

4 February 2010

HRG releases 2009 Hotel Survey

Part 1: Overview

The annual hotel survey released today by Hogg Robinson Group (HRG), the international corporate travel services company, reflects a challenging year for the hotel market, a common theme throughout the business travel industry. Across the world, all regions reported falls in average room rates in local currency terms, with only a small number of cities such as London, Houston and Johannesburg avoiding the double digit falls seen elsewhere. The weakening of the British Pound was again a key factor affecting rates paid by corporate travellers from the UK, particularly those travelling to the US and the Eurozone.

Trends noted by HRG include:

- For the fifth consecutive year, Moscow has emerged as the most expensive destination worldwide, despite posting a 5% fall in average room rate in local currency terms. A business traveller from the UK would expect to pay an average of £266.56 for a hotel room there
- London also saw a 5% decline in average rate, down from the 3% growth over the same period last year and dropped from 16th to 29th place in the ranking of the most expensive cities. It was however able to take advantage of increased demand due to the weakness of the Pound and was less affected than the UK provincial cities
- The Middle East region again experienced weaker rate falls than other regions. Abu Dhabi moved up from 5th to 2nd place in the rankings, only seeing a 1% decrease in average room rate, and Manama (Bahrain) shot up to fifth place, reflecting demand outstripping supply in the region
- Difficult trading conditions resulted in key cities in North America seeing decreasing rates when measured in local currency, except for Houston, a major centre for the oil & gas industry, and the Canadian capital Ottawa.

Although New York City saw one of the largest declines in local currency terms (23%), market conditions there showed some signs of improvement towards the end of 2009, even when taking into account the significant downturn in the last quarter of 2008

- The budget hotel sector remained static year on year facing increasing competition from the 3 and 4 star market; the top end of the market held up well, with the lowest average rate decline seen in 5 star hotels (3.5%) as top hoteliers proved willing to sacrifice a degree of occupancy in order to maintain rate integrity

Margaret Bowler, Director Global Hotel Relations at HRG, says: "It is clearly a tough picture for the hotel industry in 2009 but we did see it coming and the changing market has created opportunities for both corporate travellers and hoteliers.

"Previously hotels could deny bookers access to corporate rates in favour of more lucrative options. In 2009, the playing field levelled and this trend reversed as occupancy levels decreased and corporates gained greater access to negotiated rates. Hoteliers have tried to maintain rates and therefore corporate travellers have increasingly been able to secure value-added services as part of their negotiated rates such as internet access, parking, and breakfast."

Margaret Bowler adds: "Many of our clients are focussing on the opportunity to save money that their hotel policy presents. Corporates have always seen hotels as second to air. In the difficult trading conditions in 2009 they realised that hotels hold the potential for significant savings in their travel programmes so the role of travel management firms such as HRG has become more important than ever to guide clients through the market."

Douglas McWilliams, Chief Executive of cebr (the Centre for Economics and Business Research Ltd.) commented:

"We have just been through the deepest recession since the 1930s and the recovery remains at a relatively early stage. The latest Hogg Robinson Group hotel survey vividly illustrates the effect of the downturn in demand on the hotel market. But it also shows signs of recovery across the globe, particularly in dynamic emerging economies. In the United Kingdom, 2009 was a tough year but the weak pound offers hope for the UK economy in 2010, as illustrated by the London market faring better than other UK cities. Looking ahead, we expect the recovery to continue in 2010 but this will not be without challenges as the unprecedented policy stimulus across the globe is gradually withdrawn."

HRG's full year survey is based on a combination of industry intelligence, actual room nights booked and rates paid by its UK clients during January to December 2009 compared to the same period in 2008.

The GBP exchange rate is based on the average for the period 1 January to 31 December 2009 versus the average during the same period in 2008 (data source www.oanda.com)

Part 2: In-depth analysis

Top 10 most expensive cities worldwide (ranked by GBP): 2009 vs. 2008

City	2009 Average Room Rate GBP	2008 Average Room Rate GBP	2009 Average Room Rate Local Currency	2008 Average Room Rate Local Currency	Local Currency Variance	2008 Ranking
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MOSCOW	£266.56	£303.39	RUB 13,239.87	RUB 13,915.53	-5%	1
ABU DHABI	£223.35	£191.21	AED 1,285.00	AED 1,303.30	-1%	5
NEW YORK CITY	£203.70	£223.44	\$318.98	\$414.52	-23%	2
PARIS	£201.07	£201.09	€ 225.80	€ 253.31	-11%	3
MANAMA	£189.36	£170.17	BHD 112.48	BHD 119.68	-6%	20
MILAN	£185.73	£194.35	€ 208.57	€ 244.82	-15%	6
GENEVA	£185.19	£179.07	CHF 314.04	CHF 358.23	-12%	7
COPENHAGE N	£182.74	£174.68	DKK 1,528.32	DKK 1,640.72	-7%	12
WASHINGTON	£179.53	£170.19	\$281.13	\$315.74	-11%	19
ATHENS	£177.81	£171.81	€ 199.67	€ 216.43	-8%	17

Despite having the highest average rates globally, all the cities appearing in the top 10 saw a backward movement in rates when measured in local currency. Clearly the weakness of the UK Pound against many foreign currencies has had a strong effect on the prices paid by the UK corporate traveller.

Half of the top 10 is made up of European cities but it is Moscow that retains its position as the city with the highest average room rate for the fifth consecutive year – reflecting its maturity as a business destination. Nevertheless, Moscow’s average room rate has declined because of a fall in demand from within the banking and finance sectors and an increase in supply from new openings in recent years.

Abu Dhabi is the second most expensive city surveyed, having moved into the top 10 at fifth position in 2008, emphasising the lack of supply there. In neighbouring Dubai, where supply outstrips demand, the rates continued to drop in 2009 taking it out of the top 10 into 16th position.

After a 5% fall in average rate HRG has seen London fall further down the list to 29th from 16th position in 2008 and 10th position in 2007, in part attributable to the weakening Pound against the Euro. Also falling dramatically out of the top 10 this year are Mumbai (27th), Stockholm (20th) and Zurich (12th).

Key global focus cities: 2009 vs. 2008

City	2009 Average Room Rate GBP	2009 Average Room Rate Local Currency	2008 Average Room Rate GBP	2008 Average Room Rate Local Currency	Variance In Local Currency
LONDON	£151.45	£151.45	£160.18	£160.18	-5%
DUBLIN	£114.82	€ 128.93	£129.55	€ 163.19	-21%
MADRID	£136.04	€ 152.76	£143.78	€ 181.11	-16%
ZURICH	£173.84	CHF 294.80	£178.87	CHF 357.84	-18%
HONG KONG	£170.76	HKD 2,072.90	£175.41	HKD 2,534.66	-18%
AMSTERDAM	£162.53	€ 182.51	£168.97	€ 212.85	-14%
BRUSSELS	£151.19	€ 169.78	£153.08	€ 192.83	-12%
FRANKFURT	£175.06	€ 196.59	£161.79	€ 203.81	-4%
STOCKHOLM	£166.90	SEK 1,991.82	£180.14	SEK 2,180.09	-9%
JOHANNESBURG	£136.00	ZAR 1,787.07	£122.39	ZAR 1,857.96	-4%
DUBAI	£171.03	AED 983.97	£182.15	AED 1,241.52	-21%
SINGAPORE	£130.48	SGD 296.68	£136.29	SGD 356.84	-17%

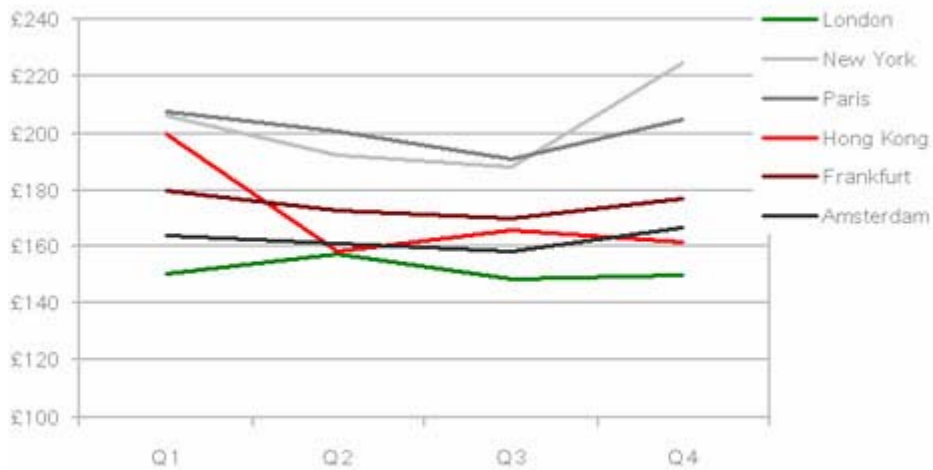
Frankfurt and Johannesburg did not fare as poorly as some other major business destinations. In particular, Frankfurt's relatively strong performance could be attributable to a rise in visitors in the second quarter linked to the convention and exhibition sector.

Dubai saw high quarterly fluctuations in rates, evidence of the country's current over supply of hotels rooms.

Global focus cities, quarterly average room rate movement: January – December 2009

PRESS RELEASE

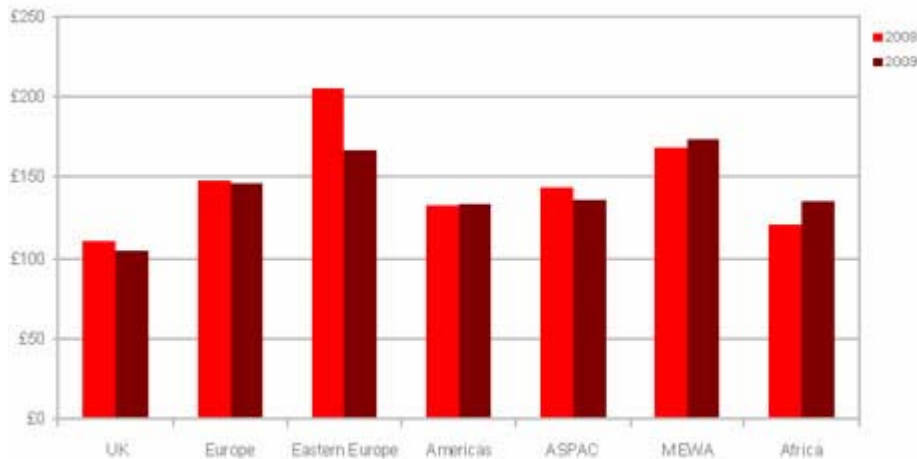
From Hogg Robinson Group



HRG's data shows that - with the exception of Hong Kong - these six key global cities managed to achieve average room rate growth in the final quarter of 2009. There were other cities in the survey that appeared to show signs of recovery or in some cases an increase, in the final quarter. However, any comparison with the final quarter of 2008 must be viewed with caution as there was considerable weakness in the last quarter that year when rates fell dramatically.

New York's success in the fourth quarter was not so much down to exchange rates, as they were relatively stable at that point, but more likely to be from increased demand after a weak third quarter and possible resurgence in the Banking & Finance sector at that time.

Average room rates by region: 2008 vs. 2009



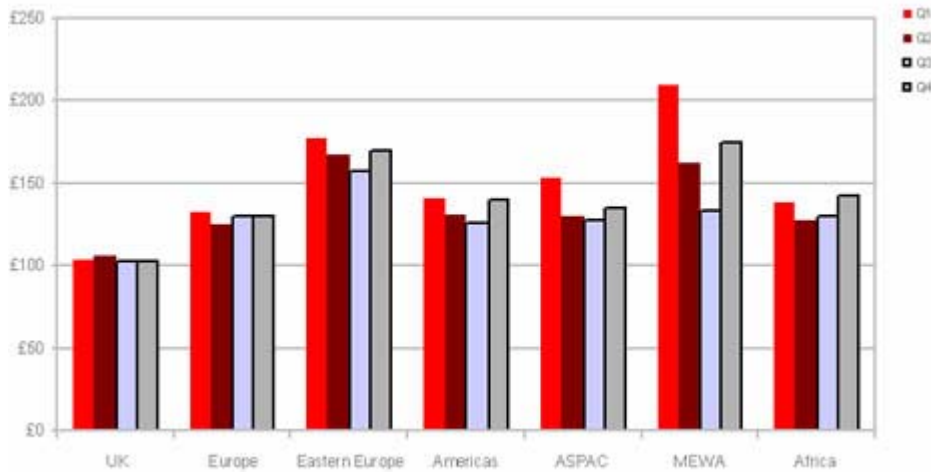
When measured in GBP, HRG's data shows a mixed picture for the health of the hotel market in these global regions. Despite the global nature of the economic downturn, three regions reported average rate increases in 2009 from 2008, although year on year exchange rate fluctuations need to be taken into consideration.

The Middle East & West Asia (MEWA) region was turbulent reacting to the banking and finance sector, but overall saw slight regional growth. Cities in the region that saw average rate increases included Abu Dhabi (17%), Manama (11%), Riyadh (11%), Oman (33.7%) and Qatar (31.1%). The limited supply of hotels - primarily dominating the top end of the market - combined with high demand and upgrades of existing hotels in the region have helped to stabilise the prices.

The highest regional growth (11%) was in Africa, as it continued to be the target of investment from multinational organisations engaged in sectors such as oil & gas, banking & finance and telecoms. Strong performances were seen in the likes of Cairo and Johannesburg.

Eastern Europe declined substantially (18.5%) reversing a growth trend there that was in place for a number of previous years. A fall in demand coupled with significant investment in the region has meant that supply outstripped demand and hence rates fell. This was evident in a number of cities including Bucharest, Moscow, Warsaw and Prague.

Quarterly average room rates by region: January – December 2009

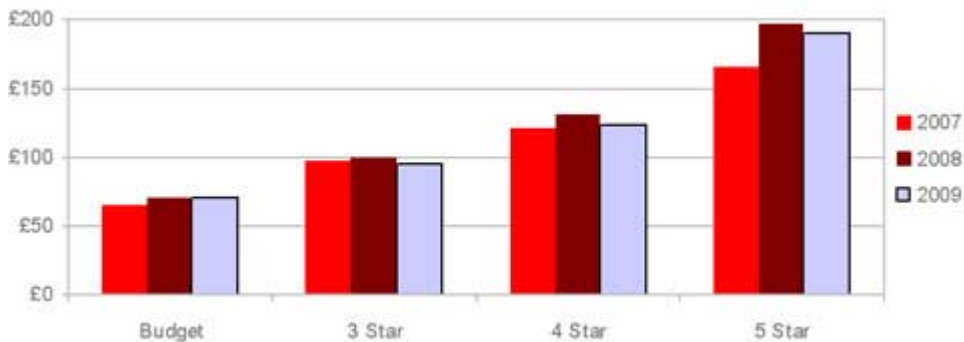


There were significant fluctuations through the year in the regions, particularly in the Middle East where average rates fell significantly during the first three quarters, only to grow by over 30% in the final quarter.

The UK remained relatively stable across the year with quarters three and four virtually flat.

Conversely, quarterly rate movements in Europe were more stable despite the Pound weakening against the Euro, again suggesting a slowdown in real terms in certain European cities.

Global average room rates by star rating: 2007 – 2009



Hotels battled to maintain their share of the corporate market as clients downgraded star ratings in response to the economic climate. The average rates have decreased by approximately 5% in the 3 and 4 star markets as a result. The budget sector, with its fixed pricing strategy, managed to stay stable with 2008, increasingly however it felt the competition from the 3 and 4 star hotels.

PRESS RELEASE

From Hogg Robinson Group



Budget hotels have been squeezed due to an inability to respond more rapidly and at short notice in terms of flexible pricing to offer more competitive rates to suit market needs. Corporates are also coming to the realisation that in certain cities budget hotels are more expensive than their three star rivals. In a similar fashion to budget airline pricing, it is not always straightforward to get the low rates advertised.

Continuing the findings from HRG's six month survey, the five star sector fared surprisingly well in 2009, experiencing a relatively low average rate decline of 3.5%, suggesting five star hoteliers are holding out for rates at the expense of lower occupancy levels. This sector has also remained somewhat stable in the MEWA and AsPac regions, where the properties are prevalent and increasing.

Country focus: UK

Ten highest average room rates in key UK cities (ranked in GBP): 2009 vs. 2008

City	2009 Average Room Rate	2008 Average Room Rate	Variance
LONDON	£151.45	£160.18	-5%
ABERDEEN	£117.95	£132.27	-11%
HEATHROW AIRPORT	£101.61	£106.46	-5%
NEWCASTLE UPON TYNE	£95.86	£102.06	-6%
MANCHESTER	£95.17	£102.84	-7%
EDINBURGH	£91.87	£98.47	-7%
BRISTOL	£88.50	£95.44	-7%
LIVERPOOL	£86.69	£101.52	-15%
BELFAST	£86.60	£108.42	-20%
BIRMINGHAM	£85.60	£94.12	-9%

All key UK cities surveyed recorded declining average room rates, continuing the trend seen in the first six months of the year. London fared marginally better than the provincial markets, as visitors enjoyed the weakness of the Pound against the US Dollar and Euro. London - analysed in closer detail on pg 10/11 - saw an average rate decrease of 5%.

Heathrow Airport hotels suffered a similar decline in London due to a number of new openings both in the full service and budget sector, as well as a reduction in passenger numbers.

The oil & gas industry drove Aberdeen into second position in the UK, although growth has slowed there considerably. Having seen a number of new openings, it is the first time for a number of years that average rates in the Scottish city have failed to grow.

As predicted by HRG, Edinburgh, the largest financial centre in the UK outside London, experienced a disappointing year with average rates falling by 8%. As well as the impact of the economic downturn, it was due to a number of new hotel openings both in and on the outskirts of the city.

Further openings in Manchester and increased room stock resulted in decreases in the average room rates there. Particularly weak performances were also recorded in Belfast and in Liverpool, which is down 15% from a previous high brought about by its status as 2008 European Capital of Culture.

The capital effect: London monthly average room rate movement: 2009 vs. 2008



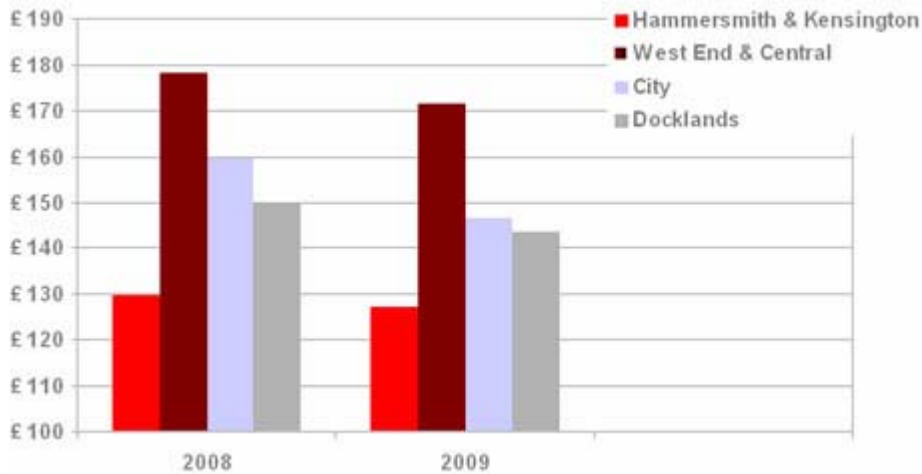
In contrast to the buoyant first eight months of 2008, HRG's data demonstrates that the hotel market in London was depressed throughout 2009. However the capital did benefit from exchange rate fluctuations as hoteliers were able to take advantage of increased demand from the inbound leisure market to shore up a fall in corporate occupancy. Tactical promotions also assisted in driving the domestic leisure market.

Rates were down during the traditionally quieter months of July and August and the smallest year on year monthly decrease of 0.5% was recorded towards the end of the year in November, although it must be remembered that this is being compared to a period in 2008 when there was a softening in the market as the impact of the economic climate began to take effect.

London average room rate by district: 2008 vs. 2009

PRESS RELEASE

From Hogg Robinson Group



Average room rates in the financial district suffered the highest fall of 8%, from £159.45 to £146.73, following a dip already seen in 2008 due to a drop in occupancy caused by the effects of the economic climate.

West End and Central districts, home to the bulk of the 5 star and leisure market, saw rates decline by 3.75%. Hotels in the Docklands experienced a fall of 4.2%.

The best performance was in Hammersmith and Kensington where rates were relatively static over the course of the year falling by just 2% to an average room rate of £127.51.

Regional focus: North America

Average room rates for key focus cities: 2009 vs. 2008

City	2009 Average Room Rate GBP	2008 Average Room Rate GBP	2009 Average Room Rate Local Currency	2008 Average Room Rate Local Currency	Local Currency Variance
NEW YORK	£203.70	£223.44	\$318.98	\$414.52	-23%
WASHINGTON	£179.53	£170.19	\$281.13	\$315.74	-11%
HOUSTON	£117.42	£92.58	\$183.87	\$171.74	7%
BOSTON	£152.34	£157.76	\$238.55	\$292.67	-18%
CHICAGO	£131.05	£144.50	\$205.21	\$268.07	-23%
SAN FRANCISCO	£155.04	£153.53	\$242.78	\$284.83	-15%
PHILADELPHIA	£113.08	£100.12	\$177.08	\$185.74	-5%
LOS ANGELES	£139.71	£136.11	\$218.77	\$252.51	-13%
VANCOUVER	£101.05	£105.54	\$180.01	\$207.22	-13%
TORONTO	£115.75	£112.25	\$206.19	\$220.41	-6%
OTTAWA	£96.25	£84.72	\$171.45	\$166.34	3%
MONTREAL	£84.14	£89.27	\$149.88	\$175.27	-14%

In the US market various cities reported rate growth in GBP as corporate travellers from the UK continued to face a weakening Pound exchange rate against the US Dollar. However, in local currency, the biggest rate increase was in Houston (27%) buoyed by the strong oil and gas sector. In contrast to most Canadian cities where room rates tended to be down, Ottawa achieved a 3% degree of growth.

Although rates in New York City fell by 9% in GBP (and 23% in local currency), market conditions showed signs of improvement towards the end of 2009, even when comparing it to the significant downturn in the last quarter of 2008.

Part 3: Summary

Margaret Bowler of HRG says: “The turbulence in the hotel sector in 2009 was evident across the year as the global economy struggled with the effects of recession and ongoing turmoil in the financial markets. The fluctuating exchange rate has had a significant impact on the UK corporate traveller and there has been a noticeable shift in business practices. Back in 2008 we saw average hotel rates rising across the board but by our 2009 mid-year survey, rates were already noticeably levelling off or falling so in many ways the full year results for 2009 were to be expected. In some parts of the world demand still outweighs supply and we can see pockets of growth as some regions respond to the recession better than others.

“Our clients are reviewing and consolidating their programmes to secure lower rates because there is more availability. Whilst occupancy levels remain comparatively low, contracted corporate rates can be viewed as the benchmark and the highest that should be paid. Corporates should be aware that on many occasions best available rates on the day have proven to be lower than a clients’ negotiated rate. HRG has the ability to access exclusive distressed rates not available through other booking channels.”

Margaret Bowler continues: “With a greater focus now on long-term stable relationships, hotels are opening up availability on corporate rates once more. They are adjusting pricing structures to meet market expectations and to make rates appear more attractive. The majority of hotels have adopted sensible long-term pricing strategies to offer value rather than significant price cuts to customers in order to maintain their share of the market. This is a more sustainable approach in order to avoid rate cuts and price wars, which offer no long-term competitive advantage and often dilute their corporate business.

“Those willing to guarantee booking volumes, with fewer preferred suppliers, are likely to be able to negotiate lower pricing and value-added items within their rates such as food and beverage discounts, free wi-fi access and reduced parking charges - items that represent a “real” cost in terms of total cost of stay.

“Fenced rates remain now, and for the foreseeable future, widely available. They may contain hidden costs, most often through requiring advance purchase and being non refundable in the event of cancellation – however these can still deliver cost savings when travel on a given date is essential.”

Margaret Bowler concludes: "The patterns in this hotel survey would suggest that the industry has some way to go before rates stabilise in 2010. Whilst indications are that rates will remain flat in most markets globally, there are signs of increasing occupancy as the effects of the recession begin to ease off in certain markets. Corporates should continue to look to renegotiate rates and consolidate hotel programmes. Those who have yet to get back to the volume levels they once had have the opportunity to grow their policy compliance, either through the auditing of bookings prior to arrival or through post-travel reporting. HRG advises clients to regularly benchmark and consolidate their hotel programme to reap benefits from these unusual trading conditions."

VAT - Value added tax (VAT) in the UK was increased from 15% to 17.5% from 1st January 2010. However the effect on UK average rates is likely to be minimal as the rate changes are more down to market conditions.

- Ends -

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Notes to Editors:

Hogg Robinson Group plc (HRG), the award-winning international corporate travel services company was established in 1845 and operates from headquarters in Basingstoke, Hampshire, UK. Its interests include owned or controlled corporate travel services operations in 25 key driver/growth markets throughout Europe, North America and Asia Pacific, which are supported by a network of contracted partners. The HRG network extends to nearly 120 countries.

HRG's philosophy is to focus on its clients, underpinned by three differentiators – its people, its technology and its breadth of service. The company has experienced management and skilled operators together with a strong reputation for technology which it develops and owns in-house. In addition HRG is the only major travel management company to offer a real breadth and depth of services, all of which combine to serve every client around the globe delivering value, cost savings, efficiency and innovation, without compromise.

HRG's portfolio of clients spans a broad range of industry sectors including but not limited to Automotive, Banking and Finance, Food Manufacturing, Media and Entertainment, Pharmaceutical, Retail and Telecommunications.