

Cautiously Optimistic: Hotel Recruitment in 2010

*HVS Executive Search presents a global perspective on
hospitality executive recruitment in 2010.*

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"2009 has turned out to be one of the most challenging years in the hotel business. Financing and debt related issues have affected almost every significant market in the world. Clearly, the US and European economies were hit hardest, while South America and parts of Asia were less affected.

Unemployment in the US has increased to nearly 14% which has had a profound effect on executive search and the staffing industry as a whole. The two publicly traded search firms, Korn Ferry and Heidrick & Struggles saw worldwide revenue and the North America region decline more than 40%. This trend has also affected our organization with gross revenue of the division declining 25% year over year. In relation to some of our larger brethren, we feel that HVS Executive Search has performed extremely well during the downturn. We completed numerous C-level searches around the globe and have seen an uptick in retained searches in the industry over the last quarter.

My personal prediction for 2010 is cautiously optimistic. There are signs that the debt markets are starting to unfreeze and in turn, hiring will increase over the coming year. I have also observed the number of competitors in the space decrease significantly and that will bode well for us picking up market share in 2010.

Finally, we took the opportunity in 2009 to solidify our team and created a strategic plan that will guide us over the next three to five years. For those that have survived 2009, we believe there is a tremendous upside in owning opportunities and developing hotels, casinos and restaurants."

Keith Kefgen
CEO, HVS Executive Search

The Partners at HVS Executive Search present a regional outlook for 2010 from their offices across the world:

From Hong Kong

Generally Asia has survived the global financial turmoil better than elsewhere. The reasons for this are many, but Asia's traditional financial prudence must be acknowledged as a significant factor. Typically, Asian family businesses continue to dominate most economies in the region and they tend to maintain low debt ratios enabling them to ride the storm of financial turmoil more easily than the heavily debt-orientated US economy. Adding to this is the recent history of the region. Having experienced the East Asia financial downturn of the post 1997

and SARS in 2002, Asian companies and economies in general are more conditioned to the volatility and those that survived previous cycles are by definition fitter.

China especially is perceived to have been less impacted by the global recession and will likely be seen as a significant contributor to rebuilding global economic growth. Expectations are that real estate in Shanghai and Beijing will continue to rise; and neighboring countries will continue to benefit from China's growth. The Hong Kong real estate market is also benefiting from acquisitions by China investors. This buoyancy, from such a significant force, has lessened the impact of the recession across the region.

For the hotel operational outlook, many gateway cities and prime resort locations in the region appear oversupplied relative to the demand; especially as the demand from Europe and North America is still lackluster. Thailand however continues to be a popular destination, especially for budget travelers who still see this beach paradise as great value. Overall most hotel companies operating in the region remain committed to the delivery of their respective projects, although it is likely that many will see delays to certain projects to some degree.

There is also much anticipation over the entry of gaming into Singapore and questions arise as to what that might mean for Macau, which has seen a turbulent year.

This last quarter has been witness to encouraging signs of hotel companies adding talent to their development and support teams. There are still a large number of senior hoteliers looking for work, most being a consequence of the slowdown in Europe, North America, and of course Dubai. Across the Asian region the demand for talented locals in senior management positions and at the board level remains strong and outstrips the supply of talent.

From New Delhi

The Indian economy has been one of the fortunate few to have experienced a limited impact of the global recession. The large domestic market has assisted in a quicker recovery than what was earlier expected. HVS expects a huge growth in supply in the near future. More hotels will open in the next 24 months than have opened in the past 12 years and we expect the job market to remain hot with the need for talent across the board.

Other sectors which have witnessed strong growth include health care, real estate and financial services. These are sectors in which HVS Executive Search has been extremely active in the Indian market.

We have observed potent signs of recovery in the Indian hospitality market and continue to see movements at the senior level as there is a

resurgence in expansion plans across the country. Salary levels are stable for the time being but are expected to rise again from late 2010.

From Moscow

The Russian economy may have been one of the last to feel the adverse impact of the recession, but 2009 proved to be more difficult for Russia than ever before. Hoteliers were spoiled by 5-7 years of unprecedented growth both in RevPAR and ADR; and the investors were enjoying escalating real estate values of their hotel assets, short-term returns and high ROIs. The industry attracted too many treasure hunters looking to make a quick buck, creating a slew of unprofessionally managed, badly constructed, poorly located lodging assets.

The Russian hotel market was amongst the biggest losers with RevPAR and ADR declining by up to 40% in the course of 2009. Operators have had to watch their costs for the first time in many years; investors got a “cold shower” on the return rates; and cheap financing vanished. The older players in the market liken this situation to the crisis suffered in 1998, but cite it to be more painful because the length of it seems unpredictable. However, the industry seems to have learnt an important lesson from this crisis and by the end of 2009 has adjusted healthily.

Russia continues to be an untapped market for most hotel brands, with only a handful of international players in the field. Such a situation presents a goldmine of opportunities for those with enough gumption and local connections to navigate the bureaucratic maze of doing business in the country. At the end of 2009 we witnessed local investors cautiously unfreezing their funds, and starting to seek available prime operating assets. International investors, many from the Middle East, are reportedly looking to take a stake as more and more projects put on hold are being restarted.

In Moscow alone, 3000 rooms are planned to be put in operation in 2010, mostly in the luxury category, and under international brand names. Sochi is another destination on

everyone's radar, with the forthcoming Winter Olympics in 2014.

HVS Executive Search has had a busy 2009 in this region primarily hiring sales and marketing, public relations, and business development professionals. We anticipate this hiring trend to continue. In addition, we forecast that the hot commodity in the labor market will continue to be the experienced hotel operator, who has seen the worst and knows how to uphold business levels when the times are tough. As the market sees more and newer management companies and brands enter, we expect the local development offices will have to beef up their capacity with key talent.

From London

Europe is forecast to come out of the recession last and the hotel market will reflect that. HVS has witnessed a sudden demand, as 2009 closes, for strong sales and marketing expertise as hotels seek to upgrade talent in a bid to improve market share. As in the US, Europe will see an increase in the number of hotel foreclosures in 2010 as banks are unable to continue turning a blind eye. The wheels of the transaction market will begin to turn again which, in turn, will give rise to renewed demand for asset managers and acquisition directors.

At the operating companies, the multinational chains will be seizing a plethora of conversion opportunities in Europe to expand their brands (as independents head their way in droves) and the need for talent in brand management that we have witnessed in 2009 will remain.

In addition, we forecast the stability of the C-suite which has been prevalent in 2009 will become shakier in 2010, as shareholders finally begin to lose patience with their executives if quarterly performance continues to lag that of their competitive set.

In the Middle East, all eyes are on Abu Dhabi as it not only pursues its strategic growth unhindered but also supports and bails out neighboring Dubai. The lure of

the Middle East has been tarnished and many international executives will think long and hard before accepting roles there in future.

From New York

While there has been an overall contraction of staffing levels in North America, there are pockets of optimism spurred on by smaller regional hospitality companies who are private, nimble, and very well capitalized and are now looking to take advantage of the downturn by acquiring distressed assets. As these organizations have a small human capital hospitality infrastructure, they are aggressively staffing up in critical areas such as asset management, operations, and sales and marketing.

Due to the challenging economic environment hospitality companies have taken a "batten down the hatch" approach predominantly focusing on cost cutting and fine tuning operations and spending less time on matters like executive compensation, benefits, and total rewards packages. We anticipate this will come back to haunt them. As in the past when more jobs become available during the rebound, companies that have not maintained their employee focus will risk losing their best talent.

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Keith Kefgen is Chief Executive Officer of HVS Executive Search. Keith has more than 20 years of experience in the field of hospitality executive search. He is a frequent lecturer on industry related issues and has written more than 100 articles on the topics of executive selection, pay-for-performance, corporate governance and executive leadership. He is a graduate of the Cornell University Hotel School.



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Mark Keith is Managing Director of HVS Executive Search in Hong Kong and oversees search assignments throughout the Asian region where Mark has lived since 1982. His early hotel experiences included London, Nigeria, Iran, Lesotho, Switzerland and The United Arab Emirates; and he has held senior executive appointments with Hilton International, Mandarin Oriental Hotel Group, Holiday Inns Worldwide and the Peninsula Group. Mark is a recognized authority on strategic Human Capital management in the hospitality industry, hotel openings and the cross-cultural implications for management and service. He was commissioned at the Royal Military Academy, Sandhurst; he has a Master of Science degree from the University of Leicester and is a fellow of the Hotel, Catering International Management Association (FHCIMA). A selection of clients he has served include: Jumeirah, Mandarin Oriental, Jin Jiang Inn, Hilton International, Serena, Rosewood and Fairmont Hotels and Resorts.



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Manav Thadani is the Managing Director of HVS in India and heads all the operations of HVS in South Asia. This includes HVS' Consulting & Valuation services, Executive Search, Asset Management and Operational Advisory Services, Marketing & Communications and Web Technology Strategies. He holds a Bachelors degree in Hotel & Restaurant Management and a Masters degree in Food Service Management from New York University. Prior to this, Manav gained six years of operational experience in various hotels in New York. Under his supervision, the India office has conducted executive search assignments in the hospitality, real estate, aviation, financial services and healthcare arenas. Manav has also been playing host to the most sought after annual Hotel Investment Conference for South Asia (HICSA) since 2005. In his current capacity with years of extensive insight, he acts as a thought leader to the hospitality vertical of HVS Executive Search.



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Doug Rosen is Co-President, North America for HVS Executive Search and also the founder of HCN Hospitality Career Network, the mid-management recruitment solution for HVS. Since joining HVS in the fall of 2000, Doug has written numerous articles about online recruitment and handles executive level search, specifically focusing on the emerging segments of residential hotels and mixed-use development.

About HVS

HVS EXECUTIVE SEARCH is the premier international hospitality executive search firm providing advisory services to leaders of the hotel, restaurant, retail and gaming industries. Practice areas include senior-level executive search, mid-management recruitment, compensation consulting, governance counseling and performance development. Our professionals are located in New York, London, Hong Kong, Moscow, Mumbai and New Delhi and give the firm worldwide exposure our clients demand.

Visit www.hvs-executivesearch.com

HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980 by President and CEO Steve Rushmore, MAI, FRICS, CHA, we offer a comprehensive scope of services to enable and strengthen the hotel development and ownership process. Our clients rely heavily on our specialized expertise to enhance the economic returns and value of their hospitality assets. HVS' global reach through a network of 30 offices staffed by more than 400 seasoned industry professionals, allows us to provide an unparalleled range of complementary services for the hospitality industry:

Consulting & Valuation	Convention, Sports & Entertainment Facilities
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Hotel Parking Consulting	Golf Services
Executive Search	Eco Services
Food & Beverage Services	Risk Management
Gaming Services	

Our clients include prominent hotel owners, lending institutions, international hotel companies, management entities, governmental agencies, and law and accounting firms from North America, Europe, Asia, Latin America, and the Caribbean. Our principals literally 'wrote the book' on hospitality consulting, authoring numerous authoritative texts and hundreds of articles. HVS principals are regarded as the leading professionals in their respective regions of the globe. We are client driven, entrepreneurial, and dedicated to providing the best advice and services in a timely and cost-efficient manner.

HVS is the industry's primary source of hotel ownership data. Our 2,000+ assignments each year keep us at the forefront of trends and knowledge regarding information on financial operating results, management contracts, franchise agreements, compensation programs, financing structures, and transactions. Our industry intelligence and participation allows us to provide our clients with the absolute best information and tools needed to make critical decisions about their hospitality assets.

For further information regarding our expertise and specifics about our services, please visit www.hvs.com.