

# Horwath Hotel Performance Confidence Indicator 2nd Quarter 2007



Hotel, Tourism and Leisure

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We are pleased to present the Horwath Hotel Performance Confidence Indicator for the 2nd Quarter of 2007. 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 2007 in comparison to the same period in 2006. In total 213 hotel managers, 87% 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,

Michèle de Witt  
Director

## Summary of Results—2nd Quarter 2007

The overall forecasts in the hotel industry for the second Quarter of 2007 are promising, with some 67% of all hotel managers interviewed forecasting an increase in occupancy and some 79% forecasting an increase in Average Room Rate (ARR) over the same period last year.

Hotel managers of 1- and 3-star establishments in the country are the most confident in an increase in occupancy and ARR.

Though the majority of hotel managers interviewed are confident in an increase in ARR (79%), the confidence for the last two quarters has been slightly higher, with 87% and 82% forecasting an increase in ARR in Quarter 1, 2007 and Quarter 4, 2006 respectively.

The high end of the market seems to be the least confident for the upcoming quarter where occupancy and ARR is concerned with only 46% of

establishments in the country expecting an increase in occupancy and some 69% expecting an increase in ARR.

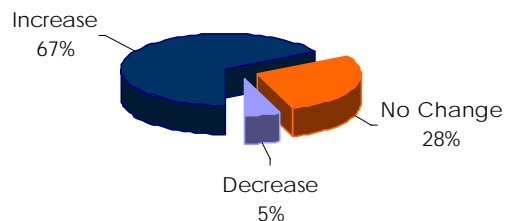
Hotel managers of 1- and 3-star establishments in the country are the most confident in an increase in occupancy and ARR.

According to a Stats SA report released in March, the 2006 tourism results reflect a 13% increase in total tourist arrivals; 6,4% increase in accommodation units sold; and 17,7% increase in income derived from the sale of accommodation when compared to 2005.

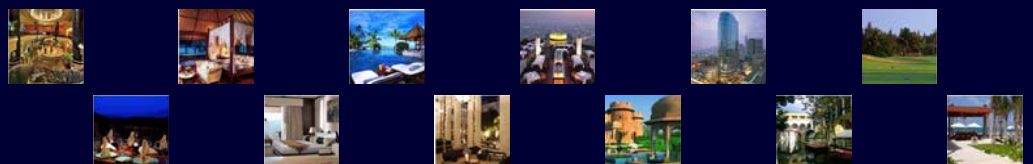
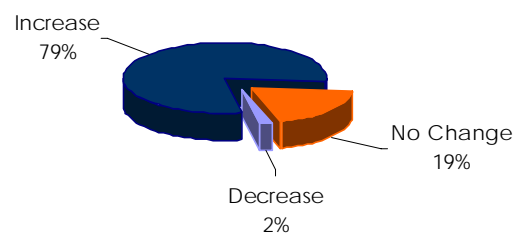
Given the current positive economic and tourism climate in South Africa and globally, we expect tourist arrivals to continue to increase.

## Overall Confidence—2nd Quarter 2007

### Occupancy



### Average Room Rate



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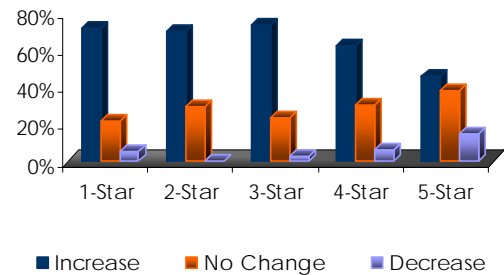
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## Confidence Indicator by Star Grading

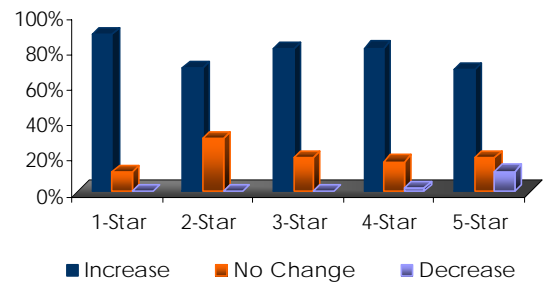
Hotel managers of 1-, 2- and 3-star establishments are most confident in an increase in occupancy. Compared to the same period last year, the confidence in an increase in occupancy reported by hotel managers of 2- and 3-star establishments (70% and 72% respectively) reflects a significant growth in confidence when compared to the second Quarter of 2006. Despite 72% of hotel managers of 1-star establishments expecting an increase in occupancy for the upcoming quarter, this does reflect a decline in confidence when compared to the same period last year. Hotel managers of 5-star establishments are the least confident in an increase in occupancy for the second Quarter of 2007 when compared to the same period last year; 46% expect an increase in occupancy.

The overall confidence in an increase in Average Room Rate (ARR) remains high for the third consecutive quarter with some 79% of all hotel managers interviewed expecting an increase in ARR in the upcoming quarter compared to the same period last year. Hotel managers of 1-star establishments remain the most confident in an increase in ARR (89%) whilst hotel managers of 5-star establishments remain the least confident in an increase in ARR (69%) for the second Quarter of 2007 compared to the same period last year.

### Occupancy (by Star Grading)

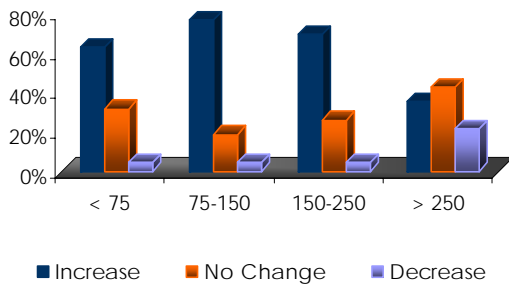


### Average Room Rate (by Star Grading)



## Confidence Indicator by Hotel Size

### Occupancy (by Hotel Size /Number of Rooms)

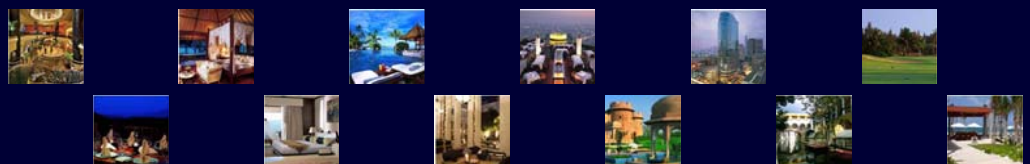
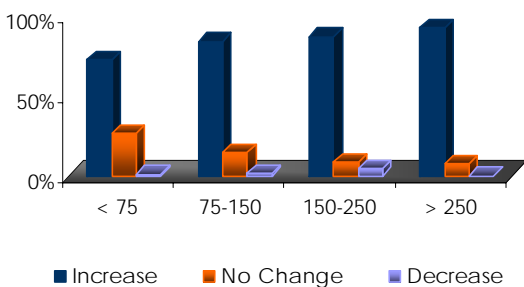


For the upcoming quarter, managers of mid-scale hotels (75—150 rooms) are most confident in terms of an increase in occupancy; 77% compared to 58% for the same period last year. Managers of hotels with more than 250 rooms are the least confident in an increase in occupancy for the upcoming quarter; 36% compared to 78% for the same period last year.

Conversely, confidence in an increase in Average Room Rate for the upcoming quarter is highest amongst managers of establishments with more than 250 rooms (93%), reflecting a significant growth in confidence when compared to the same period in 2006. Some 87% of managers of hotels with 150—250 rooms forecast an increase in ARR compared to 92% for the same period last year.

Confidence in an increase in ARR by managers of mid-scale hotels (75-150 rooms) remains consistent with the same period last year; 84%. Managers of hotels with less than 75 rooms recorded a significant growth in confidence in an increase in ARR for the upcoming quarter; 73% compared to 56% for the same period last year.

### Average Room Rate (by Hotel Size /Number of Rooms)



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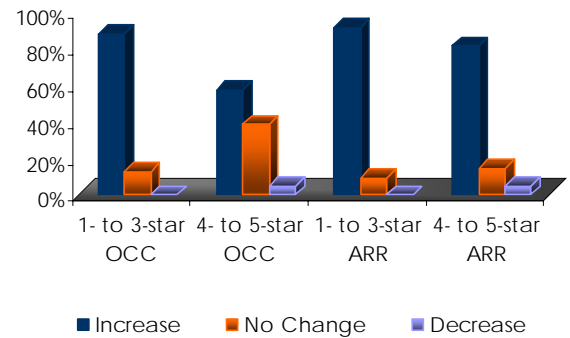


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## Confidence Indicator - Gauteng

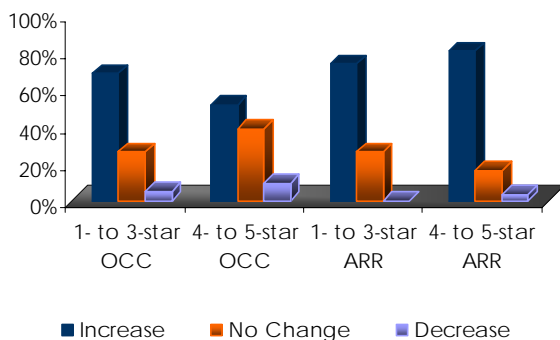
The overall confidence in an increase in occupancy in the second Quarter of 2007 is highest among hotel managers of Gauteng properties. 75% of hotel managers forecast an increase in occupancy compared to some 71% in the second Quarter of 2006, reflecting a marginal growth in confidence from the Gauteng industry.

88% of hotel managers of 1- to 3-star properties and 57% of hotel managers of 4- & 5-star properties forecast an increase in occupancy for the upcoming quarter compared to the same period last year. 38% of hotel managers of 4- & 5-star properties expect occupancies to remain the same in the second Quarter of 2007 compared to the second Quarter of 2006.



The overall confidence in an increase in Average Room Rate remains high in Gauteng with 87% of hotel managers interviewed forecasting an increase in Average Room Rate compared to some 88% for the same period last year. Confidence in an increase in ARR is highest among hotel managers of 1- to 3-star properties; 91% compared to 89% for the same period last year. 81% of hotel managers of 4- & 5-star properties forecast an increase in ARR for the upcoming quarter compared to some 87% for the same period last year, reflecting a marginal decline in confidence.

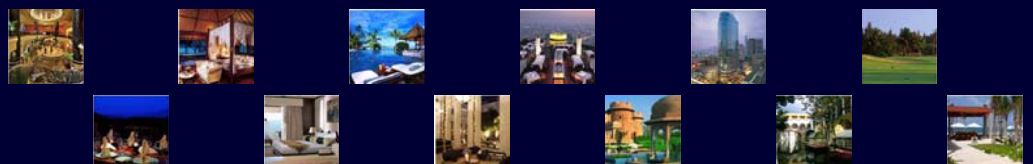
## Confidence Indicator - Western Cape



The overall confidence in an increase in occupancy for the second Quarter of 2007 in the Western Cape is 58% compared to 56% in Quarter 2 2006.

Hotel managers of 1- to 3-star properties are most confident in an increase in occupancy; some 68% forecast an increase in occupancy for the upcoming quarter. However, this represents a 5% decline in confidence when compared to the same period last year. By comparison, some 52% of 4- & 5-star hotel managers forecast an increase in occupancy for the second Quarter of 2007 compared to 29% for the same period in 2006.

The overall confidence in an increase in Average Room Rate for the second Quarter of 2007 is some 78% compared to 53% in Quarter 2 2006, reflecting a significant growth in confidence from the Western Cape industry. Some 81% of hotel managers of 4- & 5-star properties forecast an increase in Average Room Rate in the second Quarter of 2007 compared to 57% for the same period last year. 74% of hotel managers of 1- to 3-star properties forecast an increase in Average Room Rate in the second Quarter of 2007 compared to 50% for the same period last year.



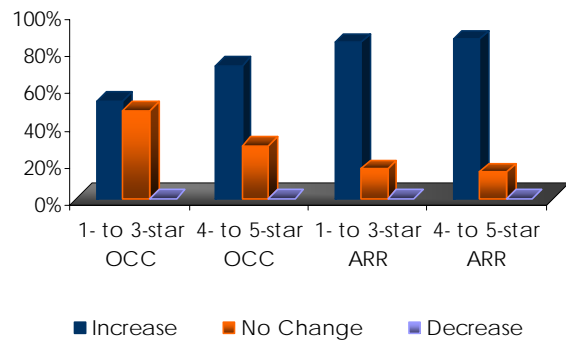
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## Confidence Indicator - KwaZulu Natal

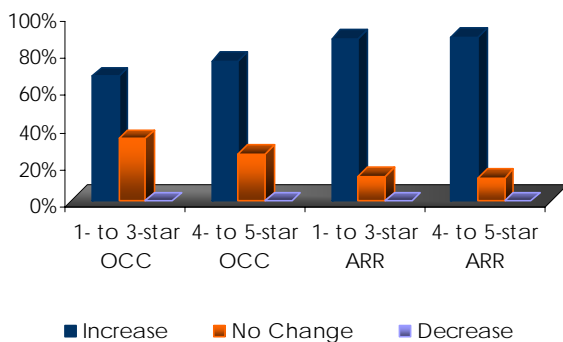
Overall confidence in an increase in occupancy for the second Quarter of 2007 has declined marginally to 58% in KwaZulu Natal compared to 61% for the same period last year. Some 42% of hotel managers interviewed expect occupancies to remain unchanged for the upcoming quarter compared to 28% for the same period last year.



Hotel managers of 1- to 3-star properties are the least confident in an increase in occupancy (53%), nonetheless this represents a growth in confidence of 17 percentage points when compared to the second Quarter of 2006. 71% of hotel managers of 4- & 5-star properties forecast an increase in occupancy; a decline in confidence in an increase in occupancy of some 29 percentage points.

The overall confidence in an increase in Average Room Rate for the upcoming quarter is quite positive in KwaZulu Natal; some 85% of hotel managers expect an increase in ARR in Quarter 2 2007 compared to 72% for the same period last year. Confidence in an increase in ARR is highest among hotel managers of 4- & 5-star properties (86%), consistent with the same period last year. 84% of 1- to 3-star hotel managers forecast an increase in ARR for the upcoming quarter compared to some 64% for the same period last year, reflecting a significant growth in confidence in an increase in ARR.

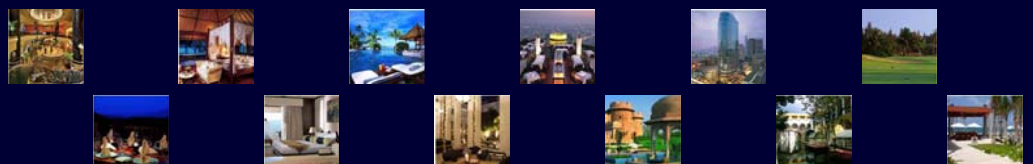
## Confidence Indicator - Mpumalanga



Overall confidence in an increase in occupancy for the second Quarter of 2007 is some 70% in Mpumalanga compared to 55% for the same period last year, reflecting a significant growth in confidence from the Mpumalanga industry.

Some 67% of hotel managers of 1- to 3-star properties forecast an increase in occupancy, consistent with the same period last year. 75% of hotel managers of 4- & 5-star properties forecast an increase in occupancy for the upcoming quarter compared to some 40% for the same period last year, reflecting a significant growth in confidence of some 35 percentage points.

The Mpumalanga industry recorded a significant increase in confidence in an increase in Average Room Rate for the upcoming quarter. 87% of hotel managers interviewed forecast an increase in ARR compared to 64% in Quarter 2 2006. Some 87% of hotel managers of 1- to 3-star properties forecast an increase in ARR for Quarter 2 2007, reflecting a growth in confidence of some 20 percentage points compared to the same period last year. Similarly, hotel managers of 4- & 5-star properties reflect a 28% growth in confidence in an increase in ARR for the upcoming quarter compared to Quarter 2 2006; 88% of hotel managers of 4- & 5-star properties forecast an increase in ARR in Quarter 2 2007.



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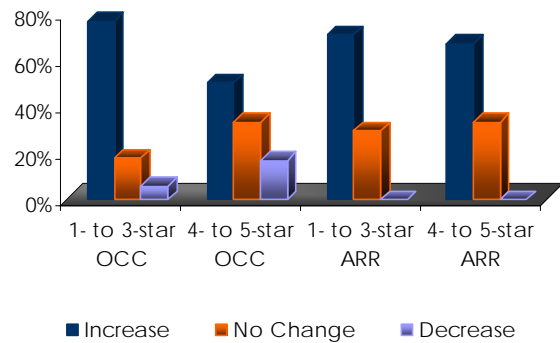


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## Confidence Indicator - Eastern Cape

The overall confidence in an increase in occupancy in the second Quarter of 2007 is 70% for the Eastern Cape industry. The overall confidence in an increase in occupancy reported by the Eastern Cape industry for the second Quarter of 2006 was 73%.

76% of hotel managers of 1- to 3-star properties forecast an increase in occupancy for the upcoming quarter; a decline in confidence in an increase in occupancy of some 7 percentage points when compared to the same period last year. Hotel managers of 4- & 5-star properties are less confident in an increase in occupancy with 50% of hotel managers interviewed expecting an increase in occupancy in the second Quarter of 2007. Nonetheless, this represents a growth in confidence in an increase in occupancy of some 17 percentage points when compared to the second Quarter of 2006.



The overall confidence in an increase in Average Room Rate for the Eastern Cape industry is some 70% for the second Quarter of 2007. 71% of hotel managers of 1- to 3-star properties expect an increase in ARR for the upcoming period, compared to 42% in Quarter 2 2006. Hotel managers of 4- & 5-star properties are marginally less confident in an increase in ARR for the upcoming quarter; 67% of hotel managers of 4- & 5-star properties expect an increase in ARR. Compared to the level of confidence in an increase in ARR reported in Quarter 2 2006, this represents a decline in confidence of some 33 percentage points.

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