



Horwath HTL™

Hotel, Tourism and Leisure

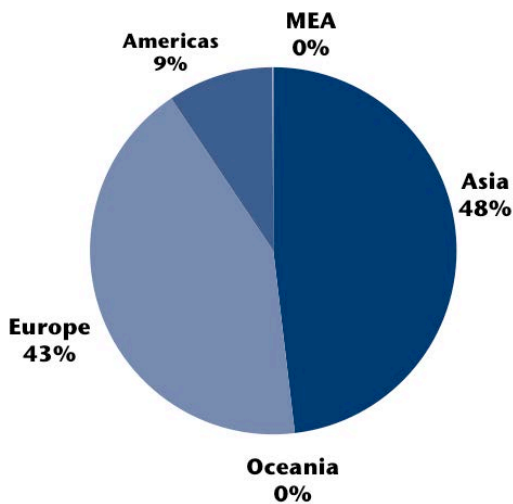
Global Leader in
Hospitality Consulting

**Global Hotel Market
Sentiment Survey**

March 2015



SHARE OF RESPONDENTS

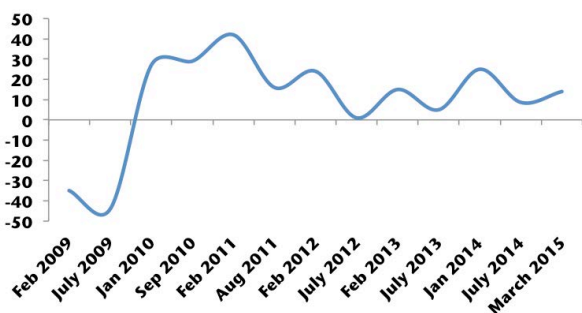


INTRODUCTION

The Horwath HTL Global Hotel Market Sentiment Survey gives a quick assessment of the hotel market outlook for the global hotel industry, by the people on the ground, running the hotels. The survey focuses on the current outlook for occupancy, average room rates and total revenue and what the operators feel is going to happen based on their experience. We also ask whether the recent trading performance has matched or met what they expected to happen.

We ask hoteliers to rank several key factors such as local stock market levels and local tourism trends and the likely impact they will have on performance. Market segmentation is also explored with a question about how each segment is expected to perform.

GLOBAL SENTIMENT



This report summarizes the outcome of the survey, gathered from 40 countries. Of the 1467 number of respondents, 35 percent of them came from Europe, 54 percent from Asia, and 10 percent from the Americas.

As you can see from the overall performance data chart on the left, the global lift in confidence of the early part of the decade has not been maintained.

SENTIMENT RANKINGS

BY REGION	SCORE		
	JAN 2014	JUL 2014	MAR 2015
Asia	17	10	8
Africa / Middle East	N/A	-16	N/A
Americas	40	16	4
Europe	25	3	28
Global Total	25	9	14

“ The global lift in confidence of the early part of the decade has not been maintained ”

RANKING SCORE KEY

Much Worse	-150
Worse	-75
Same	0
Better	75
Much Better	150

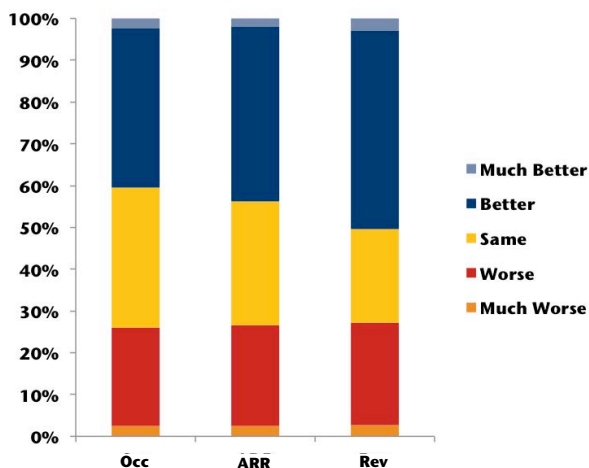
SENTIMENT RANKINGS

Outlook for 2015 is relative to the performances recorded across the globe in 2014 and should be viewed in that context. Most indicators would suggest that global markets expect more of the same as opposed to any large swings one way or the other.

Europe has had the biggest shift in sentiment, returning to a similar score to that of January 2014 before the Crimea crisis and the conflict in the Ukraine. Ireland recorded the highest levels of positive sentiment, with hoteliers recording positive numbers for average rate, occupancy and revenue growth for both their market and their own hotels (64, 82, 80 and 52, 72 and 74). Hungary and Spain were also more optimistic than for a number of years. Italy was flat and Switzerland is down quite significantly (-50, -58 and -56).

Asia is mixed with some areas remaining positive, although most are quite pessimistic. Japanese hoteliers are positive about growth posting scores of 41, 70 and 75 for the market and 28, 54 and 54 for their own properties. Thailand also thinks they will have a good year. China is a different story. Over supply and wider economic issues continue to hamper performance. Hong Kong has felt the effects of the protests and was even more pessimistic than the mainland.

Of the Americas, North America continues to be optimistic about performance, with hoteliers expecting positive growth in room rate occupancy and revenue. Latin America is more problematic, with hoteliers expecting a post world cup hangover. Brazil posted negative scores across the board with -32, -6 and -14 for the market and -10, 7 and 2 for their own properties.



2015 MARKET OUTLOOK

WHAT IS YOUR ASSESSMENT OF THE HOTEL MARKET FOR 2015 VS. 2014?

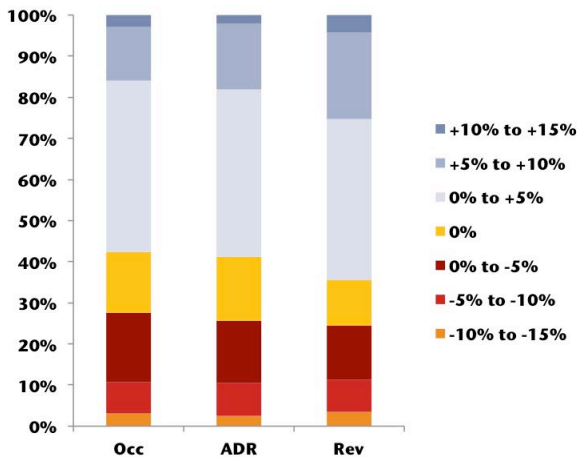
Hoteliers were asked their expectation for performance levels in 2015 compared to that recorded in 2014, in relation to hotel occupancy (Occ), average room rate (ARR) and hotel revenues for the market they are in. Over 40 percent of respondents stated that they expected ARR, Occ and total revenue to perform better or much better in 2015 in comparison to 2014, however, this means that over 60% expect Occupancy and room rate to be flat or worse, with around 30% worse or much worse.

OCCUPANCY

Occupancy scored a global average sentiment score of positive 8. Europe, driven by Ireland (64) was the most positive region at 26, although that figure indicates that most participants don't expect the rate to change much. Asia scored 1, which is about as flat as it is possible to get. Thailand was the most bullish with a score of 71, followed by Japan who scored 41. Interestingly, considering the supply issues they are having, China's score was positive at 12, where as Hong Kong following last years protests have a score of -14. In the Americas, the United States were positive on 38 and Brazil were negative at -32 leading to an overall score for the region of -18.

AVERAGE ROOM RATE

Overall the average room rate score was exactly the same as occupancy on eight. Europe still posted the highest score on +25 led by Ireland again on 82, Hungary on 43 and Spain on 33. In Asia overall the score was -3 although there were some bright spots. The Philippines for example posted a score of 75 and Japan scored 70. The Maldives, however, scored -75 followed by Hong Kong on -34 and Singapore on -27. In the Americas, the United States was slightly more positive than occupancy with 58 and Brazil was slightly less negative with -6 leading to an overall score of seven.



“Almost 60 percent of Hoteliers expect their performance to be better than last year”

HOTEL PERFORMANCE EXPECTATION

WHAT IS YOUR EXPECTATION FOR GROWTH/DECLINE FOR 2015 VS. 2014?

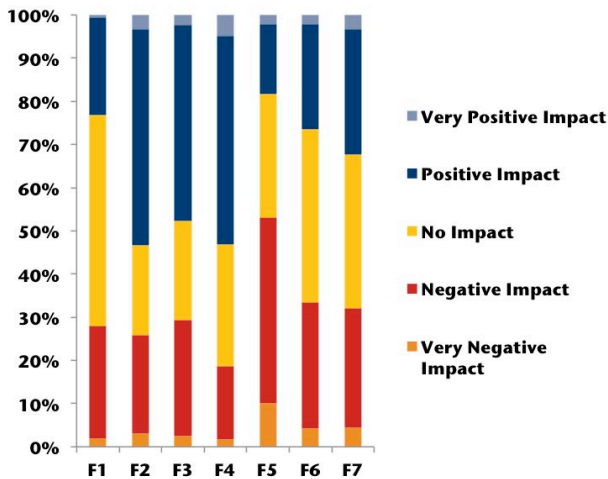
The second survey question asked hoteliers to give their expectation of how their respective hotels will fare in 2015 in comparison to 2014, in percentage terms.

Rather interestingly every region expects their own hotel to do better than the market. Total figure is globally were 16 for occupancy, 17 for average room rate and 25 for total revenue. Where is these figures still represent an expectation that performance will be much the same as the previous year, the numbers are still almost double what they expect the market to be doing.

Not surprisingly the most positive region is Europe with occupancy on 27 average room rate on 27 and total revenue 34. Irish hoteliers are still the most bullish, posting scores of 52 for occupancy 72 for average rate and 74 for revenue, with Hungary on 30, 42 and 47 and Spain on 45, 37 and 46 close behind. Hotels in Europe that aren't expecting to do so well are Switzerland with -50 in occupancy, -56 in rate and -56 in total revenue being the most negative, with Italy on 12, nine and 13 being more or less flat.

Hoteliers in Asia are more confident about their own performance than they are of the market. The overall scores for Asian hotels were 13 for occupancy, 11 for ADR and 21 for revenue. In the Maldives for example occupancy is -100, where is average room rate or +50 leading to a total Reading about of -50. The Philippines are also very negative about occupancy followed by Malaysia, although markets that expect their hotels performance to remain flat or slightly positive include China on 24 and Indonesia on three.

Hoteliers in the United States expect occupancy levels to be exactly the same as the market on 38, room rate slightly more positive on 67 leading to slightly more positive figures on overall revenue at 68. Brazilian hoteliers expect thier own occupancy performance to be slightly lower on -10 ADR our performance to be flat on seven and overall revenue to the flat on two.



**FACTORS EFFECTING PERFORMANCE
WHAT IS YOUR ASSESSMENT OF THE
HOTEL MARKET FOR 2015 VS. 2014?**

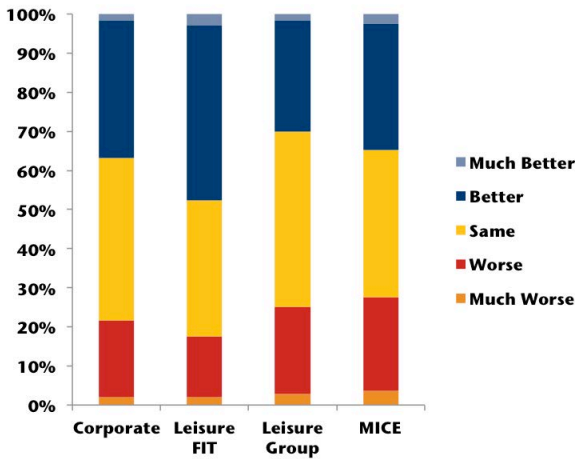
Each hotelier was also asked to gauge their attitude towards eight factors and how these will impact their hotels’ performance in 2015.

1. Local/global stock market
2. Local economic growth trends
3. Global economic growth trends
4. Local tourism trends
5. New competitive supply additions
6. Global oil prices
7. Currency exchange rates

“ Globally over 50% of hotels feel that new supply and additional competition will have a negative or very negative impact on their business”

Overall the indicator with the most positive responses was local economic growth trends, with 46.5% of participants believing that they will have a positive impact, with three percent expecting a very positive impact. This was closely followed by local tourism trends with 46% expecting a positive impact and 4.4% a very positive impact. Almost 30% believe currency exchange would have a positive impact on their business, with 3.7% thinking they will have a very positive impact. Not surprisingly only 17.4% of respondents felt the new supply will have a positive impact on the market and 20.3% felt that local and global stock market performance was going to help their business.

Almost 50% of respondents felt that the stock market would have no impact on their business, with a further 27.6% thinking that it would have a negative effect. 38.5% felt that global oil prices would have no impact on their business, with a further 29.6% feeling that it will have a negative impact. 32.9% feel that currency exchange rates will have no impact on their business with a further 28.8% feeling they will have a negative impact and 5% further still feeling a very negative impact. Not surprisingly 41.4% feel that new supply and competition will have a negative impact on their business with a further 9.7% feeling that new supply will have a very negative effect on their business.



“Respondents generally think performance across all segments will improve this year”

**MARKET SEGMENT PERFORMANCE
HOW ARE EACH OF THE MAJOR DEMAND SEGMENTS EXPECTED TO PERFORM IN 2015 VS. 2014?**

The last question dealt with each participant’s opinion with regard to primary market demand segments which were Corporate, Leisure FIT, Leisure Group and MICE (Meetings, Incentive, Conference, and Exhibition) and how they are expected to perform in 2015.

The majority of the respondents had positive opinions about the future performance of the corporate, leisure FIT and MICE demand segments, with at least 30 percent of respondents expecting a better performance for these demand segments. For the leisure group segment, the majority of respondents feel the business would be the same, with 28.9% expecting better performance and 1.5% expecting much better. Only 22.3% expect business to be worse with a further 3% expecting much worse.

For the corporate market 42.4% expect business to be the same, 32.9% expected to be better with a further 1.7% expecting trading conditions to be much better. 20.9% expect business to be worse with a further 2.1% expecting business to be much worse.

For the MICE segment 37.4% expects business to be the same, 30.9% expect business to be better and 2.6% expect business to be much better. 25% of recipients feel the business will be worse, with a further 4.1% expecting trading to be much worse.

Europe is probably the most bullish with 36.6% for corporate, 54.3% for FIT, 37.1% for leisure group and 33.4% from MICE expecting business to be better or much better. In Asia, 30.4% of hoteliers think of the corporate business will be better, 39.5% think that leisure if IT will improve, 25% think that leisure group will be better and 30% feel the MICE segment will improve in 2015. In the Americas, 33.8% think the corporate business will improve, 26.5% for Leisure FIT, 20.7% for leisure group and 27.6% for MICE increases.



CONCLUSION

“ Perhaps not surprisingly, the number one concern for hoteliers in this edition of the global hotel market sentiment survey was the impact of new supply a new competition on local markets”

There is no question that globally, many in the international hotel community do not feel that the business will improve over the course of 2015, although most do not expect to decline too much either. In an ideal world one of the benefits for the industry of the global financial crisis would have been a lack of new hotel supply. There is no question that looking back over the last 40 or 50 years there were proportionately fewer hotels built over the last 3-4 years than at any other time during the cycle. It is unfortunate that hoteliers have not been able to take full advantage of this, as a succession of smaller local crises, have meant that they have never been able to really drive the room rate in the way that they would've wanted.

An exception to this would be the United States, which is clearly enjoying a return to the occupancy and right levels of the pre-financial crisis levels. Other markets are not being so fortunate, with specifically China struggling to absorb an enormous increase in new hotel supply over the last few years. Perhaps not surprisingly, the number one concern for hoteliers in this edition of the global hotel market sentiment survey was the impact of new supply a new competition on local markets. There are many other issues that are causing concern, including political instability in the Middle East, political instability in Russia and the C.I.S., and stagnating economies in Brazil and India.

There are bright spots however in Europe with early signs that the Irish economy and hotel market as well as the Spanish and Hungary and markets are back on the way to improved performance. Everyone is hoping for a quieter 2015 to provide the platform for stability and increased growth.

ASIA PACIFIC

AUCKLAND, NEW ZEALAND
auckland@horwathhtl.com

BANGKOK, THAILAND
ischweder@horwathhtl.com

BEIJING, CHINA
beijing@horwathhtl.com

HONG KONG, SAR
hongkong@horwathhtl.com

JAKARTA, INDONESIA
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA
kl@horwathhtl.com

MUMBAI, INDIA
vthacker@horwathhtl.com

SHANGHAI, CHINA
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE
singapore@horwathhtl.com

SYDNEY, AUSTRALIA
rdewit@horwathhtl.com

TOKYO, JAPAN
tokyo@horwathhtl.com

AFRICA

CAPE TOWN, SOUTH AFRICA
capetown@horwathhtl.com

DAKAR, SENEGAL
bmontagnier@horwathhtl.com

EUROPE

AMSTERDAM, NETHERLANDS
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA
vmarti@horwathhtl.com

BARCELONA, SPAIN
vmarti@horwathhtl.com

BUDAPEST, HUNGARY
mgomola@horwathhtl.com

DUBLIN, IRELAND
ireland@horwathhtl.com

FRANKFURT, GERMANY
frankfurt@horwathhtl.com

ISTANBUL, TURKEY
merdogdu@horwathhtl.com

LISBON, PORTUGAL
vmarti@horwathhtl.com

LIMASSOL, CYPRUS
cmichaelides@horwathhtl.com

LONDON, UK
eheiberg@horwathhtl.com

MADRID, SPAIN
vmarti@horwathhtl.com

MOSCOW, RUSSIA
mohare@horwathhtl.com

OSLO, NORWAY
oslo@horwathhtl.com

PARIS, FRANCE
pdoizelet@horwathhtl.com

ROME, ITALY
zbacic@horwathhtl.com

SALZBURG, AUSTRIA
austria@horwathhtl.com

WARSAW, POLAND
dfutoma@horwathhtl.com

ZAGREB, CROATIA
scizmar@horwathhtl.com

ZUG, SWITZERLAND
hwehrle@horwathhtl.com

LATIN AMERICA

BUENOS AIRES, ARGENTINA
cspinelli@horwathhtl.com

SÃO PAULO, BRAZIL
mcarrizo@horwathhtl.com

MEXICO CITY, MEXICO
mjgutierrez@horwathhtl.com

DOMINICAN REPUBLIC
speralta@horwathhtl.com

SANTIAGO, CHILE
cspinelli@horwathhtl.com

BOGOTA, COLOMBIA
mjgutierrez@horwathhtl.com

NORTH AMERICA

ATLANTA, USA
pbreslin@horwathhtl.com

CHICAGO, USA
tmandigo@horwathhtl.com

DENVER, USA
jmontgomery@horwathhtl.com

MONTREAL, CANADA
pgaudet@horwathhtl.com

NEW YORK, USA
pbreslin@horwathhtl.com

TORONTO, CANADA
pgaudet@horwathhtl.com