

Horwath Hotel Performance Confidence Indicator 2nd Quarter 2008



Hotel, Tourism and Leisure

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We are pleased to present the Horwath Hotel Performance Confidence Indicator for the 2nd Quarter of 2008. 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 2008 in comparison to the same period in 2007. In total 179 hotel managers, 94% 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

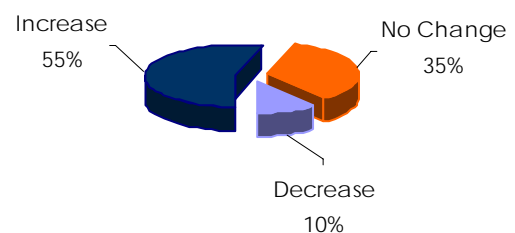
Summary of Results—2nd Quarter 2008

The overall forecasts in the industry for the second Quarter of 2008 are promising with some 55% of all hotel managers interviewed forecasting an increase in occupancy and some 80% forecasting an increase in Average Room Rate (ARR) over the same period last year.

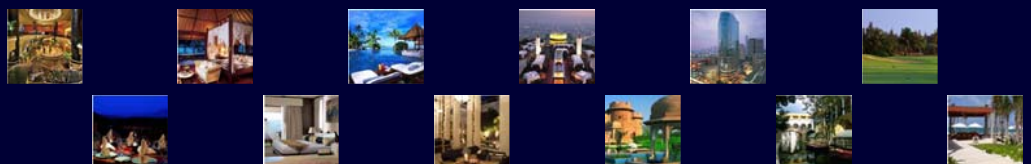
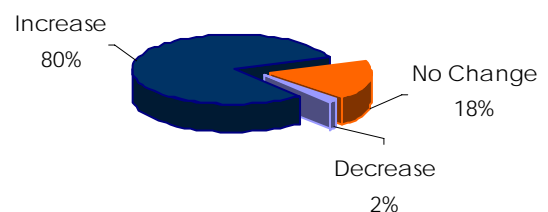
Compared with the second quarter of 2007 hotel managers are less confident in an increase in occupancy; some 55% of all hotel managers forecast an increase in occupancy compared to some 67% in the same period last year. Some 35% of all hotel managers anticipate that occupancy will remain unchanged in the upcoming Quarter compared to some 28% of respondents in respect of the second Quarter 2007. 10% of all hotel managers anticipate occupancy to decrease compared to some 5% of respondents in the same period last year. The majority of hotel managers interviewed are confident in an increase in ARR (80%), consistent with last year's forecast. Some 18% of all hotel managers anticipate ARR to remain the same; 1 percentage point lower than the second Quarter 2007. Following robust growth in occupancy in 2007, the decline in confidence in an increase in occupancy is understandable. Continuing the general trend of last year forecasts in respect of ARR continue to be positive.

Overall Confidence—2nd Quarter 2008

Occupancy



Average Room Rate



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Confidence Indicator by Star Grading

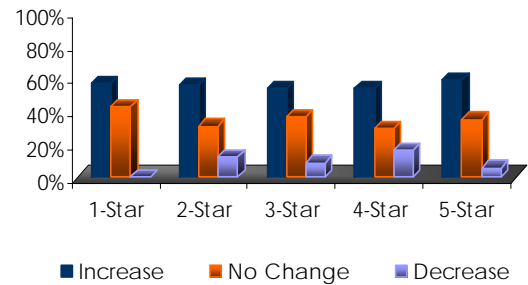
Confidence in an increase in occupancy for the second quarter 2008 is highest among hotel managers of 5-star properties (59%). Hotel managers of 3- and 4-star hotels are the least confident in an increase in occupancy for the upcoming quarter; 54% respectively.

Overall, the proportion of hotel managers anticipating occupancy in the 2nd Quarter of 2008 will remain unchanged has increased significantly; 57% compared to some 28% of respondents in respect of Quarter 2, 2007.

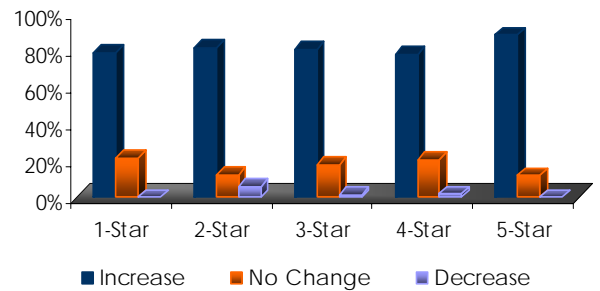
Confidence in an increase in ARR is high with some 80% of all hotel managers forecasting an increase in ARR; overall, some 2% of hotel managers forecast a decrease in ARR for the upcoming quarter.

Confidence in an increase in ARR in the second Quarter 2008 is highest among hotel managers of 5-star properties (88%), followed by hotel managers of 2- and 3-star properties (81% respectively). Hotel managers of 2-, 3-, and 4-star properties anticipate ARR will decline marginally in Quarter 2, 2008.

Occupancy (by Star Grading)

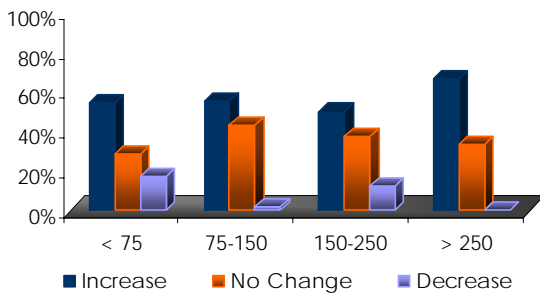


Average Room Rate (by Star Grading)



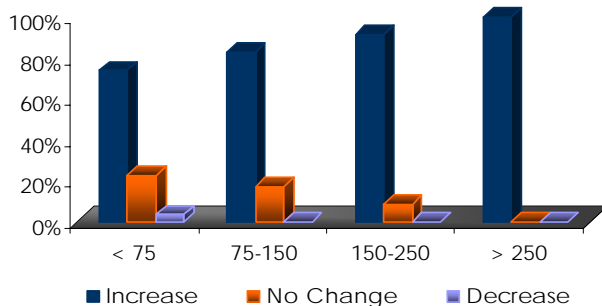
Confidence Indicator by Hotel Size

Occupancy (by Hotel Size /Number of Rooms)

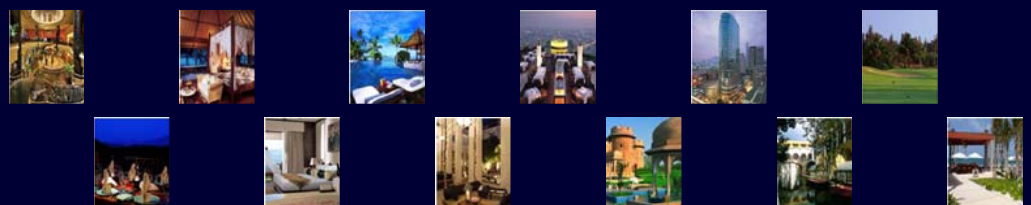


Overall, confidence in an increase in occupancy is highest among hotel managers of hotels with more than 250 rooms; 67%. Confidence in an increase in occupancy is lowest among hotel managers of establishments with between 150 and 250 rooms; 50%. Some 55% of hotel managers of boutique establishments (less than 75 rooms) forecast an increase in occupancy; 9 percentage points lower than in the same period last year. Some 55% of hotel managers of mid-scale establishments (75-150 rooms) anticipate occupancy will increase in the second Quarter of 2008 compared with some 77% of respondents in the same period last year.

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



Confidence in an increase in ARR for the upcoming quarter is highest among hotel managers of large establishments (more than 250 rooms); 100%. Some 92% of hotel managers of establishments with between 150 and 250 rooms forecast an increase in ARR compared to 87% for the same period last year. Confidence in an increase in ARR among hotel managers of mid-scale properties (75-150 rooms) is consistent with the same period last year; 83%. 74% of hotel managers of boutique properties (less than 75 rooms) forecast an increase in ARR; consistent with the same period last year.

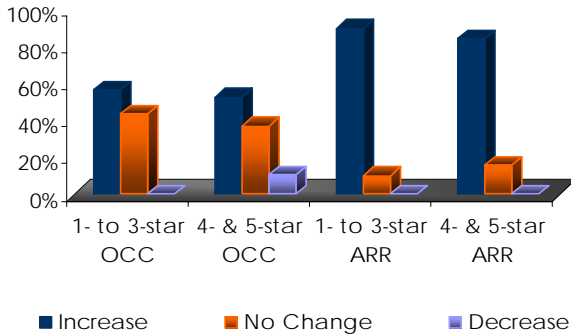


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Confidence Indicator - Gauteng



Confidence in an increase in occupancy in the second Quarter of 2008 in Gauteng has declined compared to the second quarter last year; 55% compared to 75%. Conversely, the number of hotel managers anticipating occupancy will remain unchanged in the second Quarter has increased (41%) compared to 23% the second quarter last year.

Some 57% of hotel managers of 1- to 3- star properties forecast an increase in occupancy; 43% anticipate occupancy will remain unchanged. Some 53% of hotel managers of 4- & 5- star properties forecast an increase in occupancy. Some 37% forecast occupancy will remain the same in the second Quarter of

2008 when compared to the second Quarter 2007. 11% of hotel managers of 4- & 5- star properties anticipate occupancy will decrease in the upcoming quarter.

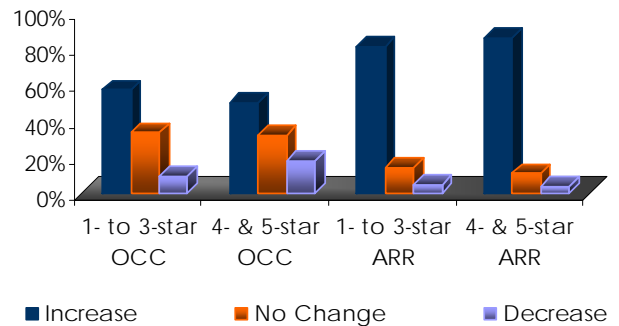
The overall confidence in an increase in ARR in Gauteng remains high; some 88% of Gauteng hotel managers forecast an increase in ARR consistent with the same period last year. Hotel managers of 1- to 3- star properties are most confident in an increase in ARR; 90%. Some 84% of hotel managers of 4- & 5- star properties forecast an increase in ARR.

Gauteng hotel managers attribute the confidence in an increase in occupancy to an increase in demand from the corporate segment and an increase in the number of conferences.

Confidence Indicator - Western Cape

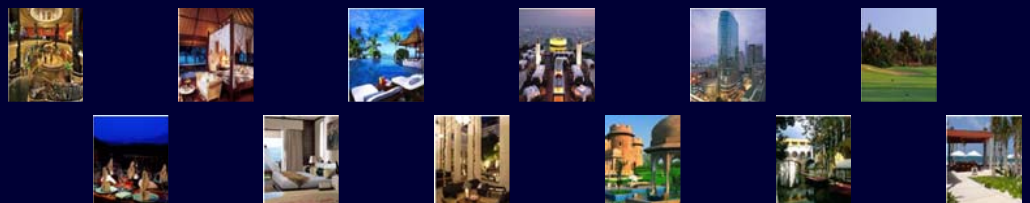
The overall confidence in an increase in occupancy for the second Quarter of 2008 in the Western Cape is 53% compared to 58% in Quarter 2 2007. Some 33% of hotel managers anticipate occupancy to remain unchanged and some 14% forecast a decrease in occupancy in the upcoming quarter.

Hotel managers of 1- to 3-star properties are the most confident in an increase in occupancy; some 57% albeit an 11 percentage point decline in confidence when compared to the same period last year. Some 50% of 4- & 5-star hotel managers forecast an increase in occupancy for the second Quarter of 2008 compared to 52% for the same period in 2007.



The overall confidence in an increase in ARR for the second Quarter of 2008 is some 84% compared to 78% in Quarter 2 2007, reflecting a marginal growth in confidence from the Western Cape industry. Some 86% of hotel managers of 4- & 5- star properties forecast an increase in ARR in the second Quarter of 2008 compared to 81% for the same period last year. 81% of hotel managers of 1- to 3-star properties forecast an increase in ARR in the second Quarter of 2008 compared to 74% for the same period last year.

The Western Cape hotel managers attribute an increase in occupancy and ARR to an increase of corporate business and an increase in the number of conferences.

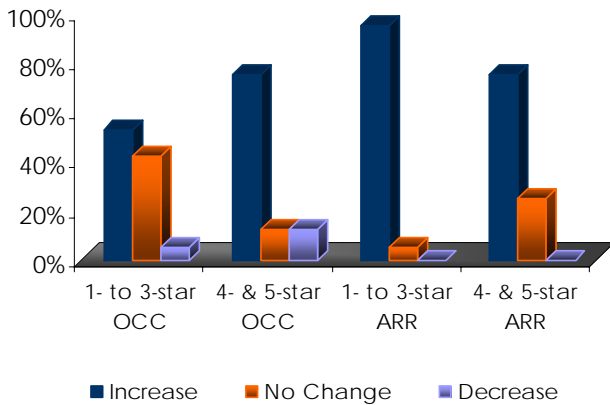


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Confidence Indicator - KwaZulu Natal



Overall confidence in an increase in occupancy for the second Quarter of 2008 in KwaZulu Natal is 59% compared to 58% in the same period last year. Some 33% of hotel managers interviewed forecast occupancy will remain unchanged for the upcoming quarter compared to 42% for the same period last year.

Hotel managers of 1- to 3-star properties are the least confident in an increase in occupancy (53%), consistent with the second Quarter 2007. 42% of hotel managers of 1- to 3- star properties forecast occupancy will remain unchanged. Hotel managers of 4- & 5-star properties are the most confident in an increase in occupancy; some 79% anticipate an increase in occupancy.

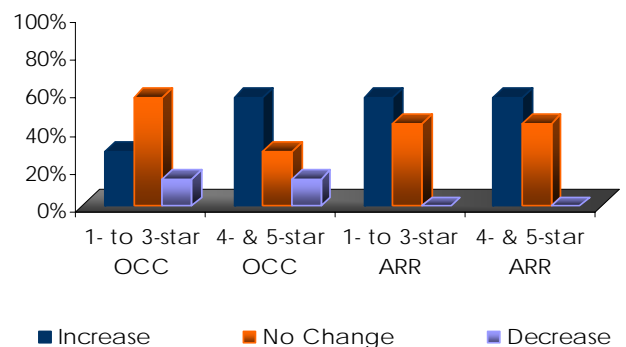
The overall confidence in an increase in ARR for the upcoming quarter in KwaZulu Natal is positive; 89%. Hotel managers of 1- to 3- star hotels are the most confident in an increase in ARR; some 95% of hotel managers of 1- to 3- star hotels expect an increase in ARR in Quarter 2 2008 compared to some 85% for the same period last year. Confidence in an increase in ARR is lowest among hotel managers of 4- & 5-star properties (75%).

Feedback from the KwaZulu Natal industry was mixed with some hotel managers attributing anticipated growth in the upcoming quarter to an increase in the number of conferences and sporting events, for example: Tourism Indaba and Comrades Marathon. However, some hotel managers anticipate that the current economic situation will constrain growth in this segment. Hotel managers of beach front properties sited crime in the immediate area as a growth constraint.

Confidence Indicator - Mpumalanga

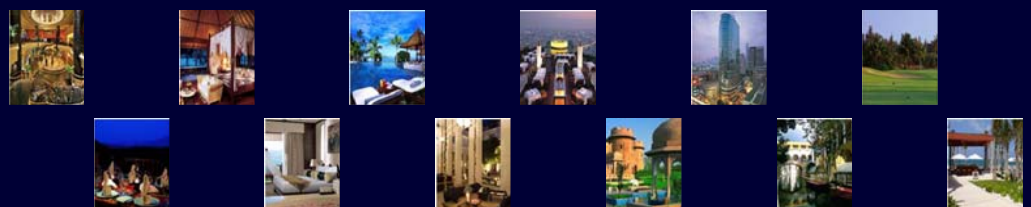
Overall confidence in an increase in occupancy has declined in the Mpumalanga industry. Some 43% of hotel managers forecast an increase in occupancy for the second Quarter of 2008 compared to some 70% for the same period last year.

Some 29% of hotel managers of 1- to 3-star properties forecast an increase in occupancy, significantly lower than in the same period last year (67%). 57% of hotel managers of 1- to 3- star hotels anticipate occupancy will remain unchanged. Some 59% of hotel managers of 4- & 5-star properties forecast an increase in occupancy for the upcoming quarter compared to some 75% for the same period last year.



Overall, some 57% of hotel managers forecast an increase in ARR compared to some 87% in Quarter 2 2007; 43% of hotel managers forecast the ARR will remain the same. Some 57% of hotel managers of 1- to 3-star properties forecast an increase in ARR for Quarter 2 2008 and 43% forecast the ARR will remain the same. 57% of hotel managers of 4- & 5-star properties forecast an increase in ARR and 43% forecast the ARR will remain unchanged for the upcoming quarter.

The Mpumalanga industry attributes an increase in occupancy and ARR to an increase in the number of business and sporting events, however, the number of long week-ends in the upcoming period may influence this influx generator to some degree.

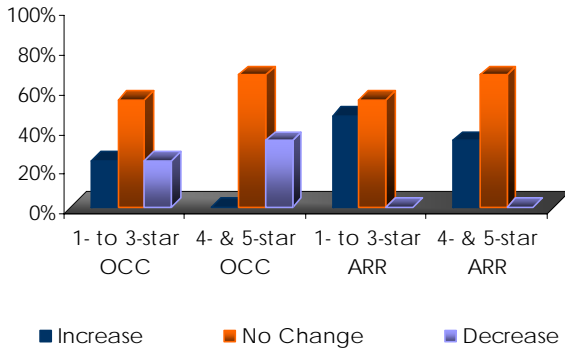


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Confidence Indicator - Eastern Cape



The overall confidence in an increase in occupancy in the Eastern Cape industry in the second Quarter of 2008 is some 19%, compared to some 70% of hotel managers interviewed in respect of the second Quarter of 2007. Overall, some 56% of hotel managers anticipate occupancy will remain unchanged.

54% of hotel managers of 1- to 3-star properties anticipate occupancy will remain unchanged the upcoming quarter when compared to the second quarter 2007.

Hotel managers of 4- & 5-star properties are less confident in an increase in occupancy with some 67% of hotel managers anticipating occupancy to remain unchanged and some 33% anticipate occupancy will decrease in the upcoming quarter when compared to the same period last year.

The overall confidence in an increase in ARR for the Eastern Cape industry is some 44% for the second Quarter of 2008 and some 56% of all hotel managers forecast the ARR will remain unchanged. 46% of hotel managers of 1- to 3-star properties forecast an increase in ARR for the upcoming period, compared to some 71% in respect of the second Quarter 2007. Hotel managers of 4- & 5-star properties are less confident in an increase in ARR for the upcoming quarter; 33% of hotel managers of 4- & 5-star properties forecast an increase in ARR and some 57% anticipate the ARR will remain unchanged.

The Eastern Cape industry attributed the decline in occupancy primarily to additional supply of available hotel rooms and the prevailing economic situation.

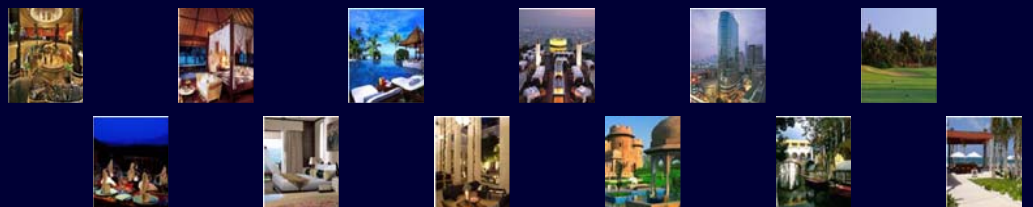
Tourist Arrival Prospects for 2008

Preliminary data from the World Tourism Organisation (UNWTO) estimates that international tourist arrivals exceeded expectations in 2007. The global average growth rate in 2007 was some 6% resulting in the number of international tourist arrivals increasing from 846 million arrivals in 2006 to 898 million arrivals in 2007; an increase of some 52 million international tourist arrivals.

Whilst mature markets (Europe and the Americas) remained the leading destinations of the world, developing countries led the dynamic world tourism growth in 2007. The faster growth rate of new markets underlines tourism's potential for developing countries with the governments of these countries increasingly aware of the possibilities opened by tourism for social and economic development and job creation.

According to the UNWTO, all regions registered significant growth in 2007 with the highest growth recorded in the Middle East (13%), followed by Asia and the Pacific (10%), Africa (8%), the Americas (5%), and Europe (4%). Regional results illustrate that Africa has sustained the momentum of 2006, recording a total of 44 million international tourist arrivals in 2007. With the 2010 FIFA Soccer World Cup to be hosted in South Africa, awareness of the region has continued to grow.

According to South African Tourism, the number of foreign tourist arrivals in South Africa in 2007 increased by some 8,3% from 8 395 833 in 2006 to 9 092 231 in 2007. Some 75,5% of total foreign tourist arrivals were arrivals from other African countries; this equates to some 2,1 million foreign tourist arrivals in South Africa from overseas countries in 2007.



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Growth in overseas tourist arrivals for 2007 was some 4,7% when compared to the same period last year. In 2006, growth in overseas tourist arrivals amounted to some 7,1%. Tourist arrivals from Africa increased by some 9,3% in 2007 when compared to 2006.

For the full year 2007, foreign tourist arrivals in South Africa from all regions showed an increase. Particularly encouraging was a 12,7% increase in arrivals from Asia and 12,2% increase in arrivals from the Middle East. Tourist arrivals from North America increased by 8,6%, followed by Australasia (6,3%), Indian Ocean Islands (5,8%) albeit off a low base, Central and South America (5,6%), and Europe (2,3%).

However, increasing oil prices, less favorable global economic prospects and greater uncertainty are factors that are forecast to slow down the growth of international tourist arrivals in 2008. In light of the current global financial crisis, the International Monetary Fund has readjusted the

forecasted growth of the global economy to 3,7% in 2008 and 3,8% in 2009. In South Africa the gross domestic product growth is expected to slow down to a rate of 3,8% in 2008 compared to 5,1% in 2007 and 5,4% in 2006.

The lower economic growth is expected to reflect on all markets, however taking into consideration that the tourism industry's growth rate of developing countries was expected to significantly increase and that in the past the tourism sector has proven to be resilient to external factors it can be anticipated that the effects of the current global economic situation on the tourism industry will not translate in a recession.

It is forecasted however that the growth of the tourism sector will slow down. The UNWTO forecasts a global annual growth of 4,1% through the year 2020. The growth rate in sub-Saharan Africa is anticipated to decrease and it is conceivable that South Africa will notice a restricted growth in the tourism industry during the upcoming year.

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