

# HORWATH CONFIDENCE INDICATOR

HOTEL PERFORMANCE - 4TH QUARTER 2006



## Inside this issue:

### 4th Quarter 2006

Confidence Indicator - Star Grading	2
Confidence Indicator - Hotel Size	2
Confidence Indicator - Location	3
World Travel & Tourism Council—South Africa Long Term Forecasts	5
Contact Details	5

**W**e are pleased to present the Horwath Hotel Performance Confidence Indicator publication for the 4th 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 4th Quarter of 2006 in comparison to the same period in 2005. In total 181 hotel managers, 86% 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 - 4th Quarter 2006

The overall forecast in the industry for the fourth Quarter of 2006 is quite positive with some 71% of hotel managers interviewed forecasting an increase in occupancy; albeit a decrease of some 2% compared to the fourth Quarter of 2005.

Hotel managers of 2- and 3-star properties seem to be the least confident in an increase in occupancy for the upcoming quarter with only 61% and 64% respectively forecasting an increase.

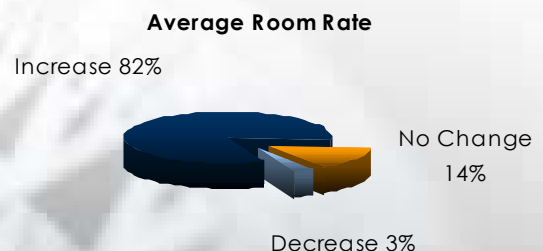
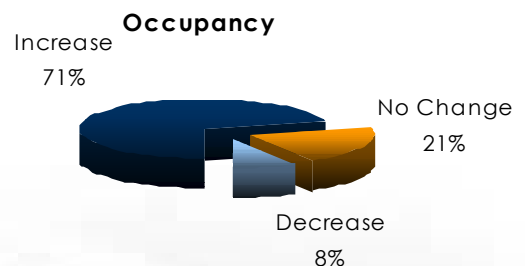
89% of hotel managers of 1-star properties and 82% of hotel managers of 5-star properties are forecasting an increase in occupancy for the upcoming quarter.

The most significant change for the upcoming quarter, when compared to the fourth Quarter of 2005, is the forecasted confidence in an increase in Average Room Rate (ARR); 82% of all hotel managers interviewed are forecasting an increase in ARR compared to 62% in the fourth Quarter of 2005.

The significant growth in confidence in an increase in ARR can be attributed to hotel managers of 1-, 3-, 4- and 5-star hotels.

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

## Overall Confidence - 4th Quarter 2006



## HOTEL CONFIDENCE - 4TH QUARTER 2006

### Confidence by Star Grading

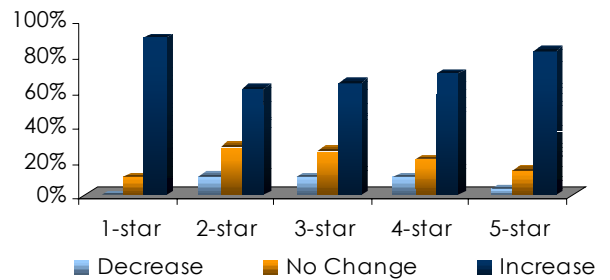
For the 4th Quarter of 2006, hotel managers of 1-star properties are the most confident in an increase in both occupancy (89%) and Average Room Rate (95%).

Hotel managers of 2-star establishments are the least confident in an increase in occupancy with some 28% of hotel managers expecting similar occupancies to those achieved during the same period in 2005.

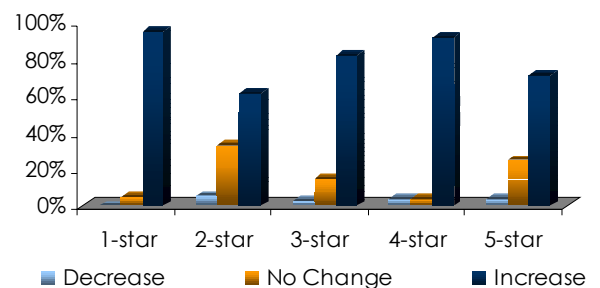
The marked overall confidence in an increase in Average Room Rate for the upcoming quarter (82% compared to 62% for the same period in 2005) can be attributed to significant growth in confidence in an increase in ARR by almost all hotel managers.

Confidence in an increase in Average Room Rate is lowest in the 2-star market with some 33% of hotel managers forecasting similar Average Room Rates to that achieved in the same period in 2005.

Occupancy Confidence Indicator by Star Grading



Avg. Rm. Rate Confidence Indicator by Star Grading



### Confidence by Hotel Size

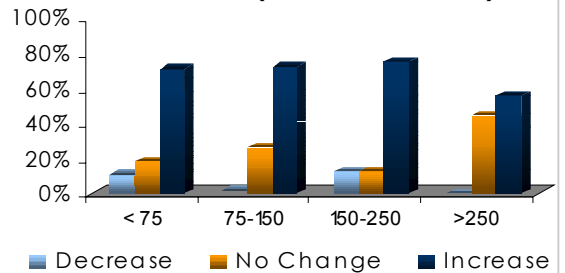
For the upcoming quarter, hotel managers of properties with 150 - 250 rooms are the most confident in terms of an increase in occupancy (75% compared to 57% for the same period last year).

Managers of hotels with more than 250 rooms are the least confident in an increase in occupancy for the fourth quarter of 2006; 56% compared to 67% for the same period last year.

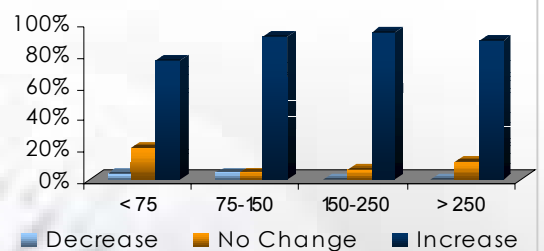
Confidence in an increase in ARR for the upcoming quarter is highest amongst managers of properties with 150 - 250 rooms (94%), reflecting a similar pattern to the same period in 2005.

Mid-scale hotels (75-150 rooms) recorded a significant increase in confidence in an increase in ARR for the upcoming quarter; 91% compared to 77% for the same period last year. Some 76% of hotel managers of properties with less than 75 rooms forecast an increase in ARR.

Occupancy Confidence Indicator by Hotel Size (Number of Rooms)



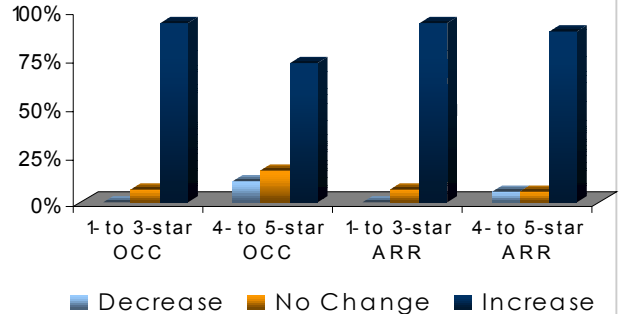
Avg. Rm. Rate Confidence Indicator by Hotel Size (Number of Rooms)



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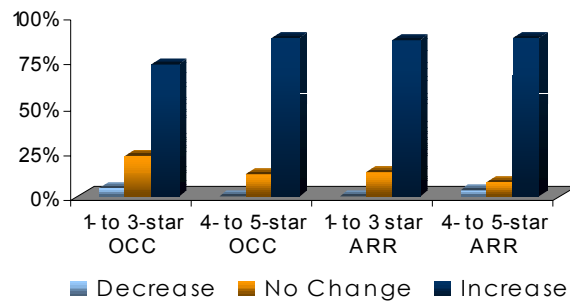
### Hotel Performance Confidence Indicator - Gauteng

Confidence in an increase in occupancy in Gauteng for the fourth Quarter of 2006 is the highest amongst managers of 1- to 3-star hotels (93%). This represents an increase of some 18% when compared to the same period last year. Overall confidence in an increase in Average Room Rate remains high in Gauteng with 91% 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 establishments (93%).



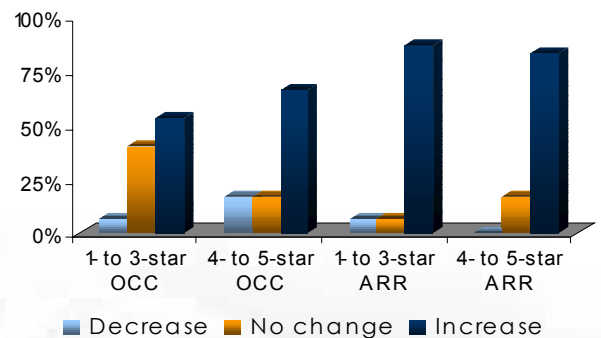
### Hotel Performance Confidence Indicator - Western Cape

The overall confidence in an increase in occupancy for the 4th Quarter in 2006 in the Western Cape was 80% compared to 72% for the same period in 2005. The overall confidence in an increase in Average Room Rate for the upcoming quarter is some 87% compared to 39% in Quarter 4 2005, reflecting a significant growth in confidence from the Western Cape industry. Some 88% of hotel managers of 4- and 5-star properties are confident in an increase in occupancy and Average Room Rate whilst some 86% of hotel managers of 1- to 3-star properties are confident in an increase in Average Room Rate.



### Hotel Performance Confidence Indicator - KwaZulu Natal

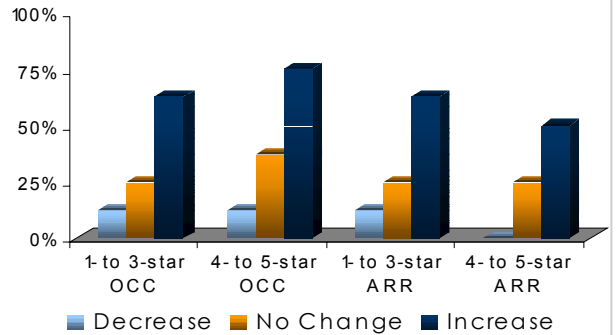
Overall confidence in an increase in occupancy for the 4th Quarter of 2006 has declined to 59% in KwaZulu Natal compared to 70% for the same period last year with some 30% of hotel managers expecting no change in occupancy. Hotel managers of 1- to 3-star properties are the least confident in an increase in occupancy (53%) whilst some 67% of hotel managers of 4- and 5-star properties forecast an increase in occupancy. Confidence in an increase in Average Room Rate is highest amongst hotel managers of 1- to 3-star properties (87% compared to some 80% for the same period last year) with 83% of 4- and 5-star hotel managers forecasting an increase in Average Room Rate for the upcoming quarter compared to some 70% for the same period last year.



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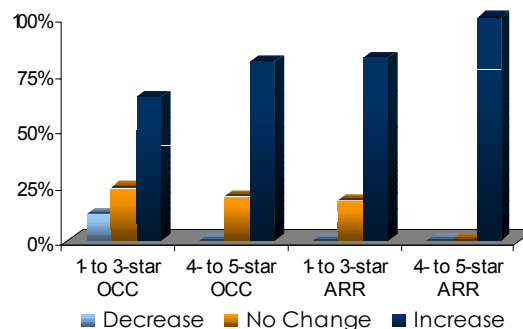
### Hotel Performance Confidence Indicator - Mpumalanga

Overall confidence in an increase in occupancy and Average Room Rate is the lowest of all the provinces in Mpumalanga. Some 56% of hotel managers forecast an increase in occupancy (a decrease from some 79% in the same period last year). 63% of hotel managers of 1- to 3-star properties and 50% of hotel managers of 4- and 5-star properties are forecasting an increase in occupancy for the upcoming quarter. In terms of Average Room Rate, some 69% of hotel managers forecast an increase compared to 64% for the same period in 2005. Some 63% of hotel managers of 1- to 3-star properties forecast an increase in ARR (an increase from 50% in the same period last year) whilst 75% of hotel managers of 4- and 5-star properties forecast an increase in ARR; this being consistent with the same period last year.



### Hotel Performance Confidence Indicator - Eastern Cape

Hotel managers of 4- and 5-star hotels are confident in a growth in their occupancy, with 80% of hotel managers forecasting an increase in the upcoming quarter. Hotel managers of 1- to 3-star establishments are less confident in an increase in occupancy with 65% of hotel managers forecasting an increase in the 4th Quarter of 2006. However, they are far more confident in an increase in Average Room Rate; 82% of hotel managers of 1- to 3-star establishments forecast an increase in Average Room Rate for the upcoming period. Hotel managers of 4- and 5-star properties in the Eastern Cape responded with the most confidence of all managers, with 100% of all hotel managers of 4- and 5-star properties forecasting an increase in Average Room Rate for the upcoming quarter.



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

The World Travel & Tourism Council (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 37 in the world in absolute size, with a tourism demand total of R198,1 billion forecasted for 2006.

In terms of long term growth prospects (10 years), the WTTC ranks South Africa 71st in the world, with an average annual increase of 4,8% forecasted in tourism demand until 2016.

In terms of Relative Contribution to GDP, South Africa is ranked 111th in the world, with the sector's contribution forecasted at R138,2 billion for 2006, or approximately 8,2% of total GDP. The South African Travel & Tourism Economy contribution to GDP is further forecasted to increase to R352,0 billion by 2016 (9,3% of total GDP), which equates to an average increase of 4,7% per annum.

The WTTC further forecasts that the Travel & Tourism Economy accounts for 7,5% of total employment in South Africa, with an estimated 1,083 million people employed in the Travel & Tourism Economy. This number is forecasted to grow to some 1,5 million (8,6% of total employment) by 2016, which equates to a 3,3% 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 2007-2016

Measurement	South Africa	Sub-Saharan Africa	World
Tourism Demand	4,8%	4,7%	4,2%
T&TE* GDP	4,7%	4,4%	3,7%
T&TE* Employment	3,3%	2,8%	1,8%

Source: WTTC

Note:\* Travel & Tourism Economy

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*The Horwath Hotel, Tourism and Leisure Group is the largest global organisation in the sector — and is growing fast. The Group comprises a global network of more than 150 industry specialised consultants working from 57 offices in 32 countries. By comparison, the next largest competitor has less than one third of the global coverage. Horwath's wide representation provides us with a unique market positioning. We can offer clients an unrivalled depth of knowledge of local market characteristics, combined with an understanding of international trends.*

*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.*