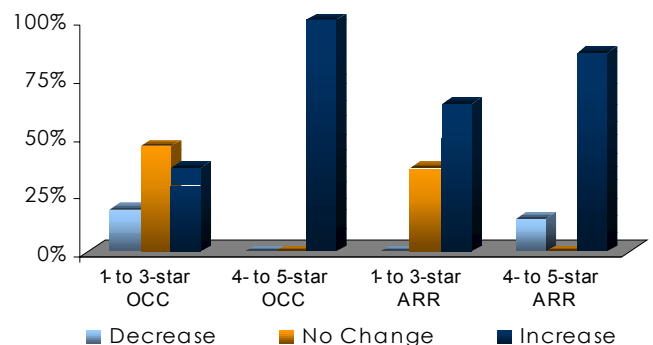
Hotel Performance Confidence Indicator - Western Cape

The confidence in an increase in the Average Room Rate for the 2nd Quarter 2006 compared to the same period last year does not differ much from the 1st Quarter of 2006. It is encouraging to see that unlike last quarter 73% of hotel managers of the 1- to 3-star establishments forecast an increase in their occupancy rate for the period.



Hotel Performance Confidence Indicator - Kwa Zulu-Natal

For the fifth quarter in a row the confidence in an increase in both occupancy and Average Room Rate compared to the same period in 2005 for the high-end establishments within Kwa Zulu-Natal is very high. 100% of 4- and 5-star hotel managers expect an increase in occupancy and 86% of 4- and 5-star hotel managers expect an increase in Average Room Rate. Hotel managers of 1- to 3-star establishments however are the least confident amongst all regions, with 45% of hotel managers forecasting the same occupancy, 18% forecasting a decrease in occupancy and 36% forecasting the same Average Room Rate for the upcoming quarter compared to the same period in 2005.

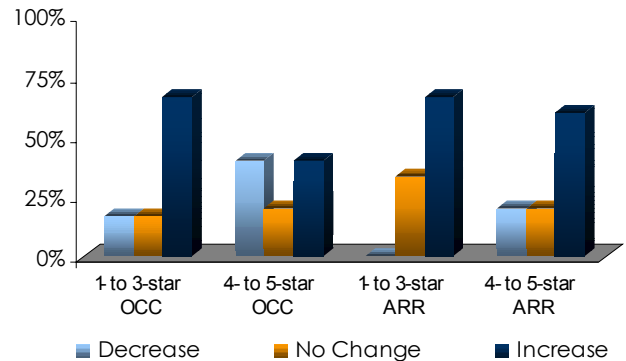


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Hotel Performance Confidence Indicator - Mpumalanga

The overall confidence of 1- to 3-star property hotel managers in the growth in occupancy and Average Room Rate is similar to the 1st Quarter of 2006.

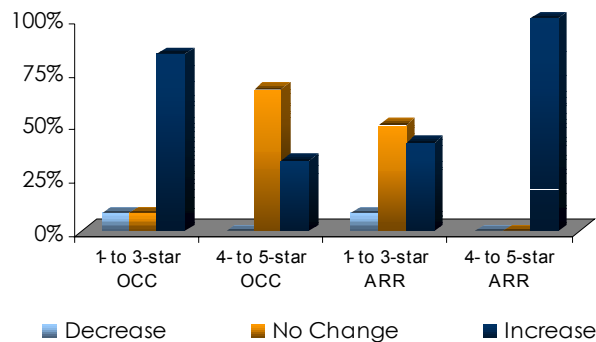
67% of Hotel managers of 4- and 5-star properties expect an increase in the Average Room Rate. However, hotel managers of 4- and 5-star properties are less confident in the growth of their occupancy, with 40% expecting a decrease in occupancy and 20% expecting their occupancy to remain the same for the 2nd Quarter of 2006 when compared to the same period in 2005.



Hotel Performance Confidence Indicator - Eastern Cape

Hotel managers of 1- to 3-star properties are confident in a growth in their occupancy, with 83% of managers forecasting an increase in the upcoming quarter compared to the same period in 2005. Hotel managers of 4- and 5-star establishments are less confident in a growth in their occupancy with only 33% expecting an increase and 67% expecting occupancy to remain the same.

However, hotel managers of 4- and 5-star establishments are the most confident about their Average Room Rate, with all managers forecasting an increase for the 2nd Quarter of 2006.



Tourist Arrivals Growth - Annual 2005 and Forecast 2006

Preliminary data from the World Tourism Organization (UNWTO) estimates that international tourism arrivals grew by 5,5% from 766 million arrivals to 808 million arrivals in 2005 despite terrorism, natural disasters, health scares, oil price rises, exchange rate fluctuations and economic and political uncertainties. The 2005 growth in international arrivals consolidates the strong growth achieved in 2004 (+10%).

The estimated increase represents some 42 million additional arrivals, of which the African continent is estimated to have received 3 million. Although the worldwide growth rate of 5,5% may be considered moderate, this is still almost 1,5 percentage points above the long-term average annual growth rate of 4,1%.

Results by region illustrate that Africa recorded the best growth in arrivals in 2005; an estimate of more than 10% and the only region to surpass its 2004 growth rate. Africa was followed by Asia and the Pacific (+7%), the Middle East (+7%), the Americas (+6%) and Europe (+4%). Of interest is the fact that the Middle East, despite a comparatively slower growth rate in 2005, has recorded the strongest average annual increase over the past five years.

According to the UNWTO, leisure tourism once again outperformed business tourism. It is suggested that this is the result of the increasing availability of no-frills airfares and the continued demand for holidays. Although some regions have shown an increase in business tourism, most notably in the MICE sector, the UNWTO Panel of Experts have commented on the evident shift in the market. Travel decisions are increasingly being taken by financial rather than marketing directors resulting in the value of business tourism declining in some regions.

For 2006, the message from the UNWTO Panel of Experts is that the industry can no longer expect a "normal year" as every year will bring new uncertainties and challenges. Nonetheless, according to the UNWTO, the general consensus from both public and private sectors is that prospects for 2006 are bullish.

UNWTO expects Europe, the Americas and Africa to follow the world trend of more moderate growth in 2006 whilst it anticipates that Asia and the Pacific as well as the Middle East will exceed the already strong 2005 growth rates. Africa's growth rate is predicted to slow down to around 6% from 10% achieved this past year.

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The Horwath Hotel, Tourism and Leisure Group is the largest global organisation in the sector — and is growing fast. The Group comprises a global network of more than 150 industry specialised consultants working from 57 offices in 32 countries. By comparison, the next largest competitor has less than one third of the global coverage. Horwath's wide representation provides us with a unique market positioning. We can offer clients an unrivalled depth of knowledge of local market characteristics, combined with an understanding of international trends.

For nearly a century, Horwath has globally conquered the challenge of an ever-changing world market by providing a vast array of professional services in the hotel, tourism and leisure sector. Beginning in 1915, Horwath paved the way by creating a standard system of hotel accounting — a system so successful it is still in practice today. Throughout the years, we have gained unequalled experience and expertise through a combination of specialised local knowledge and international understanding.

Horwath Tourism and Leisure Consulting is driven by a single purpose: helping you, the client, to succeed in any market, whether it is local or global. Putting your needs first also dictates the network's energetic and supportive approach. While national business cultures shape the nature of this support in each country, our international offices all work towards the same end: achieving tangible success for our clients.