

REPORT:

Bahamas Hotel Association

Annual Industry Performance and Outlook Survey Results

Trendline Shows Hotels Moving Towards 2008 Performance Levels

February, 2010



Most of the nation's hoteliers reported significant declines in key performance indicators in 2009 but expressed considerable optimism in seeing gradual improvements which started during the last quarter of 2009 continuing in 2010 as reported in the Bahamas Hotel Association's Annual Industry Performance and Outlook survey.

"The industry is stabilizing and we are beginning to see increasing levels of confidence by hoteliers and a belief that things are getting better" states BHA President Robert Sands who indicates that "this is most evident in projections for improvements in sales, occupancy, room rates and capital spending as well as a stabilization of employment levels. When benchmarked against our performance reports of 2008, projections for 2010 show that we are moving in the right direction following a most difficult 2009" adds Sands.

The survey which was conducted during January, 2010 is undertaken annually to assist BHA and public and private sector stakeholders with gaining a better understanding of the state of the tourism economy, its outlook, and the degree to which a number of factors are affecting or may affect businesses and the economy. Recommendations were also solicited to provide direction to BHA in planning its program priorities and activities.

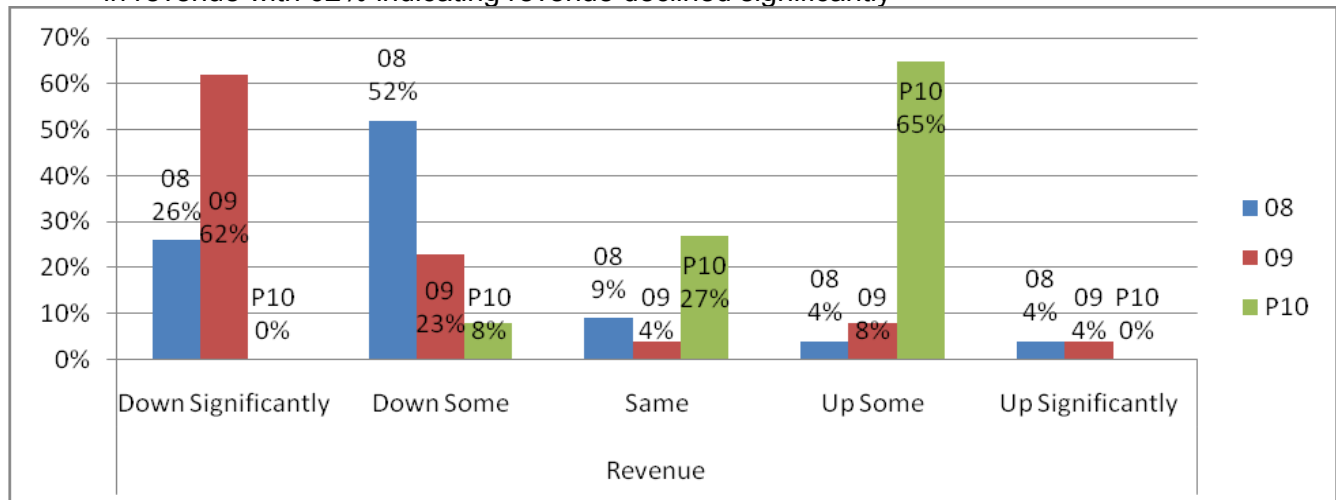
The findings are based upon responses from 26 hotels representing a cross-section of large and small hotels from Nassau-Paradise Island, Grand Bahama and the Out Islands. These hotels have a combined 6,866 licensed rooms and 10,663 employees.

This year's report also shows results from 2008 and 2009 for key indicators, as well as projections for 2010, providing trendlines for those areas.

Among this year's findings, comparing 2009 against 2008 with projections for 2010:

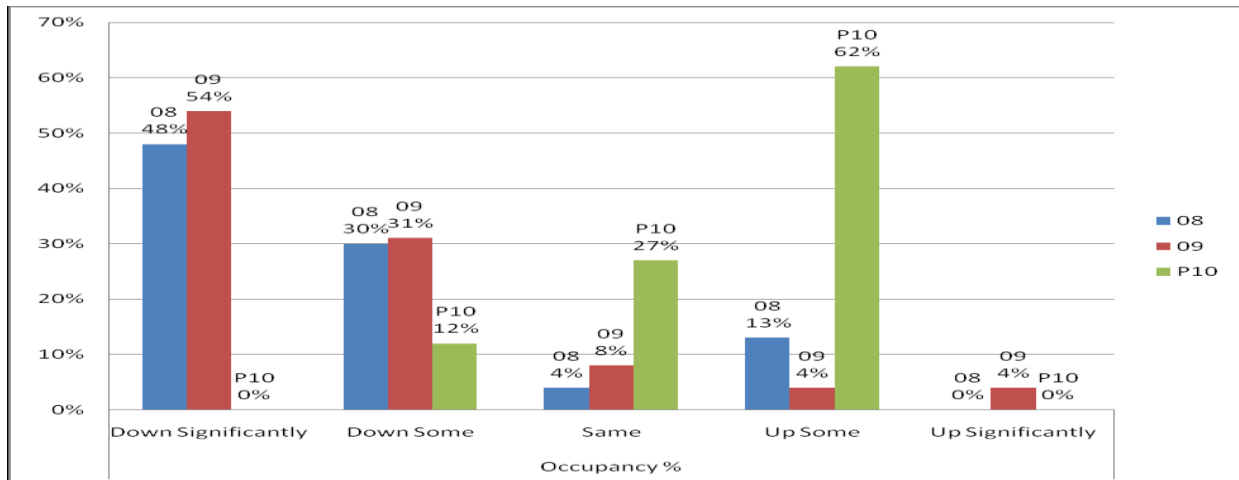
Revenue Outlook Improving....

- 65% of hotels anticipate revenue will improve in 2010 and 27% project it will remain constant with 2009 revenue levels, a reversal of 2009 actual performance when 85% reported a decline in revenue with 62% indicating revenue declined significantly



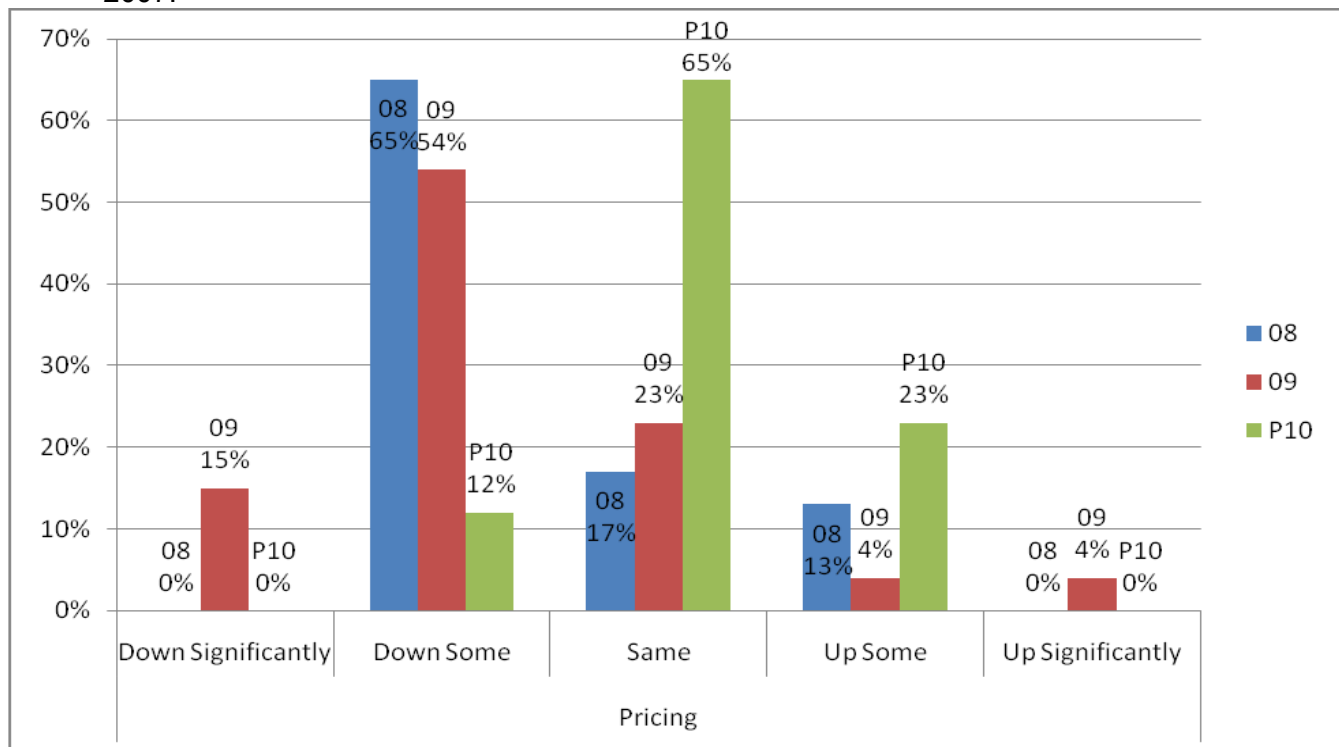
Occupancy Levels Projected to Increase....

- Hotel occupancy levels for 2010 are projected to increase according to 62% of the hotels while only 12% projected occupancy to be down some in 2010. This is in stark contrast to 2009 when 85% reported a drop in occupancy. This followed similar reports for 2008 when 78% of hotels experienced a decline in occupancy levels.



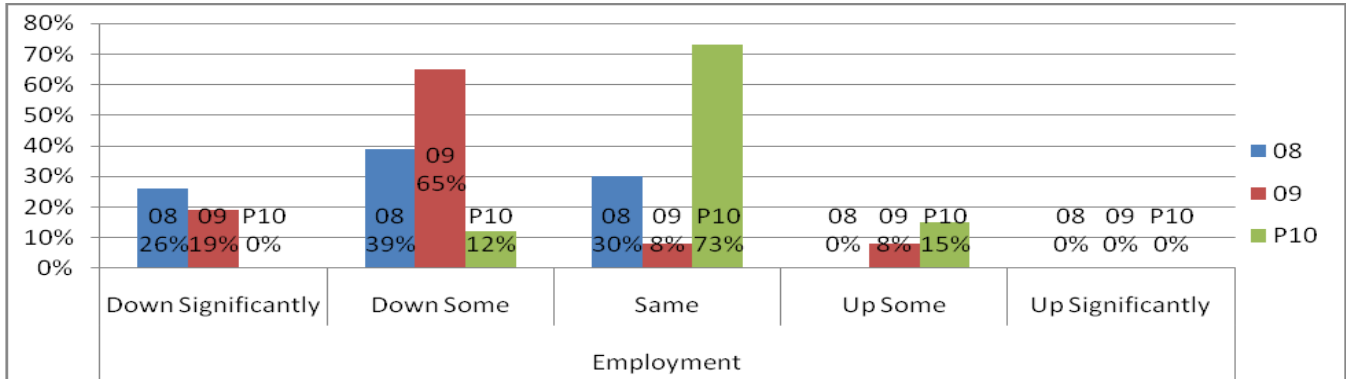
Room Rates Held or Increased....

- 23% of hotels expect to see an increase in room rates in 2010, while 65% will hold rates at 2009 levels. In 2009, 92% of hotels reduced rates or held them at 2008 levels. Rates were also suppressed in 2008 when 65% reported a decrease and 17% held rates constant with 2007.



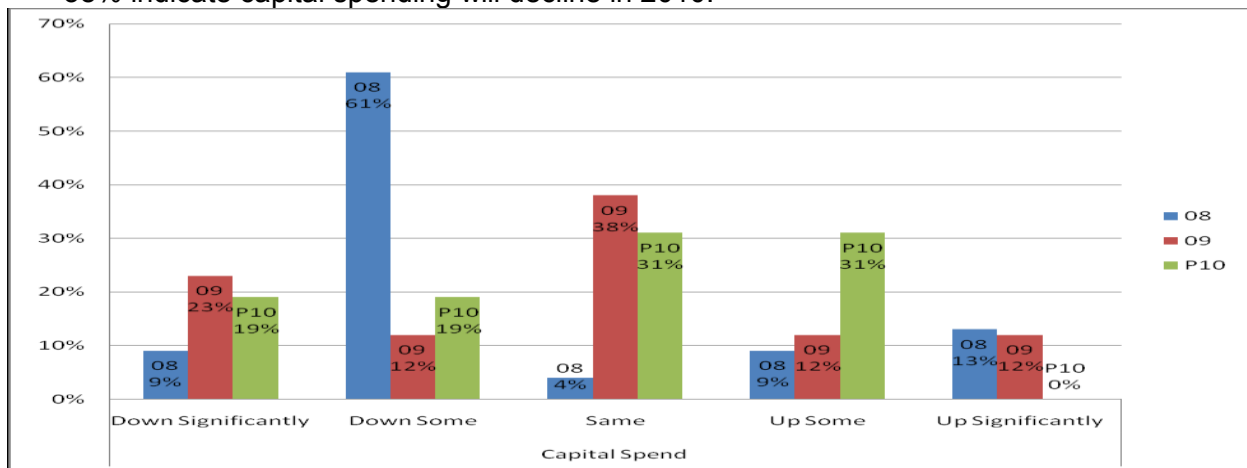
Employment Levels Remain Constant...

- Employment levels are expected to remain largely constant in 2010 with 73% of hotels remaining at 2009 levels while 15% expecting a slight increase and 12% expecting a slight decrease



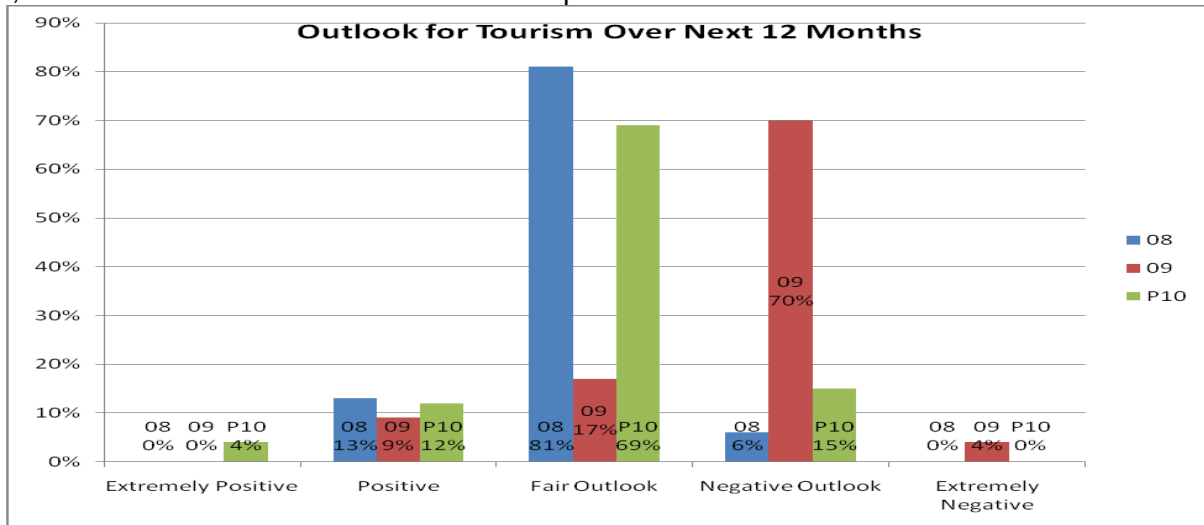
Capital Spending Projected for Biggest Increase in Three Years

- Capital spending, which has declined during the past two years except for major refurbishments by several hotels, is expected to see its biggest increase in three years with 31% of hotels reporting a projected increase while another 31% will spend at 2009 levels. 38% indicate capital spending will decline in 2010.



Overall Outlook for Industry Shifts

Hoteliers were also asked about their outlook for tourism over the next 12 months and a dramatic shift in outlook has occurred between 2009 and 2010. When asked the same question in 2009, 74% of hoteliers had a negative outlook for the next 12 months and another 17% had a fair outlook. For 2010, 69% have a fair outlook and 16% have a positive outlook.



Many Hotels Struggle to Achieve Net Profit....

The profit picture continued to show vulnerability for a number of hotels, with 46% reporting a net loss in 2009 and 50% reporting a profit, while 4% were unable to project at the time the survey was undertaken. This follows a three-year trend of a significant number of hoteliers reporting a net loss.



Key Factors Affecting Business Activity...

Hoteliers attributed the state of the US and global economy as the primary reason for a decrease in business activity in 2009, but the larger hotels also cited the recession and the 'AIG' effect for a considerable decline in corporate group travel. While many hoteliers noted significant strides which have been made in reducing the cost of airlift and improving accessibility, this continues to be reported as a factor affecting business performance, particularly by hotels responding from the Family Islands. Some hotels cited new and more affordable airlift as factors contributing to improvements in their performance.

When asked to describe the most important issues affecting their business today, in priority order hoteliers ranked:

- (1) State of the US and global economy;
- (2) Poor cash flow resulting from lower revenue;
- (3) High cost of business operations;
- (4) Airlift availability and affordability.

Last year's survey results ranked airlift cost and availability as the second most important factor after the economy. Thus, this year's results point to improvements made by the Ministry of Tourism and Aviation and the private sector in that area over the past 12 months.

Priority Initiatives to Advance....

Respondents were asked to identify the most important initiatives which BHA, the Promotion Boards and the Ministry of Tourism and Aviation should address in 2010. In priority order:

- (1) Continue strong destination marketing;
- (2) Continue addressing airlift and airfare matters;
- (3) Help reduce the high cost of business operations;
- (4) Continue to advance value-added promotional offers to drive occupancy;
- (5) Focus on customer service training beyond the hotels;
- (6) Targeting marketing and support for Out Islands and small hotels;
- (7) Continuing to support destination infrastructure improvement plans.

"The past year was extremely difficult for many hoteliers, their employees, and the nation as the full brunt of the world recession and decline in travel was felt across the board. We are seeing a return of confidence by US consumers which is now translating into an increasing confidence by our hoteliers." states BHA President Robert Sands.

"We must remain diligent as a country and an industry if we are to maximize our potential as a leading global tourism destination. While the Ministry of Tourism and Aviation and the hotel industry have and will continue to work hard on a number of fronts to ensure The Bahamas maintains and grows its share of the global tourism pie, tourism remains everyone's business in our country. All of us have a role to play to ensure that we can all proudly say and believe it "is better in The Bahamas" adds Sands.