

# HORWATH CONFIDENCE INDICATOR

HOTEL PERFORMANCE - 4th QUARTER 2005



## Inside this issue:

### 4th Quarter 2005

Confidence Indicator - Star Grading -	2
Confidence Indicator - Hotel Size	2
Confidence Indicator - Location	3
WTTC - South African Growth Forecasts	4
Contact Details	4

**W**e are pleased to present our Horwath Hotel Performance Confidence Indicator publication for the 4th Quarter of 2005. 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 4th Quarter of 2005 in comparison to the same period in 2004. In total 114 hotel managers, 89% 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 - 4th Quarter 2005

The overall confidence for the 4th Quarter of 2005 (October to December) is very encouraging, especially where occupancy is concerned, with some 73% of hotel managers forecasting an increase compared to the same period in 2004.

The Average Room Rate (ARR) forecasts are somewhat higher than in recent quarters, with some 62% of hotel managers forecasting an increase (compared to 47% and 54% in the 3rd and 2nd quarters respectively).

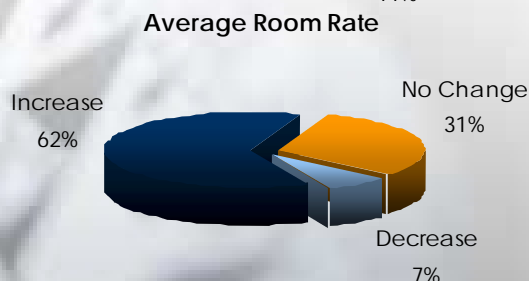
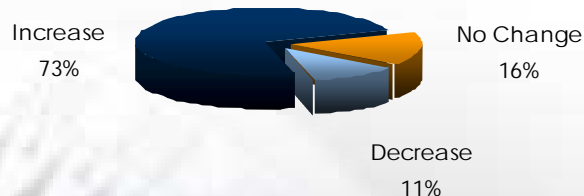
The confidence in occupancy increases is high amongst hotel managers across all market segments, with the managers of 5-star properties being most confident (78% forecast an increase) for the coming quarter.

The confidence in an ARR increase of hotel managers of 1 to 4-star establishments is similar (64% - 71%), yet the hotel managers of 5-star hotels are substantially less confident in growth in their ARR, with only 44% forecasting an increase.

The tourist arrivals figures this year have continued to be positive and the World Travel & Tourism Council's recent Tourism Satellite Account forecasts continued growth in the tourism sector. In fact, South Africa's tourism economy is forecasted grow at a substantially faster pace than that of our global peers.

We look forward to a positive 4th Quarter and to your continued participation in 2005.

### Overall Confidence - Q4 2005



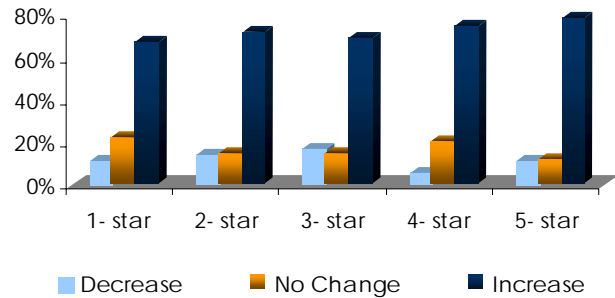
## Confidence by Star Grading

The overall confidence in an increase in occupancy is high across all market segments, although the hotel managers of the higher end establishments (4- and 5-star) are slightly more confident in an increase in their occupancies for the 4th quarter of 2005, when compared to the same period in 2004.

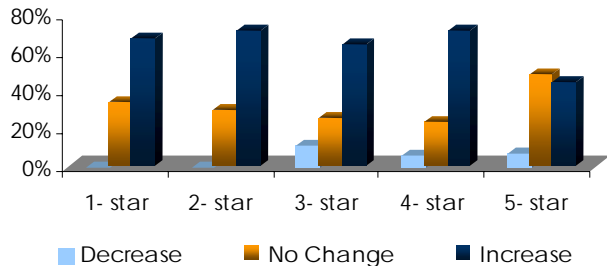
The majority of the hotel managers forecast an increase in their ARR, yet the confidence amongst hotel managers of 5-star hotels remains low, with just 44% of the managers forecasting an increase during the 4th quarter.

The lower end of the market (1- & 2-Star) continues to forecast increases in ARR, with some 67% and 71% of managers of 1- and 2-star hotels respectively forecasting an increase in their ARR in the coming quarter compared to the same period in 2004.

Occupancy Confidence Indicator by Star Grading



Avg. Rm. Rate Confidence Indicator by Star Grading



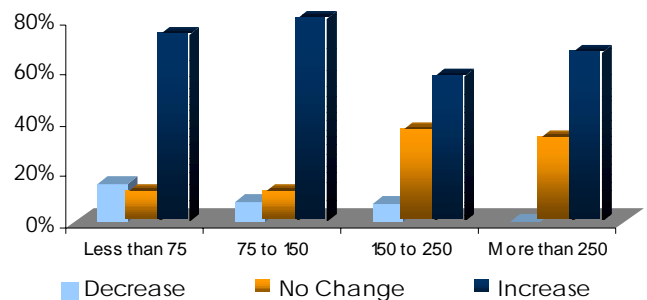
## Confidence by Hotel Size

For the second quarter in a row, managers of hotels with 75 – 150 rooms are most confident in terms of an increase in occupancy compared to the same period in 2004. The managers of establishments with less than 75 rooms were also very confident in an increase in their occupancy, with some 74% forecasting an increase.

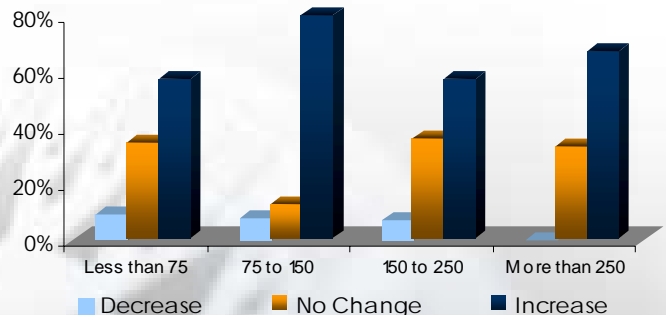
Confidence in an increase in occupancy rate for the coming quarter is somewhat lower amongst managers of large properties.

The confidence in an increase in ARR for the coming quarter compared to the same quarter last year is highest amongst managers of hotels with 75 to 150 rooms and 250 plus rooms, for the second quarter in a row.

Occupancy Confidence Indicator by Hotel Size (Number of Rooms)

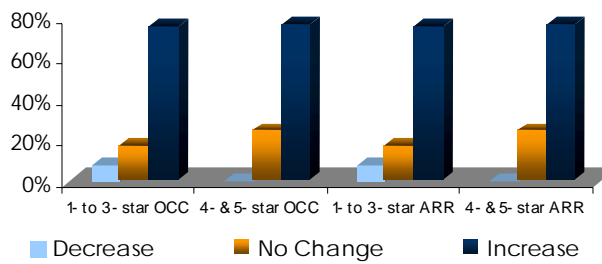


Avg. Rm. Rate Confidence Indicator by Hotel Size (Number of Rooms)



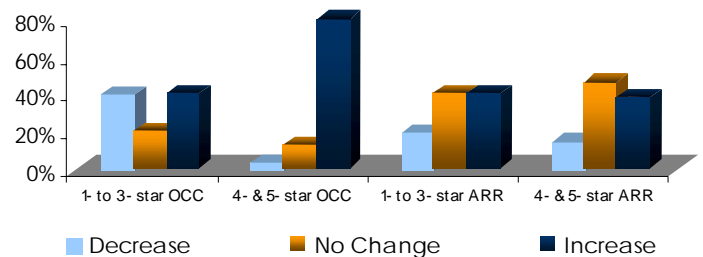
## Hotel Performance Confidence Indicator - Gauteng

Confidence in Gauteng in increases in both occupancy and ARR for the coming quarter are amongst the highest of all regions. Especially encouraging is the high confidence in increases in occupancy and ARR amongst the high-end properties (4- and 5-star), with not a single hotel manager forecasting a decrease.



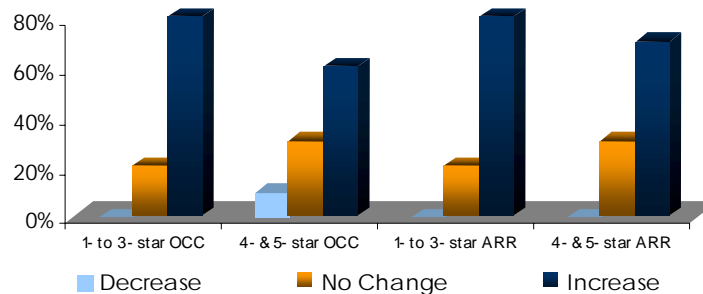
## Hotel Performance Confidence Indicator - Western Cape

The confidence in hotel performance for the coming quarter in the Western Cape is very mixed. The hotel managers of high-end properties in the Western Cape are most confident out of all regions in an increase in their occupancy (85%), yet confidence remains low in terms of ARR growth. The forecasts amongst the lower end properties remain mixed.



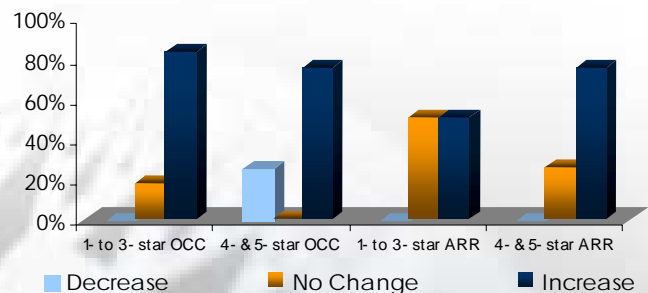
## Hotel Performance Confidence Indicator - KwaZulu-Natal

Confidence amongst hotel managers in KwaZulu-Natal remains high, in particular amongst the hotel managers of the lower end establishments, with 80% forecasting growth in ARR, which was the same for occupancies. The confidence in occupancy increases amongst managers of 4- and 5- star properties is lower than usual, with some 60% forecasting an increase.



## Hotel Performance Confidence Indicator - Mpumalanga

The highest confidence in an occupancy increase amongst hotel managers in South Africa is in Mpumalanga. Of the hotel managers of 1- to 3-star hotels, 83% forecast an increase in occupancy, whilst only half forecast growth in ARR. 75% of managers of 4- and 5-star hotels forecast an increase in their ARR, which was the same for occupancies.



## World Tourism & Travel Council - South Africa Long Term Forecasts

Deviating somewhat from our usual quarterly tourist arrivals summary (due to a lack of new statistics), we have taken the opportunity to summarise the 2005 World Travel & Tourism Council's (WTTC) Tourism Satellite Account Report on South Africa.

The WTTC is a leading tourism sector forum and the recognised authority on tourism impact analyses, reviewing some 174 tourism economies annually.

According to the WTTC, South Africa's Travel & Tourism Economy (which includes both direct and indirect contribution) ranks 32 in the world in absolute size, with a tourism demand total of R191 billion forecasted for 2005.

In terms of long term growth prospects (10 years), the WTTC ranks South Africa 50<sup>th</sup> in the world, with an average annual increase of 5,7% forecasted in tourism demand until 2015.

In terms of Relative Contribution to GDP, South Africa is ranked 109<sup>th</sup> in the world, with the sector's contribution forecasted at R136 billion for 2005, or approximately 9% of GDP. Contribution to GDP is further forecasted to increase to R380 billion by 2015 (11,3% of total GDP), which equates to an average increase of 5,7% per annum.

The WTTC further forecasts that the Travel & Tourism Economy accounts for 8,3% of employment in South Africa, with an estimated 1,1 million people employed in the economy. This number is forecasted to grow to some 1,7 million by 2015, which equates to a 4,5% increase per annum.

The WTTC growth projections for South Africa are encouraging and are substantially above the growth forecasts for the global tourism economy.

A comparative summary of the forecasted tourism growth in South Africa, Sub-Saharan Africa and the World are shown in the following table:

**Projected Annual Tourism Sector Growth 2006-2015**

Measurement	South Africa	Sub-Saharan Africa	World
Tourism Demand	5,7%	5,8%	4,6%
T&TE GDP*	5,7%	5,7%	4,0%
T&TE* Employment	4,5%	2,9%	2,0%

Source: WTTC      Note:\* Travel & Tourism Economy

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*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.*