

Horwath Hotel Performance Confidence Indicator 3rd Quarter 2007



Hotel, Tourism and Leisure

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We are pleased to present the Horwath Hotel Performance Confidence Indicator for the 3rd 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 3rd Quarter of 2007 in comparison to the same period in 2006. In total 202 hotel managers, 78% 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—3rd Quarter 2007

The overall forecasts in the industry for the 3rd Quarter of 2007 are promising, with some 62% of all hotel managers interviewed forecasting an increase in occupancy and some 68% forecasting an increase in Average Room Rate (ARR) over the same period last year.

The forecast confidence for the preceding two quarters was slightly higher, with 64% and 67% of hotel managers forecasting an increase in occupancy in Quarter 1 and Quarter 2 respectively and 87% and 79% of hotel managers forecasting an increase in ARR in Quarter 1 and Quarter 2 respectively.

The decline in confidence may be attributed to the strong growth in occupancy and ARR experienced in 2006.

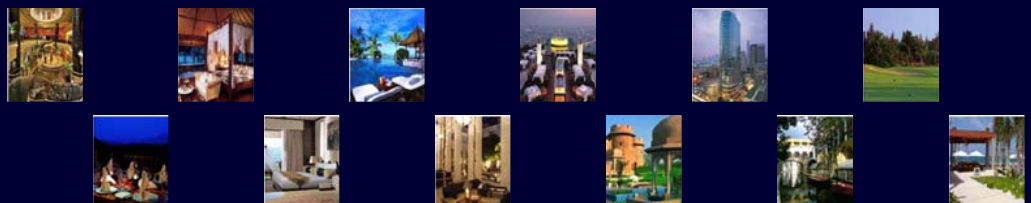
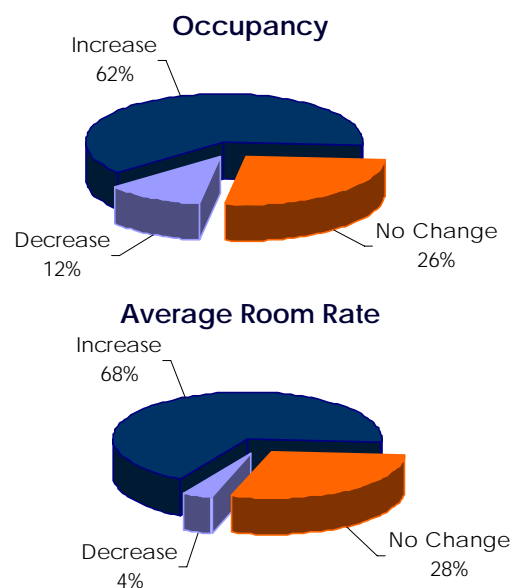
According to the World Tourism

Organisation (UNWTO), 2007 started on a higher than expected note for global tourism. Growth in international tourist arrivals for 2007 of some 4% was forecast, however, results for the first four months of this year indicate that the forecast is likely to be exceeded, with international tourist arrivals worldwide increasing by more than 6% compared to the same four-month period last year.

South African Tourism reported that foreign tourist arrivals in South Africa from January to April 2007 increased by some 10% compared to the same period last year.

Growth in tourist arrivals from overseas markets increased by some 2,3% compared to tourist arrivals from Africa, which increased by some 12,7% compared to the same period last year.

Overall Confidence—3rd Quarter 2007



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Confidence Indicator by Star Grading

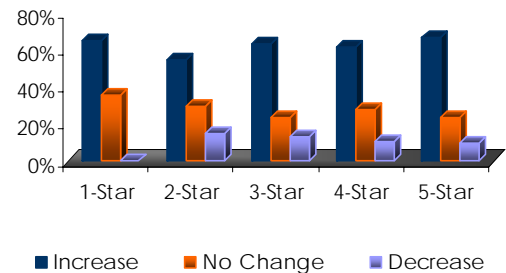
The overall confidence in an increase in occupancy remains positive with some 62% of all hotel managers forecasting an increase in occupancy in the third Quarter of 2007 compared to the same period last year.

The confidence in occupancy rate increases is highest amongst hotel managers of 5-star establishments (67% compared to 61% in the same period last year), and lowest amongst hotel managers of 2-star establishments (55% compared to 63% in the same period last year).

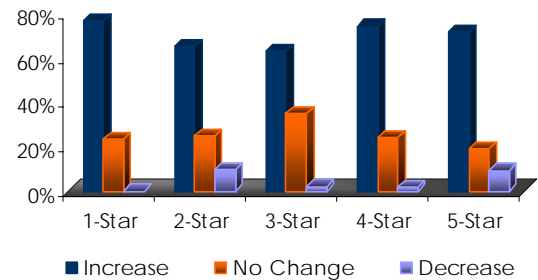
The overall confidence in an increase in Average Room Rate (ARR) remains high with some 68% of all hotel managers interviewed expecting an increase in ARR in the upcoming quarter compared to the same period last year.

Hotel managers of 1-star establishments remain the most confident in an increase in ARR (76%) whilst hotel managers of 3-star establishments are the least confident in an increase in ARR (63%) for the third Quarter of 2007 compared to the same period last year.

Occupancy (by Star Grading)

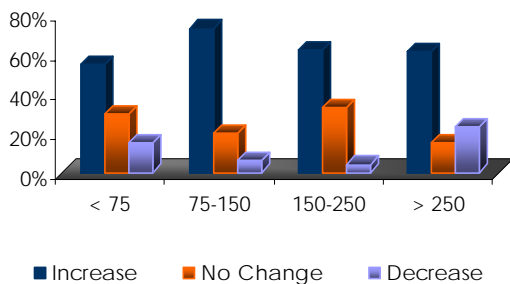


Average Room Rate (by Star Grading)



Confidence Indicator by Hotel Size

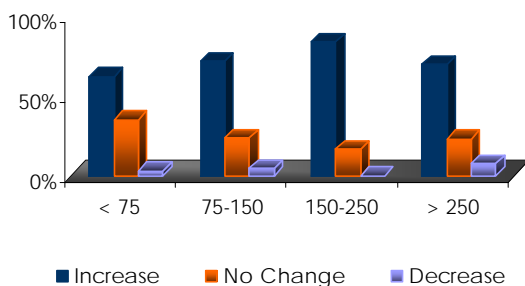
Occupancy (by Hotel Size/ Number of Rooms)



For the upcoming quarter, managers of mid-scale hotels (75—150 rooms) remain most confident in terms of an increase in occupancy; 73% compared to 59% for the same period last year. Managers of hotels with 150-250 rooms remain positive in terms of forecast increase in occupancy; 63%.

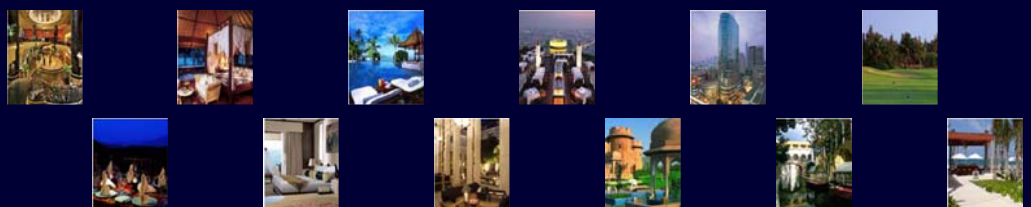
Confidence in an increase in occupancy for the upcoming quarter is lowest amongst hotel managers of establishments with less than 75 rooms; 55% compared to 63% for the same period last year.

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



In terms of Average Room Rate, hotel managers of establishments with 150-250 rooms are the most confident in an increase in Average Room Rate for the upcoming quarter (83% compared to 75% for the third Quarter of 2006). 72% of hotel managers of establishments with 75-150 rooms forecast an increase in ARR for the upcoming quarter compared to the same period last year.

Some 62% of managers of hotels with less than 75 rooms forecast an increase in ARR compared to 64% for the same period last year.



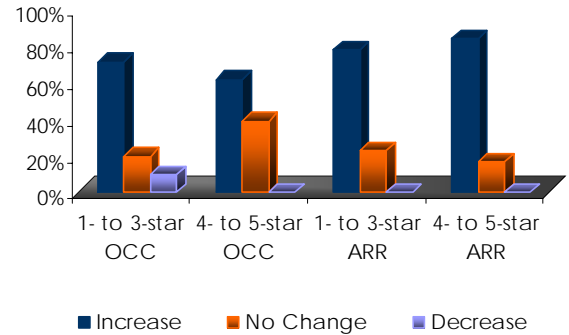
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Confidence Indicator - Gauteng

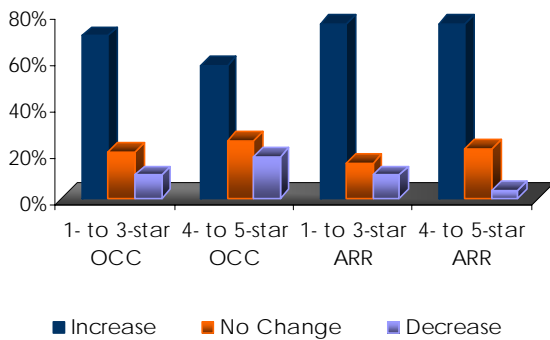
Some 67% of all hotel managers of Gauteng establishments forecast an increase in occupancy in the third Quarter of 2007 compared to 57% recorded in respect of the third Quarter of 2006. 71% of hotel managers of 1- to 3-star properties forecast an increase in occupancy for the upcoming quarter compared to 53% recorded in the same period last year reflecting a significant increase in confidence. 61% of hotel managers of 4- & 5-star properties forecast an increase in occupancy whilst 39% of hotel managers of 4- & 5-star properties forecast occupancy will remain the same in the third Quarter of 2007 when compared to the third Quarter of 2006.



The overall confidence in an increase in Average Room Rate remains high in Gauteng with 80% of all hotel managers interviewed forecasting an increase in Average Room Rate. Confidence in an increase in ARR is highest among hotel managers of 4- & 5-star properties; 83% compared to 75% for the same period last year. Some 77% of hotel managers of 1- to 3-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.

Gauteng hotel managers attribute the confidence in an increase in occupancy and ARR to favorable economic conditions, increased demand from the corporate segment and sporting events being hosted in the Province.

Confidence Indicator - Western Cape



The overall confidence in an increase in occupancy for the third Quarter of 2007 in the Western Cape is 63% compared to 67% in Quarter 3 2006.

Hotel managers of 1- to 3-star properties are most confident in an increase in occupancy; some 70% forecast an increase in occupancy for the upcoming quarter compared to 63% recorded in the same period last year. By comparison, some 57% of 4- & 5-star hotel managers forecast an increase in occupancy for the third Quarter of 2007 compared to 69% for the same period in 2006.

The overall confidence in an increase in Average Room Rate for the third Quarter of 2007 is some 75% compared to 67% in Quarter 3 2006. Some 75% of hotel managers of 1- to 3-star properties forecast an increase in ARR in the third Quarter of 2007 compared to 68% for the same period last year. 75% of hotel managers of 4- & 5-star properties forecast an increase in ARR in the third Quarter of 2007 compared to 66% for the same period last year.

The Western Cape hotel managers attribute the confidence in an increase in occupancy and ARR to continued marketing efforts by individual properties, favorable economic conditions, and the implementation of revenue management practices.



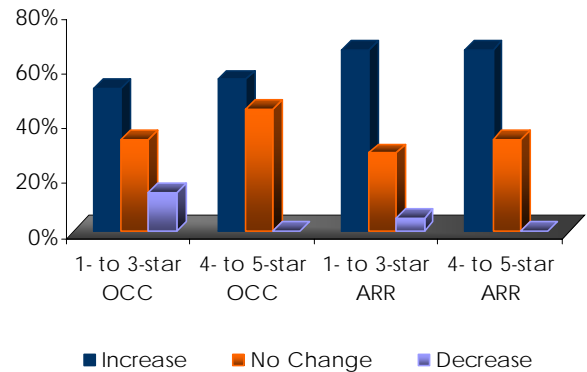
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Confidence Indicator - KwaZulu Natal

Overall confidence in an increase in occupancy for the third Quarter of 2007 has declined to 53% in KwaZulu Natal compared to 75% for the same period last year. 52% of hotel managers of 1- to 3-star properties forecast an increase in occupancy for the upcoming quarter compared to 79% for the same period last year. 56% of hotel managers of 4- & 5-star properties forecast an increase in occupancy compared to 70% recorded in the same period last year.

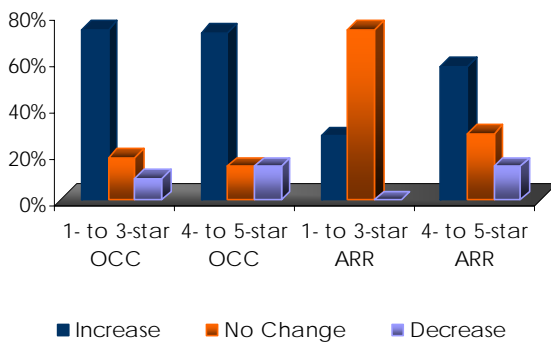


The overall confidence in an increase in Average Room Rate for the upcoming quarter has declined marginally in KwaZulu Natal. Some 67% of all hotel managers interviewed expect an increase in ARR in Quarter 3 2007 compared to 75% for the same period last year.

Despite 67% of hotel managers of 4- & 5-star properties forecast an increase in ARR for the upcoming quarter, this reflects a significant decline in confidence when compared to the third Quarter of 2006 when 80% of hotel managers of 4- & 5-star properties forecast an increase in ARR.

Although some hotel managers cited conferences and scheduled sporting events as influx generators for the upcoming quarter, other hotel managers cited a decline in international conferences and the recent strike action as growth constraints affecting occupancy and ARR for the upcoming quarter.

Confidence Indicator - Mpumalanga

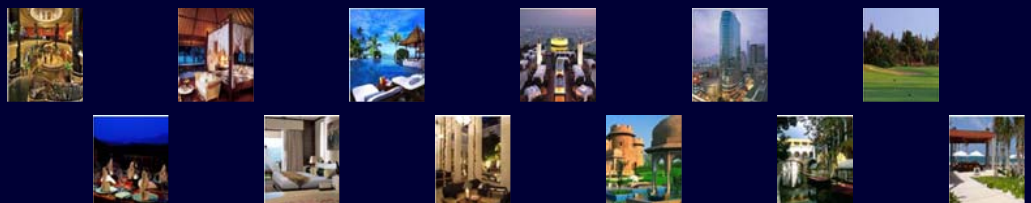


Overall confidence in an increase in occupancy for the third Quarter of 2007 is some 72% in Mpumalanga compared to 31% for the same period last year, reflecting continued growth in confidence from the Mpumalanga industry.

Some 73% of hotel managers of 1- to 3-star properties forecast an increase in occupancy, an increase in confidence from 43% for the same period last year. 71% of hotel managers of 4- & 5-star properties forecast an increase in occupancy for the upcoming quarter compared to some 22% for the same period last year, reflecting a significant growth in confidence.

However, the Mpumalanga industry is less confident in an increase in Average Room Rate for the upcoming quarter. Overall some 39% of hotel managers interviewed forecast an increase in ARR compared to 50% in Quarter 3 2006. Some 27% of hotel managers of 1- to 3-star properties forecast an increase in ARR for Quarter 3 2007, reflecting a decline in confidence of some 30 percentage points compared to the same period last year. Hotel managers of 4- & 5-star properties are more confident in an increase in ARR for the upcoming quarter; 57% of hotel managers of 4- & 5-star properties forecast an increase in ARR compared to 44% in Quarter 3 2007.

The Mpumalanga industry sites Nelspruit's status as a 2010 Soccer World Cup host city, combined with an increase in business and sporting events in the city as the main influx generating factors.



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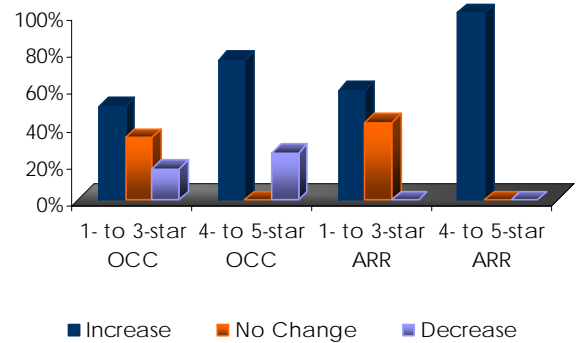


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Confidence Indicator - Eastern Cape

The overall confidence in an increase in occupancy in the third Quarter of 2007 is 56% for the Eastern Cape industry. The overall confidence in an increase in occupancy for the upcoming quarter reflects an increase in confidence of some ten percentage points when compared to the third Quarter of 2006.

50% of hotel managers of 1- to 3-star properties forecast an increase in occupancy for the upcoming quarter; an increase in confidence in an increase in occupancy of some 14 percentage points when compared to the same period last year. 75% of hotel managers of 4- & 5-star properties forecast an increase in occupancy compared to 100% recorded in the third Quarter of 2006.



The overall confidence in an increase in Average Room Rate for the Eastern Cape industry is some 69% for the third Quarter of 2007. 58% of hotel managers of 1- to 3-star properties expect an increase in ARR for the upcoming period, compared to 73% in Quarter 3 2006. 100% of hotel managers of 4- & 5-star properties are confident in an increase in ARR for the upcoming quarter; consistent with the third Quarter of 2006.

The Eastern Cape industry reported that continued investment and increased business activity in the region has resulted in higher demand from the corporate market.

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