HORWATH CONFIDENCE INDICATOR

HOTEL PERFORMANCE - 3RD QUARTER 2006

Horwath

Inside this issue:

3rd Quarter 2006

We are pleased to present the Horwath Hotel Performance Confidence Indicator publication for the 3rd 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 3rd Quarter of 2006 in comparison to the same period in 2005. In total 166 hotel managers, 92% 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,

Michelè de Witt

Director

Summary of Results - 3rd Quarter 2006

The overall forecast in the industry for the third Quarter of 2006 is quite positive with some 60% of hotel managers interviewed forecasting an increase in occupancy; compared to some 51% in the third Quarter of 2005.

For the third Quarter of 2006, some 69% of hotel managers interviewed forecast an increase in Average Room Rate (ARR) compared to some 47% of hotel managers interviewed in respect of the third Quarter of 2005.

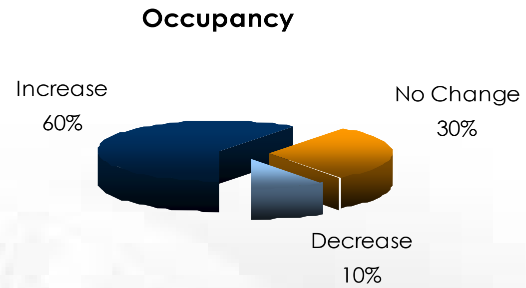
Hotel managers of 1-star hotels seem to be the least confident in an increase in occupancy for the upcoming quarter with only 50% forecasting an increase. 61% of 3-, 4– and 5-star hotel managers are forecasting an increase in occupancy for the upcoming quarter.

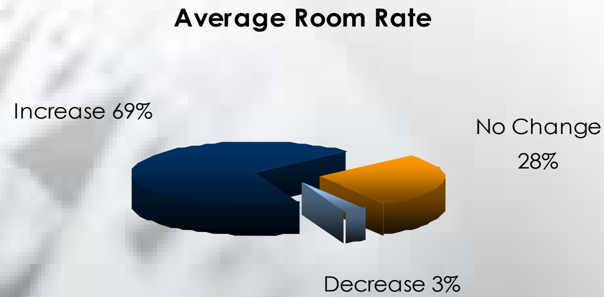
The most significant change for the upcoming quarter, when compared to the third Quarter of 2005, is the forecasted confidence in an increase in ARR (69% compared to 47% in Quarter 3 2005).

This can be attributed to significant growth in confidence in an increase in ARR by hotel managers of 2-, 3-, 4– and 5-star hotels.

The growth in the confidence may be attributable to the weakening Rand which will cause declining rate sensitivity amongst foreign hotel customers.

Overall Confidence - 3rd Quarter 2006





HOTEL CONFIDENCE - 3RD QUARTER 2006

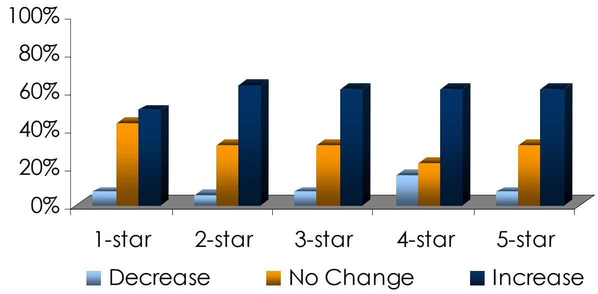
Confidence by Star Grading

For the 3rd Quarter of 2006, hotel managers of 2-star properties are the most confident in an increase in both occupancy (63%) and Average Room Rate (79%).

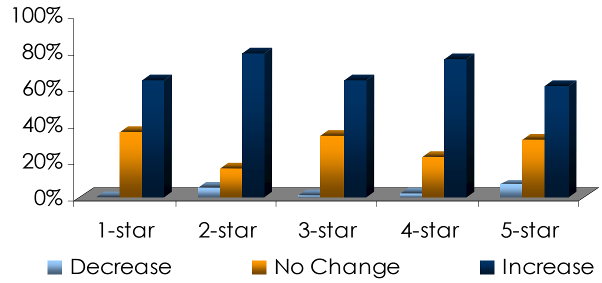
Hotel managers of 1-star establishments are the least confident in an increase in occupancy for the up-coming quarter, with some 43% of hotel managers expecting similar occupancies to those achieved during the same period in 2005.

The confidence in an increase in Average Room Rate remains lowest in the 1– and 5-star market with some 36% and 32% of hotel managers respectively forecasting similar Average Room Rates to that achieved in the same period in 2005; despite a marked overall increase in confidence when compared to the third Quarter in 2005.

Occupancy Confidence Indicator by Star Grading



Avg. Rm. Rate Confidence Indicator by Star Grading

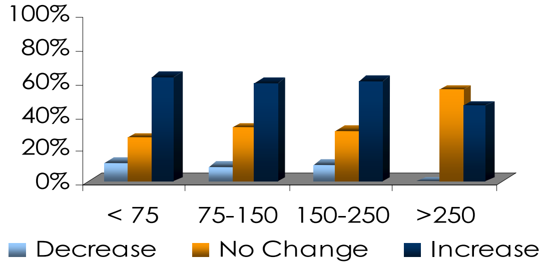


Confidence by Hotel Size

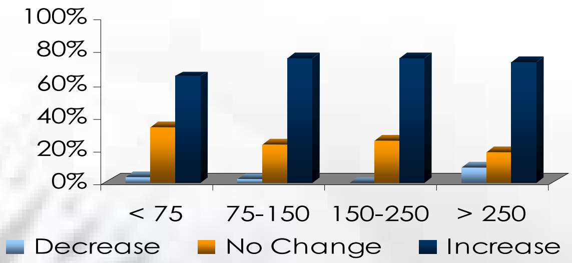
For the coming quarter, hotel managers of hotels with less than 75 rooms are the most confident in terms of an increase in occupancy (63% compared to 49% for the same period last year). Managers of hotels with more than 250 rooms are the least confident in an increase in occupancy for the third quarter of 2006 which is consistent with the results of the same period in 2005.

The confidence in an increase in ARR for the coming quarter is highest amongst managers of mid-scale (75-150 rooms) to large (250 rooms plus) hotels reflecting a similar pattern to that of the third quarter of 2005. Some 64% of hotel managers of hotels with less than 75 rooms forecast an increase in ARR in the third quarter of 2006, reflecting the least confidence in an increase in ARR.

Occupancy Confidence Indicator by Hotel Size (Number of Rooms)



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



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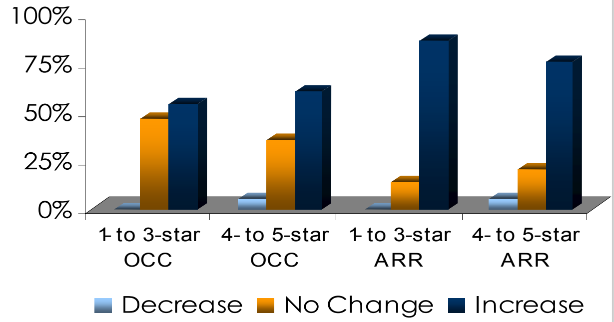
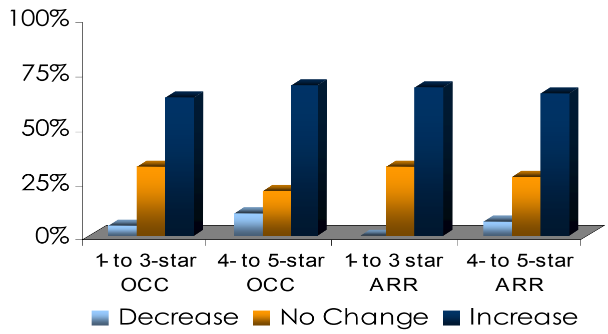
Hotel Performance Confidence Indicator - Gauteng

The confidence in an increase in occupancy in Gauteng for the third Quarter of 2006 is the highest amongst managers of 4- and 5-star hotels (60%). This represents an increase of some 27% when compared to the same period last year. Overall confidence in an increase in Average Room Rate remains high in Gauteng with 80% of all hotel managers forecasting an increase in ARR. Confidence in an increase in Average Room Rate is highest amongst hotel managers of 1– to 3-star hotels (87%).



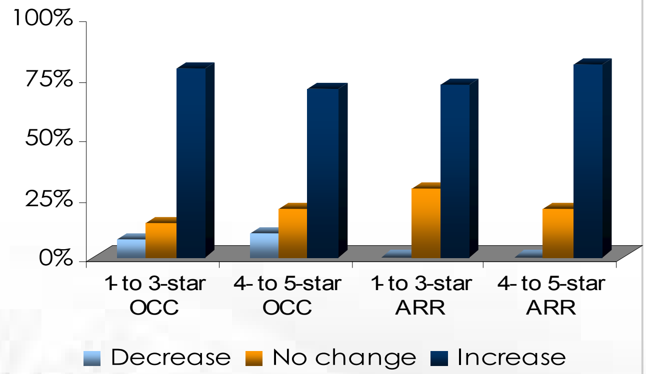
Hotel Performance Confidence Indicator - Western Cape

The overall confidence in an increase in occupancy and Average Room Rate for the 3rd Quarter in 2006 in the Western Cape was 67%. Compared to the 3rd Quarter 2005 when overall confidence in an increase in occupancy and Average Room Rate was some 50% and 34% respectively, confidence in the Western Cape industry has strengthened significantly. Some 69% of hotel managers of 4– and 5-star hotels are confident in an increase in occupancy whilst some 68% of hotel managers of 1– to 3-star hotels are confident in an increase in Average Room Rate.



Hotel Performance Confidence Indicator - KwaZulu Natal

Overall confidence in an increase in occupancy for the 3rd Quarter of 2006 is highest in KwaZulu Natal with 75% of hotel managers forecasting an increase. Hotel managers of 1- to 3-star hotels are the most confident in an increase in occupancy (79%) and some 70% of hotel managers of 4- and 5-star hotels forecast an increase in occupancy. Confidence in an increase in Average Room Rate is highest amongst hotel managers of 4- and 5-star hotels (80% compared to some 57% for the same period last year) whilst 71% of 1- to 3-star hotel managers forecast an increase in Average Room Rate for the upcoming period compared to some 50% for the same period last year.



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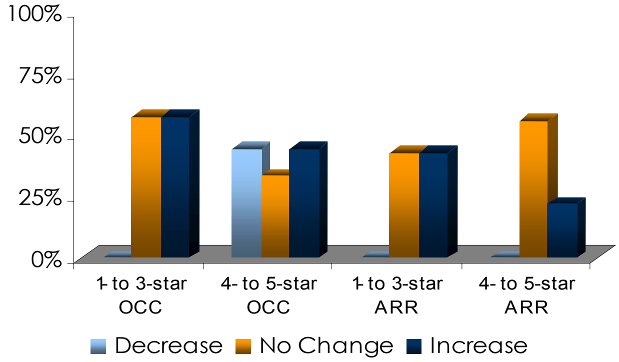
Hotel Performance Confidence Indicator - Mpumalanga

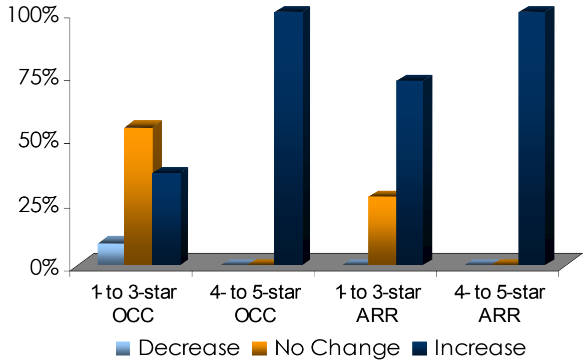
Overall confidence in an increase in occupancy and Average Room Rate is the lowest of all the provinces in Mpumalanga. Some 31% of hotel managers forecast an increase in occupancy (a decrease from some 58% in the same period last year). 43% of hotel managers of 1– to 3-star hotels forecast an increase in occupancy and 44% of hotel managers of 4- and 5-star properties forecast a decrease in occupancy for the upcoming quarter.

In terms of Average Room Rate, some 50% of hotel managers forecast an increase compared to 40% for the same period in 2005. Some 57% of hotel managers of 1– to 3-star hotels forecast an increase in ARR whilst 44% of hotel managers of 4– and 5-star properties forecast an increase in ARR.



Hotel Performance Confidence Indicator - Eastern Cape

Hotel managers of 4– and 5-star hotels in the Eastern Cape responded with the most confidence of all managers, with 100% of all hotel managers forecasting an increase in both occupancy and Average Room Rate. Hotel managers of 1- to 3-star hotels illustrated the least confidence in an increase in occupancy with only 36% of hotel managers forecasting an increase in the 3rd Quarter of 2006 compared to the same period last year where some 27% of hotel managers forecast an increase in occupancy. However, they are far more confident in positive growth in Average Room Rate; 73% of hotel managers of 1– to 3-star hotels forecast an increase of the Average Room Rate for the upcoming period.



South Africa Prepares for 2010

The 2006 FIFA World Cup Final will be played on Sunday July 9th after which the world's attention will focus on South Africa as we prepare for the 2010 FIFA World Cup, a mega-event with 32 of the world's best national teams competing in 64 matches, watched by almost 3 million spectators and billions of viewers around the world.

In preparation for 2010, South African Tourism (SAT) and the Department of Environmental Affairs and Tourism (DEAT) developed a 2010 Tourism Organising Plan in November 2005. The purpose of SAT and DEAT's 2010 Plan is to ensure that tourism not only plays its role in delivering a memorable experience to 2010 FIFA World Cup attendees, but also leverages the event as a catalyst to improve tourism competitiveness platforms in South Africa.

Although the 2010 Tourism Organising Plan identifies "insufficient accommodation" as one of the key challenges for tourism around the event, financiers should exercise caution when considering new developments. According to our research, in excess of some 70 new hotel developments are mooted around the country, increasing the current daily room supply by an estimated 8 500 to 10 000 rooms.

As economic activity in South Africa is generally efficient, we believe that it is unlikely that such a high level of hotel development will be realised. Although some of the hotel development opportunities that have been mooted are sustainable, others seem to be banking solely on the 2010 event. Simply put, we expect that seasoned financiers will not elect to finance a hotel in order to cater for an event that will only last for two months.

We are of the opinion that the accommodation needs of the 2010 FIFA World Cup that can not be met by hotels are likely to be taken up by guesthouses, bed and breakfasts, cruise liners docked in habour cities and the myriad of residential real estate developments we have seen coming on line over the last few years.

The South African hospitality sector experienced considerable increases in supply in the mid- to late 1990's. In fact, between 1995 and 1998 there was an increase of close to 100% in the number of hotel rooms in the Cape Metropolitan area. Durban saw an increase of 25% and the Johannesburg Northern suburbs saw an increase of 120% over the same period. It was only in 2000 that occupancy rates and revpars showed signs of recovering from room oversupply. It is unlikely that the financial community will make the same bad decision twice.

The 2010 FIFA World Cup undoubtedly presents significant tourism opportunities for South Africa. Foreign tourist arrivals continue to grow year on year; the World Tourism Organisation predicts arrivals to Sub-Saharan Africa will continue to grow at a level of 6% to 10%. As the South African hospitality sector prepares for 2010, the long-term sustainability of proposed new developments must be considered.

Horwath Tourism & Leisure Consulting

Dunkley House
32 Barnet Street
Cape Town 8001
South Africa

P.O. Box 12571
Cape Town 8010
South Africa

Phone: +27 21 469 1300
Fax: +27 21 462 3425

E-mail: tourism@horwath.co.za

www.horwath.co.za