

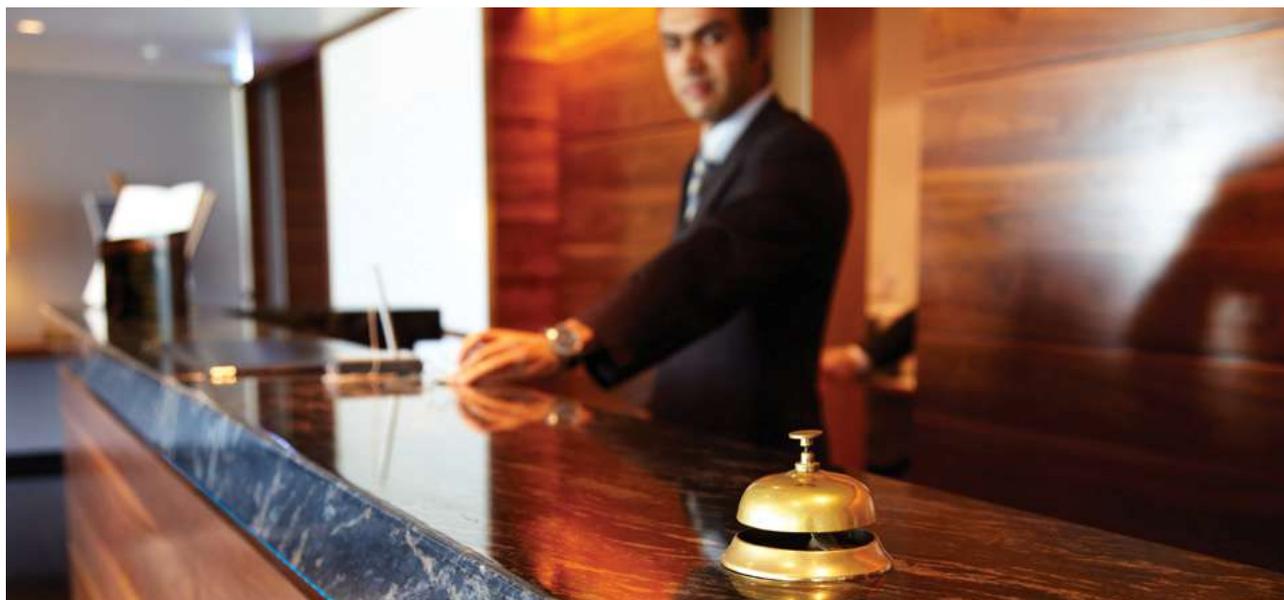


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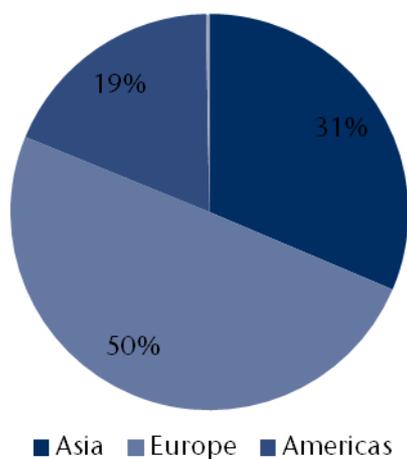
Hotel, Tourism and Leisure

Global leader in
hospitality consulting

**Austria Hotel Market
Sentiment Survey 2014**



Share of Respondents by Region



INTRODUCTION

The Horwath HTL Austria Hotel Market Sentiment Survey, part of a global initiative, gives a quick assessment of the market outlook for the Austria hotel industry, by the people on the ground, running the hotels. Four questions were answered to predict the development of occupancy, average daily rates and total revenue of the whole hotel market and own hotels. In addition, the effects of certain factors on the Austrian hotel market in 2014 will be evaluated. In the final question hoteliers share their expectations with regard to the demand of the four major tourist segments.

Horwath HTL global hotel market sentiment survey was conducted for the eighth time in January 2014. In total the survey gathered responses across 40 countries. Of the 1,474 respondents, 31 percent of them came from Asia, 50 percent from Europe and 19 percent from the Americas. No results were gathered from the Australia Pacific and the UAE regions.

This report summarizes the results of responses from 26 hotels and hotel management companies in Austria.

SENTIMENT RANKINGS

BY REGION	SCORE		
	Jul 12	Mar 13	Jan 14
Austria	20	13	9
Germany	20	32	28
Switzerland	-48	17	26
Europe	-8	5	25
Global Ave	1	5	25

“Austria’s sentiment scores have been falling since July 2012 and are underneath its German-speaking neighbours, the European and the global average.”

RANKING SCORE KEY

Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

SENTIMENT RANKINGS

As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score from all survey questions. Points are assigned to each corresponding response and compounded accordingly. The index utilizes a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year, and positive 150 signifies a very optimistic outlook. The index also allows us to track changes in market sentiment over time.

The outlook in Europe for 2014 is improving as the corresponding outlook in March 2013 and July 2012. This is mainly due to a positive hotel market outlook throughout Europe. Both the European and the global average increased by 20 points from 2013 to 2014.¹

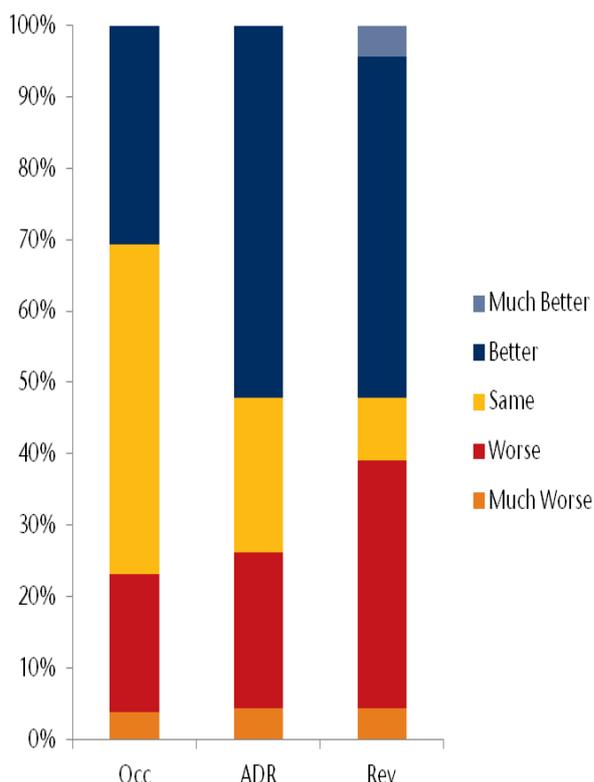
Nevertheless, the Austrian average has deteriorated since the July 2012 survey due to growing global prices, currency exchange rates and increasing competition but is still positive with 9. In comparison to other German-speaking countries, Austria has the lowest sentiment score.

Germany’s hoteliers are less optimistic as well. Although their results show a growth of 8 points in comparison to the July 2012 survey, a decline of four points was noted to the previous year. The sentiment score of January 2014 reaches 28 points and is the most promising among the three countries.

In contrast to previous years hoteliers in Switzerland are a great deal more optimistic with a change from -48 to 26 points. This difference of +74 points indicates that the country’s mood has changed and hoteliers believing in a good development in 2014.

The sentiment scores of Austria’s hotel industry have been falling since July 2012 and reached a three year low that is underneath the European and the global average since this year.

¹ We point out that the survey was conducted before the political sentiment deterioration regarding the Crimean crisis.



“Expectations in respect to revenues are dissonant.”

EXPECTATION FOR 2014

	Average	Occ	ADR	Rev
Austria	10	3	16	10
Germany	31	14	48	30
Switzerland	22	33	7	25
Europe	25	24	21	29
Global AV.	23	19	22	27

2014 MARKET OUTLOOK

What is your assessment of the hotel market for 2014 vs. 2013?

Austrians hoteliers were asked their expectations for performance levels in relation to hotel occupancy (Occ), average daily rate (ADR) and hotel revenues (Rev) in 2014 compared to that recorded in 2013.

OCCUPANCY

Market-wide occupancy performance is expected to remain the same as previous year by almost half of the respondents (46.2%). About one third (30.8%) are more optimistic and predict a better performance for 2014. 19.2% of respondents expect performance to worsen and 3.8% believe occupancy to be much worse.

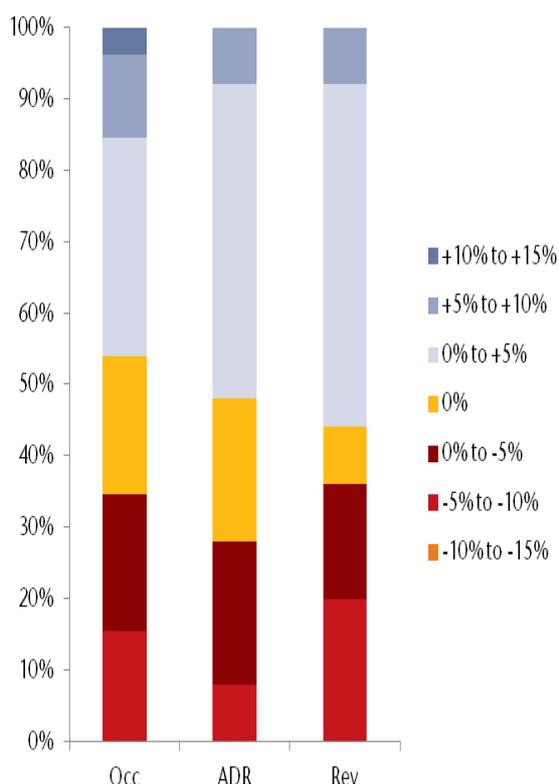
AVERAGE DAILY RATE

The outlook for the ADR is slightly better than the occupancy, with 52.2% of respondents expecting a better ADR than previous year. 21.7% forecast ADR to remain the same and also 21.7% predict a worsening of ADR. A share of 4.3% thinks it will be much worse.

REVENUES

In terms of total revenue the outlook is very dissonant. Half of the hoteliers (52.1%) is confident, that revenues will develop better. The share who presumes worse or much worse revenues is 39.1%. The amount of respondents expecting similar profits is at 8.7%.

In conclusion Austrian hoteliers have the worst average sentiment score of 10 points for market performance in contrast to their neighbouring countries Switzerland and Germany. Swiss hoteliers are double and German hoteliers three times as optimistic. On a broader scale Austria’s sentiment is 15 points underneath the European and 13 points below the global average.



“Regarding their own hotel’s performance hoteliers are, in comparison to its German-speaking neighbours, very pessimistic.”

HOTEL PERFORMANCE EXPECTATION 2014

	Average	Occ	ADR	Rev
Austria	8	8	12	4
Germany	26	9	45	23
Switzerland	31	40	17	37
Europe	25	24	21	30
Global AV.	27	24	25	33

HOTEL PERFORMANCE EXPECTATION

What is your expectation for growth/decline for 2014 vs. 2013?

The second survey question asked hoteliers to give their expectation of how their respective hotels will fare in 2014 in comparison to 2013, in percentage terms.

Almost half of the Austrian’s hoteliers has an expectation of growth, primarily up to 5% but more than a quarter is also pessimistic and believes in deterioration when it comes to their hotels.

OCCUPANCY

Almost half of the hoteliers, 46.1%, sees occupancy growth in 2014, of which 30.8% estimate it to be up to 5%, 11.5% believe it to be between 5% and 10% and 3.8% predict growth between 10% and 15%. 19.2% of respondents expect occupancy of their own hotel to stay equal. The same share predicts a decline of up to -5% and 15.4% expects a change of -5% to – 10%.

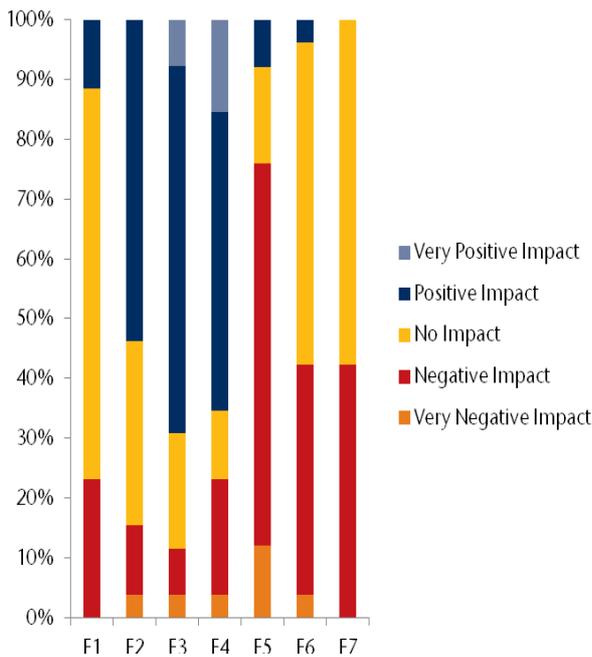
AVERAGE DAILY RATE

Concerning ADR of their respective property, 52% of hoteliers predict a growth, which is assumed by 44% to grow up to 5% and by 8% to increase between 5% and 10% in 2014. 20% of respondents feel that ADR is going to stay as it is. The same share forecasts a decline by up to -5% and a minority of 8% expects the change to be in the range of -5% to -10%.

TOTAL REVENUE

More than half of the hoteliers believe in a positive development of revenues (56%). 48% believing in an increase ranging from 0% to 5% and 8% think revenues will rise between 5% to 10%. But also 36% presume worse development which is not to be disregarded. 16% think revenues will worsen up to -5% and 20% has the opinion that revenues will even drop between -5% to -10%. The share of respondents believing total revenues to remain the same is 8%.

Regarding their own hotel’s performance hoteliers are very pessimistic in comparison to its German-speaking neighbours. Austria is 18 points below the average Sentiment score of Germany and 23 points below Switzerland’s average. In a broader comparison, Austria’s sentiment score is only a third of the global and the European average.



“A majority of 76% of respondents felt that global economic growth trends would have a positive or very positive impact on hotel performance.”

FACTORS AFFECTING PERFORMANCE RANKING

1. F3 - Global Economic Growth Trends	46
2. F4 - Local Tourism Trends	40
3. F2 - Local Economic Trends	26
4. F1 - Local/Global Stock Market	-9
5. F6 - Global Oil Prices	-32
6. F7 - Currency Exchange Rates	-32
7. F5 - New Competitive Supply	-60

FACTORS EFFECTING PERFORMANCE

What is your assessment of the hotel market for 2014 vs. 2013?

Each hotelier was asked to gauge their attitude towards seven factors and their impact on hotel market performance.

- F1. Local/global stock market
- F2. Local economic growth trends
- F3. Global economic growth trends
- F4. Local tourism trends
- F5. New competitive supply additions
- F6. Global oil prices
- F7. Currency exchange rates

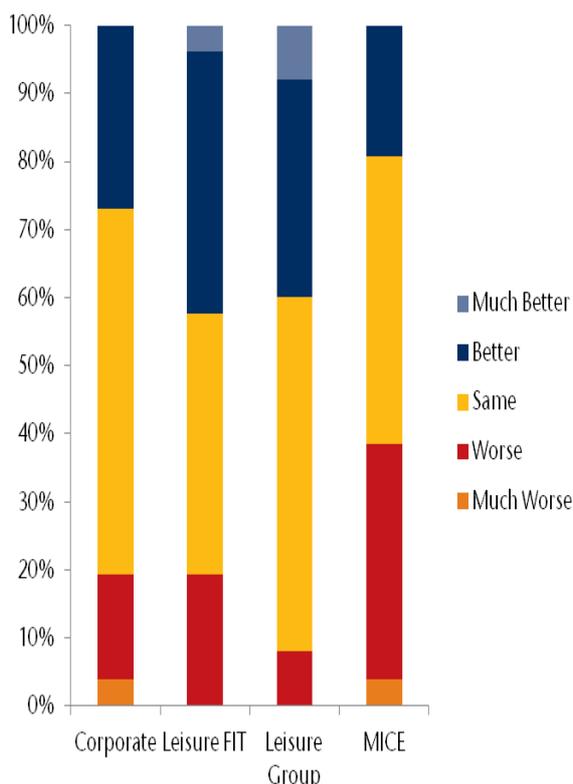
The three factors (F2) Local economic growth trends, (F3) Global economic growth trends and (F4) Local tourism trends are expected to positively influence hotel market performance in 2014.

NEGATIVELY RATED FACTORS

The most negative rated factor influencing hotel market performance in 2014 is (F5) New competitive supply, which is expected by 76% of respondents to have a negative or very negative impact. (F6) Global oil prices are predicted by 42.3% to have a negative or very negative impact whereas 53.8% predict no impact at all. (F7) Currency exchange rates are expected to affect the market negatively by 42.3% of respondents, yet the majority of 57.7% foresees no impact of that factor.

POSITIVELY RATED FACTORS

(F3) Global economic growth trends are predicted by 69.2% of the respondents as the factor affecting hotel market performance in 2014 most positively. 61.5% expect a positive impact and 7.7% a very positive impact. (F4) Local tourism trends are presumed to affect hotel market performance in a positive (50%) or very positive way (15.4%). (F2) Local economic growth trends are another factor believed by 53.8% to have a positive impact and by 30.8% to have no impact. (F1) Local/global stock market is expected to have no impact by 65.4% of hoteliers. The share of respondents believing F1 to have a negative impact is 23.1%, 11.5% presuming a positive impact.



“The Leisure Group segment is the most optimistic one with a majority of 40% of hoteliers expecting it to perform better.”

DEMAND BY SEGMENT RANKINGS

	COR	Leisure FIT	Leisure Group	MICE
Austria 2014	3	20	30	-17
Austria 2013	10	12	0	-8
Europe	18	29	12	9
Global	16	28	10	5

MARKET SEGMENT PERFORMANCE

How are each of the major demand segments expected to perform in 2014 vs. 2013?

The last question concerns performance of four primary demand segments, which are Corporate, Leisure FIT, Leisure Group and MICE (Meetings, Incentive, Conference, and Events) in 2014.

CORPORATE

Business related travel (excl. meetings, incentives, conferences and events) is expected by 53.8% of respondents to remain the same. 26.9% predict a better development and 19.2% feel it would get worse or much worse.

LEISURE FIT

The outlook for Leisure FIT is expected by 38.5% of respondents to stay as it is. The same share of hoteliers thinks it will become better. 3.8% assume a much better performance. A share of 19.2% predict demand to be worse.

LEISURE GROUP

The Leisure Group segment is the most optimistic one with a majority of 40% of hoteliers expecting it to perform better or much better. 52% predict it to stay the same and only 8% believe in a worse performance in 2014.

MICE

The MICE segment is the least promising market for 2014. Only 19.2% of hoteliers estimate the MICE segment to develop positive. 42.3% expect it to stay the same and 38.4% presume a worse or much worse performance.

In contrast to the previous year the Leisure FIT and Leisure Group improved their results. Especially the sentiment scores for the latter rose from 0 to 30. The Corporate and MICE segments have deteriorated by 7 and 9 points. Besides the Leisure Group segment the sentiment scores are underneath the European and global average.

OTHER MARKET SENTIMENT REPORTS

BY REGION

ASEAN
Benelux
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DISCLAIMER

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CONCLUSION HOTEL MARKET SENTIMENT STUDY

Austria's sentiment towards the market outlook has been downgraded in previous years. Nevertheless almost half of Austrian hoteliers expect a better performance of occupancy and room rate. The expectations for revenues are very dissonant.

The sentiment scores of Austria's hotel industry have been falling since the July 2012 survey and reached a three year low that is underneath the European and the global average since this year.

Austria's sentiment in terms of hotel market outlook for 2014 is 15 points underneath the European and 13 points below the global average.

Regarding their own hotel's performance hoteliers don't have high expectations as the average sentiment score only reaches 8. This score is far below the European and the global average.

The three factors (F2) Local economic growth trends, (F2) Global economic growth trends and (F4) Local tourism trends are expected to have the most positive influence on hotel market performance in 2014.

In contrast to 2013 the demand of the Leisure FIT and Leisure Group segments is expected to grow. The demand of the Corporate and MICE segments is presumed to deteriorate. Apart from Leisure Group all other segments have lower sentiment values as those of the European and global average.



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