

**HOTELS.COM HOTEL PRICE INDEX
FIRST HALF 2012
EDITION: MALAYSIA**

INTRODUCTION

The Hotels.com Hotel Price Index™ (HPI®) is a regular survey of hotel prices in major destinations across the world. The HPI is based on bookings made on Hotels.com and prices shown are those actually paid by customers per room night, rather than advertised rates.

Now in its ninth year, the HPI is respected as the definitive report on hotel prices paid around the world and is increasingly used as a reference tool by the media, hoteliers, financial analysts, investors, tourism bodies and academics.

The HPI tracks the real prices paid per room by Hotels.com customers around the world, using a weighted average based on the number of rooms sold in each of the markets in which Hotel.com operates.

The international scale of Hotels.com, in terms of the number of customers, properties and destinations covered, makes the Hotel Price Index one of the most comprehensive benchmarks available, as it incorporates both chain and independent hotels, as well as options such as self-catering and bed & breakfast properties.

This edition looks at the first six months of 2012, comparing the results with the same period in 2011. Approximately 140,000 properties around the world made up the sample set of hotels from which prices were taken.

FOREWORD

Our Hotel Price Index enters its ninth year with news of rising prices across all of the regions in the survey – the first time we’ve been able to say this in five years. In the first half of 2012, the average price paid for a hotel room, regardless of currency, increased by 4%. Some of the world’s largest hotel markets outran this, with the Pacific region up 6% and North America and the Caribbean growing at 5%, a pace that suggests that recovery for the hospitality sector is gathering speed, at least. The news from Europe and the Middle East, perhaps expectedly, is less rosy, with a 1% rise showing that hotel prices match the European economic prospects.

Looking beyond the headline figures, there are some interesting trends to examine more closely.

Enough already

The hotel market has been victim to a full spread of emergencies and disasters over the last four years, both economic and natural – from ash clouds to debt crises, via earthquakes and revolutions. Although these phenomena won’t stop, it looks as if their effect will be less marked on the hotel industry in 2012. Prices in Asia rose 4% overall as Japan bounced back, with significant price increases in its major cities for some travellers. Thailand has seen similar recovery from the floods of 2011– many major destinations are more expensive than a year ago.

Regions that saw collapsing demand as a result of civil unrest are also recovering. Tunisia, Jordan and Saudi Arabia have all seen significant rises, and even Egypt, which saw steep price decreases in 2011 as tourists changed travel plans to alternative destinations, seems to have turned a corner.

The Chinese are on their way

It’s not a new observation that the dependence on growth from China extends beyond its borders – and several major travel destinations can be added to the list. Chinese travellers are now more likely to travel independently, be less worried by visa requirements, and spend more on travel and shopping overseas. Chinese spend on international tourism grew \$18bn in 2011** alone. This demand has had an effect on popular travel destinations for Chinese tourists, such as Hong Kong or Taipei which saw rates increasing.

Club Med

Weaker domestic demand has now really begun to hit hoteliers in the key Southern European markets. Local currency prices fell in Greece, Italy, Spain and Portugal. Although softness in international demand is driving some of this, falling consumer confidence, and spending power, are the bigger issues. The outlook for pricing here may be as difficult to read as the macro economic situation as a whole, but it’s likely to mean great deals for those who want, and can afford to travel to some of Europe’s top destinations.

Tournament tourism

The impact of the Olympics on London’s economy has become a hotly debated topic. It’s clear that hotels cut their prices sharply in the run up to the Games, with last-minute rates slightly below summer 2011.. Whilst many have come to London, other travellers – mainly for business or in

groups- have stayed away, although we do expect them to return later in the year. In other cities, the impact of sporting events on tourism looks to be more universally positive, with strong rises for Kiev on the back of Euro 2012 for example, and Helsinki had its own moment in the sun as host of the European Athletics Championship. The message looks to be that major events do benefit a destination's hoteliers, except perhaps the biggest of them all.

US Recovery – go West

The US market has been in slow recovery since the beginning of 2010, with the latest figures suggesting this is gathering speed. The West Coast leads here, with a local price increase in major cities such as San Francisco and Los Angeles, and further major destinations are following, from New York to Miami. The themes are consistent – increasing conference and business travel combined with higher consumer spending, produces higher levels of occupancy. The second half of the year, with increasingly mixed economic signals, will be interesting to watch.

So, whether you are an industry analyst or deal-hunting traveller, read on and let Hotels.com be your guide to what's up, what's down, what's new and just who the biggest spending tourists actually are.

** United Nations World Tourism Organisation, "UNWTO World Tourism Barometer" (March 2012) Retrieved 30 May 2012 from <http://mkt.unwto.org/en/barometer>

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ABOUT HOTELS.COM

FOR FURTHER INFORMATION

The HPI report focuses on two main sources of data:

Chapter 1 shows the global and regional Hotel Price Index for the first six months of 2012 compared to the same period in 2011.

The Index is compiled from all relevant transactions on Hotels.com during this period, in local currency, weighted to reflect the size of each market. By representing hotel price movements in an index, Hotels.com can illustrate the actual price movements as paid by consumers without foreign exchange fluctuations distorting the picture.

The Index was started in 2004 at 100 and includes all bookings across all star ratings from 1- to 5-star.

Chapter 2 covers the most popular destinations into and out of Malaysia in the first half of 2012.

The final chapter focuses on some additional travel facts identified by Hotels.com.

Reports are also available in other currencies. Please contact press@hotels.co.uk.

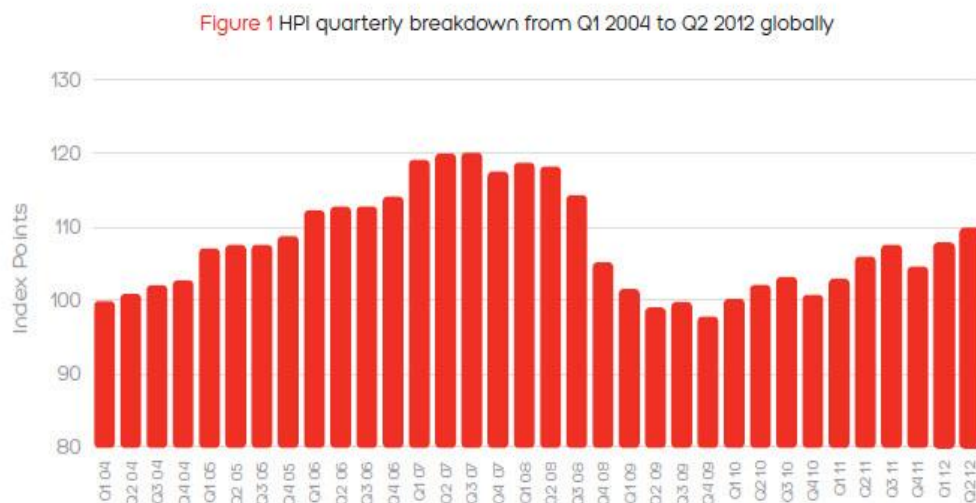
1. GLOBAL PRICE CHANGES

The average price of a hotel room around the world rose 4% in the first half of 2012 compared with the same period of 2011, according to the latest Hotels.com Hotel Price Index, standing at 108 compared to 100 when the Index was launched in 2004.

This remained some way behind its half-year peak of 119 in 2007 and represents great value for travellers, but the recovery is now well-established and prices have risen across the world.

The strong economies of the Pacific basin powered the sharpest rises, North America gained ground and Asia saw prices rebound from the falls of last year, while Europe and Latin America lagged behind. More in-depth analysis into what caused these changes and how this affected individual cities and countries can be found in subsequent chapters.

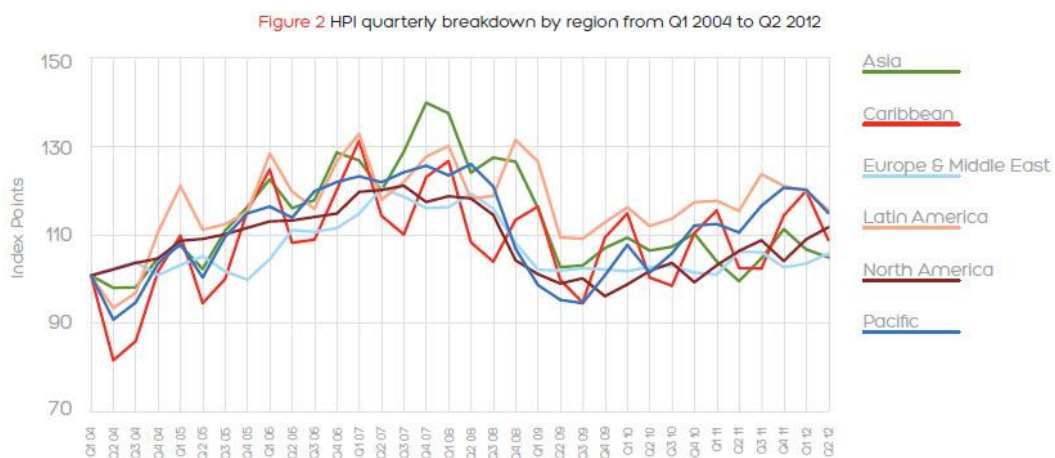
Figure 1 HPI quarterly breakdown from Q1 2004 to Q2 2012 globally



The Pacific forged ahead

- The Pacific again saw the highest percentage increase in average hotel prices, up 6%, fuelled primarily by the healthy Australian market and the buoyancy of its corporate travel sector.
- The Pacific HPI stood at 119 for the first half of 2012, which positioned it behind the Caribbean and tied in second place with Latin America, where prices steadied.
- In spite of this rise, consumers could take heart from the fact that the Pacific Index was still lower than in the first six months of 2007 and nine points less than its half-year peak of 128 in 2008, although prices have risen 21% over the last three years.

Figure 2 HPI quarterly breakdown by region from Q1 2004 to Q2 2012



Johan Svanstrom
Vice President
Hotels.com APAC

Despite continued political and economic uncertainty and currency fluctuations across Europe and the US, local economic strength throughout the Asia Pacific region resulted in hotel price rises. Rates in Asia rose modestly while average rates in the Pacific region grew notably.

One of the main drivers of these increases has been the continued expansion of low-cost carriers in the region. This has resulted in a travel boom, as air travel within the region becomes more accessible and affordable, and also leads to online booking trends..

Japan's first low-cost carrier, Peach, began operations in March of this year and has contributed to Japan's steady recovery following the disasters of early 2011, which had a considerable impact on both inbound and outbound travel during the year. As the country has recovered and travellers have returned, average room rates have risen significantly in Hiroshima and Kyoto while rates in Tokyo have been consistent. The North Asia markets are on the cusp of further low cost carrier expansion in the next 12 months.

With some of the highest occupancy rates in the world, average hotel rates in APAC's business hubs, such as Singapore and Hong Kong, continued to climb. India and China both see rising traveller numbers, on the back of fast-growing middle classes.

It is anticipated room and occupancy rates across APAC will continue to rise as demand from business and leisure travellers outstrips supply in many key markets. Currency fluctuations and global economic outlook uncertainties will however provide some volatility and affect inbound tourism, as observed in for example Australia.

However, hotel deals are present all across the region. Travellers will continue to be presented with good opportunities to snap up discounts, so keeping an eye out online is recommended.

In terms of traveller behaviour, with Asia having the largest number of mobile subscribers in the world and a growing propensity to travel, we expect a surge in late notice bookings through mobile devices as travellers become more confident using this channel.

Asia bounced back

- Asian prices recovered well from the falls in the first half of 2011 as confidence returned to the market following the Japanese earthquake, tsunami and nuclear crisis in March of that year. The HPI increased 4% to stand at 108, matching the global figure.
- This was 18% lower than its high in 2008 but the industry was back on track as travel to and within the region returned.
- The success of the international business centres and major cities in Asia helped push prices up and the number of new routes launched into the market by low cost carriers also boosted travel.

Javier Escobedo
Vice President
Hotels.com Latin America

The Latin American Hotel Price Index shows a slight variation in comparison to the same period in 2011, with just a 1% increase, so the rate of growth is slowing overall but individual countries continued to register strong performances. Currency fluctuations also impacted the cost of trips abroad for many travellers from the region.

Brazil, for instance, leads the travel and tourism industry in Latin America in terms of absolute figures. Its rate of growth in visitor numbers, fuelled by both leisure and business travel, is also significantly ahead of many other countries in the region. Brazilians enjoyed lowered hotel prices in their own country during the first half of the year. However, due to the devaluation of the Real against major currencies, travellers leaving the country found that prices in many international destinations increased.

With two high profile sporting events in Brazil in the next few years – the 2014 FIFA World Cup and the 2016 Olympic Games, it is expected that infrastructure projects in the larger cities will increase the supply of rooms, delivering considerable improvements in the hotel stock in the run-up to these major tournaments.

The picture was similar in Mexico where local prices showed little variation compared to the previous year. However this scenario changed radically when specific international destinations were taken into consideration, due to the depreciation of the Mexican peso.

Generally speaking, European destinations are interesting options for travellers from Latin America. Prices paid per night on traditional destinations in Europe such as Madrid or Lisbon, showed a negative variation year-on-year and also offer the best value in terms of luxury, since it is possible to stay at 4 or 5 star hotels with far better prices than same category hotels in other regions.

Latin American prices stalled

- Despite the continued growth of the stronger economies, hotel prices overall in Latin America flattened during this period and the HPI for the area stood at 119 after a rise of 1%, the same increase as Europe and the Middle East.
- This put Latin America in second place behind the Caribbean and tied with the Pacific.
- Latin American prices were at their highest in 2007 when the Index stood at 129, and rates for the first half of 2012 were still below their 2005 level.

Matthew Walls
Vice President
Hotels.com EMEA

In the last six months, we've seen the Eurozone crisis impact more countries in Europe and spread its influence further afield. The situation affected not only domestic demand but also international visitors to former favourites in Southern Europe, such as Greece and Spain in particular with hotel prices falling further. Whilst this isn't great news for hoteliers, it does mean there are some great deals available for consumers looking for some late summer sunshine.

Whilst in 2011 the main external factors of influence were environmental; sport seems to be a predominant driver for 2012. One of the biggest news stories of the period has been the London Olympics. Hotel prices were initially very high but started to come down as the Games approached. The city has been full of tourists from all over the world enjoying the spectacle and many of them would have benefitted from some last-minute bargains.

Other European cities, such as Kiev, benefitted greatly from large sporting events. As one of the hosts of the Euro 2012 football tournament, this destination saw the highest increase across the HPI as a whole. Helsinki also saw its rates climb as host of the European Athletics Championships.

It will be interesting to see how this type of tourism develops with numerous sporting events planned around the world, but especially as we approach Rio de Janeiro in 2016.

In the Middle East, calmer political seas encouraged a tourism recovery to get underway, with high demand and steep price rises in numerous destinations, such as Sharm El Sheikh and Marrakech. Whilst this is encouraging, the hardest-hit destinations have a way to go before reaching their levels prior to the Arab Spring in 2011.

It has been a turbulent twelve months across Europe and the Middle East with several economic factors impacting the industry – for now, some of these factors seem to be levelling out, bringing recovery to parts of the region in its wake.

Europe and Middle East growth slowed

- The HPI registered its smallest increase of 1% in Europe and the Middle East, raising the Index to just 103. This was the same figure as in the first half of 2005 and a full 13 points behind the high of 116 reached in 2007 and 2008.
- The impact of the Eurozone crisis was reflected in this result with prices down in many of the major European markets.
- It was a different picture in the Middle East which saw widespread price increases as the area settled down following the uncertainties created by the Arab Spring of 2011.

**Victor Owens
Vice President
Hotels.com North America**

While London has soaked up the global spotlight this year as host to the world's most revered sporting event, the Hotels.com® Hotel Price Index™ has uncovered many equally amazing cities that deserve to be on your travel itinerary.

A likely driver of the increases in North America is a boost in domestic economic confidence. With gas prices down and interest rates at incredible lows during the first half of the year, many households enjoyed slightly more disposable income. While still not quite up to par with the highs of just a few years ago, times are better for most than in 2008 and 2009, as evidenced by an increase in domestic bookings.

This year, we're also seeing hotel providers look to differentiate themselves from competitors by revamping, upgrading their properties or expanding in the luxury hotel segment, which can account for some of the price increases we've seen.

No matter the hotel star rating, travellers are now, more than ever, looking for value-added packages. The Caribbean, one of the more well-known regions providing packaged and all-inclusive deals, showed a 3% market growth.

Even with the U.S. economy in limbo, nearly three in five Americans had planned to travel for leisure this summer, according to a recent Summer Travel Poll conducted by Harris Interactive. If you're not sure where exactly to go, here's our expert advice: follow your passion. So if it's rock climbing in Banff, noshing on a Po'boy in New Orleans, taking in the arts in Toronto, or rocking out to indie music in Austin, Hotels.com will find you that perfect itinerary and perfect place.

North America driving forward

- North America saw the second fastest rise in average hotel prices with a growth of 5%, to 109. This still trailed the leaders but the rate of increase accelerated.
- The US economy breathed life into the hotel sector during this period, although the momentum would seem to be slowing as the impact of the Eurozone crisis is felt around the world.
- The good news for travellers was that prices stayed 10 Index points behind their peak in 2007 and were still cheaper than in 2006.

The Caribbean led the way

- The Caribbean sat at the top of the Index table with an HPI of 126 for the first half of 2012, well ahead of the Pacific and Latin America, following a 5% rise in average hotel prices from the H1 2011 figure of 120.
- Rates in the Caribbean are always higher at the start of the year, which is peak holiday season particularly from the US, and this increase only brought rates closer to where they were in 2006 but 10 Index points behind their 2007 level.

2. TRAVEL HABITS

Top overseas destinations for Malaysian travellers

There are eight Asian destinations in the list of top overseas destinations for Malaysian travellers in the first half of 2012 with London and Paris completing the Top 10.

Singapore remained at No 1 in the list but there are two new entrants, ousting Beijing and Taipei from the chart. The two Japanese cities of Osaka and Tokyo sit at No 2 and No 3 as confidence returns in travel to the country following the natural and nuclear disasters of 2011.

This moves Hong Kong, Bangkok and Seoul two places down the chart to be met by Phuket and Guangzhou on their way up, each climbing two slots.

The two European destinations are also out of favour with London tumbling four places to No 9 and Paris down three to No 10.

Figure 3: Top overseas destinations for Malaysian travellers in H1 2012

Rank	Destination
1	Singapore
2	Osaka
3	Tokyo
4	Hong Kong
5	Bangkok
6	Seoul
7	Phuket
8	Guangzhou
9	London
10	Paris

Top Malaysian destinations for travellers from overseas

Kuala Lumpur remained at No 1 but the list of Top 10 Malaysian destinations for overseas travellers in the first half of 2012 contains many of the country's top tourist hotspots such as Langkawi at No 2, Penang at No 3 and Sabah at No 4 – all maintaining their positions from last year. The UNESCO world heritage site of Melaka stayed at No 5.

In the bottom half of the table, there was more movement. The island of Pulau Perhentian Besar arrived at No 7 followed by the hill resort of Genting Highlands at No 8. These two pushed Johor Bahru down to No 9 and Tanah Rata came in at No 10 to complete the table while the Rebek Islands, Tioman Island and Port Dickson fell out of the Top 10.

Figure 4: Top 10 Malaysian destinations for overseas travellers in H1 2012

Rank	Destination
1	Kuala Lumpur
2	Langkawi
3	Penang
4	Sabah
5	Melaka
6	Kuching
7	Pulau Perhentian Besar
8	Genting Highlands
9	Johor Bahru
10	Tanah Rata

3. TRAVEL TALK

Olympics Update

Now that the London Games are over and the razzmatazz has died down, there is a chance to take a calm look at what happened to hotel prices for the Olympic period, to see what consumers actually paid.

In the lead up to the games, expectations were high, with hotel prices for stays during the Games up by as much as 119% in January. However, as the Opening Ceremony approached, prices began to drop as hoteliers reduced their rates to boost occupancy - so much so in the end that the average daily rate fell below that of the same time last year for last-minute bookings.

The final year-on-year increase for all bookings taken for the Olympic Games since August 2011 was £146, an increase of 31%. However, anyone who held their nerve to wait for a late bargain were rewarded with an average rate of £108, down 3% on the same period last year in the week before the end of the event.

There is no doubt that the legacy for the capital with regard to its hotel supply will be very positive. With new hotel openings, more than 12,000 rooms were added to the market in the run-up to the Games, bringing the total to more than 140,000. Many other properties also completed major refurbishments.

This improved hotel stock, together with the benefits of the exceptional global media coverage achieved throughout the Games, means that London will reap the rewards in 2013 and beyond.

Chinese International Travel Monitor

In July 2012, Hotels.com launched the Chinese International Travel Monitor (CITM) giving an insight into how the rise of the Chinese traveller is changing the dynamics of the global hotel market.

The number of Chinese travellers making international trips was up by 22%ⁱ in 2011, compared to 2010, and experts predict China is on track to overtake Germany and the US as the world's largest outbound tourism market in the next few yearsⁱⁱ.

Surveying more than 5,000 hoteliers around the world, the CITM found the majority of respondents envisage the boom in outbound Chinese travel continuing. One in five (22%) expect to see an increase by as much as 40%.

The report also observed that the profile of Chinese guests is changing as they become increasingly more independent, confident, younger and more familiar with foreign cultures and customs.

With the ongoing economic uncertainty in key markets, catering to Chinese travellers should be high on the list of priorities for hotels. It is clear that many hoteliers are starting to adapt, offering Mandarin-speaking staff, translated materials, Chinese menus, entertainment options and the China UnionPay card services for payments.

Johan Svanstrom, Vice President of Hotels.com Asia Pacific, commented: "The Chinese made a staggering 70 millionⁱⁱⁱ international trips in 2011 and, while many of these were to Hong Kong and Macau, the number going further afield is growing significantly. Implementing strategies to cater specifically to this burgeoning source market is moving from a *nice-to-have* to a competitive necessity."

For a full copy of the CITM report, please contact press@hotels.co.uk

ⁱ Figures sourced from The Annual Report of China Outbound Tourism Development 2012, released by the National Tourism Administration and China Tourism Academy: <http://eng.ctaweb.org/>

ⁱⁱ Thraenhart, Jens (2012) *Essential China Travel Trends*. China Travel Trends Retrieved: 29 May 2012 from http://www.chinatraveltrendsbook.com/downloads/Essential_China_Travel_Trends_Dragon_Edition.pdf

ⁱⁱⁱ Figures sourced from The Annual Report of China Outbound Tourism Development 2012

Club Sandwich Index

The world's most romantic city, Paris, has been named the most expensive city in the world for a Club Sandwich, according to research by Hotels.com. The classic chicken, bacon, egg, lettuce and mayo sandwich, available in hotels the world over, was used as a measure of affordability by the hotel expert. The Club Sandwich Index (CSI) gave holiday-makers an indication of the costs associated with their holiday destination, using one of the most common items on any hotel menu around the world as a barometer.

The CSI average price has been calculated by taking the real prices paid by guests for a Club Sandwich in 30 hotels in a major city of each country measured. In total, Hotels.com surveyed the Club Sandwich prices in 750 hotels in the 5-, 4- and 3- star category across 26 countries.

The Paris average cost is S\$41.07. The second most expensive city was found to be Geneva, where the sandwich cost an average S\$40.40, followed by S\$37.85 for a Club in Oslo. The cheapest city of those surveyed was New Delhi at just S\$11.88.

A video interview with chef, restaurateur and TV host John Torode making the perfect club sandwich can be found at <http://www.youtube.com/watch?v=S45AYGYIDL4>.

Japanese food on the tip of the world's tongue

Japanese food could one day rule the world after being voted global travellers third favourite culinary delight, a new worldwide food survey from Hotels.com reveals. The survey, which questioned more than 27,000 travellers, shows there is now tough competition for more traditional favourites such as Italian and French cuisine from food from the Far East.

Although international travellers do still favour Italian (32%) and French (24%) cuisine, with them taking first and second spot in the rankings, the dishes from the 'Land of the Rising Sun' Japan are gaining in popularity with more cosmopolitan palates. Eighteen percent of all people surveyed favoured Sushi, Tempura, Ramen and Japanese Soba, particularly when it comes to fine dining.

Several other Asian countries appear in the Top Ten list, including China (13%), Thailand (8%), Taiwan and India (5%). The popularity of Paella and Tapas could have contributed to Spain clinching fifth place (11%) on the list, while those who love Burger and Fries helped the USA secure sixth place (10%) in the table.

The world's best food when on holiday

Position	Country	Votes in %
1	Italy	32%
2	France	24%
3	Japan	18%
4	China	13%
5	Spain	11%
6	USA	10%
7	Mexico	8%
8	Thailand	8%
9	Taiwan	5%
10	India	5%

ABOUT HOTELS.COM

Hotels.com is a leading online accommodation booking website with almost 155,000 properties around the world, ranging from international chains and all-inclusive resorts to local favourites and bed & breakfasts, together with all the information needed to book the perfect stay. There are more than 85 Hotels.com sites worldwide in Europe, North, Central and South America, Asia Pacific, the Middle East and South Africa, the majority of which are in localised languages. The Malaysian site was launched in 2009.

Hotels.com benefits from one of the largest hotel contracting teams in the industry, negotiating the best rates for its customers, and offers frequent sales, special deals and promotions. Regular customer e-newsletters provide exclusive offers and advance warning of up-coming sales. There are more than 6.5 million reviews on the site from users who have actually stayed in the hotels to ensure customers can make an informed choice when booking.

Through its industry-leading loyalty programme Welcome Rewards available in all markets, customers can earn a free night for every 10 nights stayed at more than 65,000 hotels, subject to Welcome rewards terms and conditions as set out at www.hotels.com. Under its Price Match Guarantee, if a customer can find a lower price on a prepaid hotel, Hotels.com will refund the difference, subject to the Price Match terms and conditions set out on Hotels.com.

Travellers can book online or by contacting one of the multilingual call centres. Special apps for mobile phones and tablets can also be downloaded at www.hotels.com enabling customers to book on the go with access to 20,000 last minute deals.

Amongst other awards through the years, in 2012 ByteLevel recognized Hotels.com as a Top 5 Best Global Website for 2012. The ByteLevel report card evaluates websites on global reach, global navigation, global/mobile architecture and localization and social efforts. Hotels.com was also once again named "Best Overall Customer Experience", according to a study by Keynote Competitive Research.

Hotels.com is part of Expedia Inc., the largest online travel company in the world with an extensive portfolio that includes some of the world's best-known brands.

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