

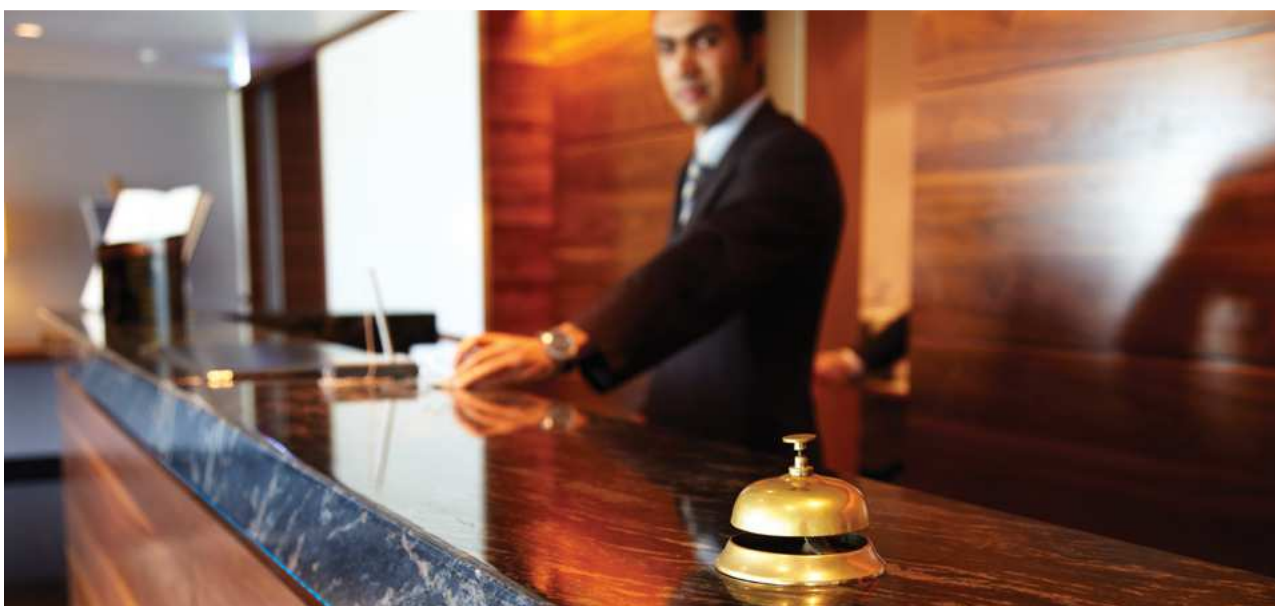


Horwath HTL™

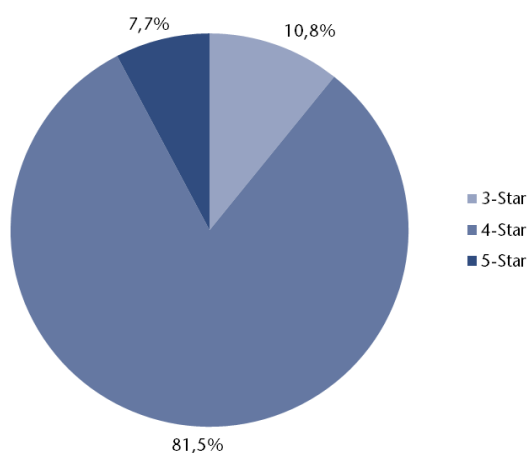
Hotel, Tourism and Leisure

Global leader in
hospitality consulting

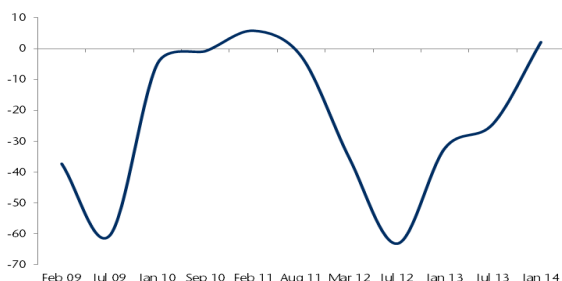
Global Hotel Market
Sentiment Survey



SHARE OF RESPONDENTS BY CATEGORY



ITALIAN INDEX SCORE JANUARY 2009 – JANUARY 2014



INTRODUCTION

The Horwath HTL Global Hotel Market Sentiment Survey gives a quick assessment of the market outlook for the global hotel industry, by the people on the ground, running the hotels. The survey focuses on the current outlook for occupancy, average room rates and total revenue and what the operators feel is going to happen based on their experience.

This report summarizes the outcome of the survey, gathered from responses across 38 provinces and 54 Italian towns. Of the 65 respondents, 81.5 percent of them operates into 4-star hotels, 10.8 percent into 3-star hotels and 7.7 percent into 5-star hotels.

Looking at current operating performance, it is clear that Italian market recorded a strong increase since July 2012, passing from -63 to +2 as overall sentiment score: a signal of recovery for the national hospitality market in terms of revenues.

This is the eleventh global survey by Horwath HTL, and we have analyzed previous sentiment scores in order to provide some context to the sentiment scores recorded.

SENTIMENT RANKINGS

BY AREA	SCORE					
	FEB 2009	JUL 2009	JAN 2010	SEP 2010	FEB 2011	AUG 2011
Italy	-37	-61	-5	-1	6	-3
Global Ave	-34	-44	27	29	42	17

BY AREA	SCORE				
	MAR 2012	JUL 2012	JAN 2013	JUL 2013	JAN 2014
Italy	-35	-63	-32	-24	2
Global Ave	24	1	15	5	25

“Italy continues to be more pessimistic than the global average in the survey, even if the expectations of a recovery grew quickly in the last two years”

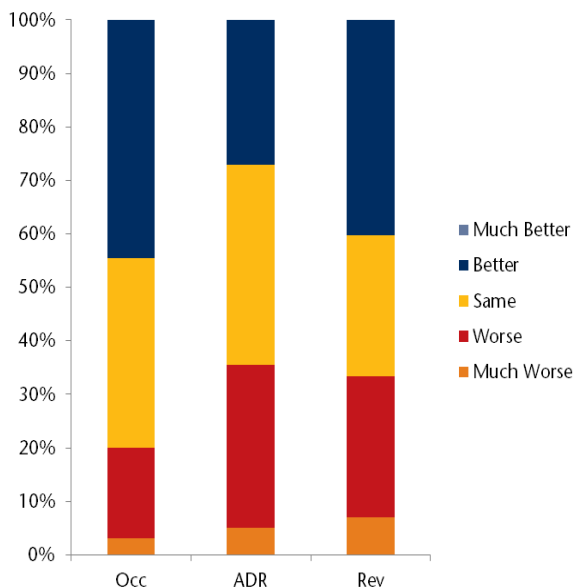
RANKING SCORE KEY

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 domestic results across other 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.

Italy continues to be more pessimistic than other countries in the world in the survey with a sentiment score of 2, barely moving into positive territory. This can be viewed as hoteliers believe the market has hit bottom, but do not expect to see much change for 2014.



“Over 40 percent of respondents stated that they expected occupancy and total revenue to perform better in 2014”

EXPECTATION FOR 2014

	Avg	Occ	ARR	Rev
Italy	2	16	-10	0
Global Average	22	19	22	27

2014 MARKET OUTLOOK

WHAT IS YOUR ASSESSMENT OF THE HOTEL MARKET FOR 2014 VS. 2013?

Hoteliers were asked their expectation for performance levels in 2014 compared to that recorded in 2013, in relation to hotel occupancy (Occ), average room rate (ARR) and hotel revenues.

OCCUPANCY

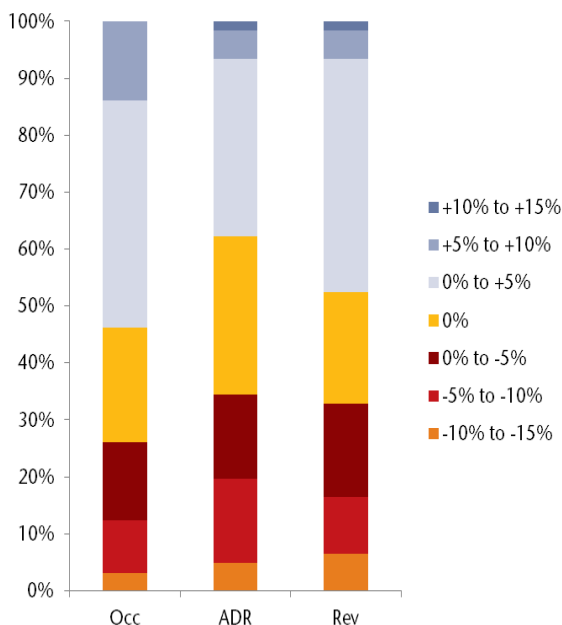
Occupancy scored an average sentiment score of positive 16 wherein 45 percent of respondents expect growth in occupancy levels than that recorded in 2013, 35 percent felt that performance will be in line with 2013 results, while 20 percent felt that it will be worse or much worse.

AVERAGE ROOM RATE

The average sentiment with regard to ARR expectations were negative with a score of -10 wherein 27 percent of hoteliers replied that the index would be better, 37 percent expected ARR to remain stable and 36 percent it to be worse or much worse in 2014.

REVENUES

Revenues recorded a sentiment score of 0, with 41 percent of hoteliers around Italy expecting higher revenues in 2014 compared with 2013, 26 percent felt that revenues will be in line with 2013 results and 33 percent expected it to be worse or much worse in 2014.



“Between 7 to 14 percent of hoteliers expect to see an improvement in performance growth of at least 5 percent”

EXPECTATION FOR 2014

	Avg	Occ	ARR	Rev
Italy	2	13	-7	0
Global Average	28	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.

The global sentiment outlook was again the same of the previous year, with a Italian sentiment average score of +2 for question 2, indicating that most hoteliers expect their respective hotels to perform the same than market in the coming year.

OCCUPANCY

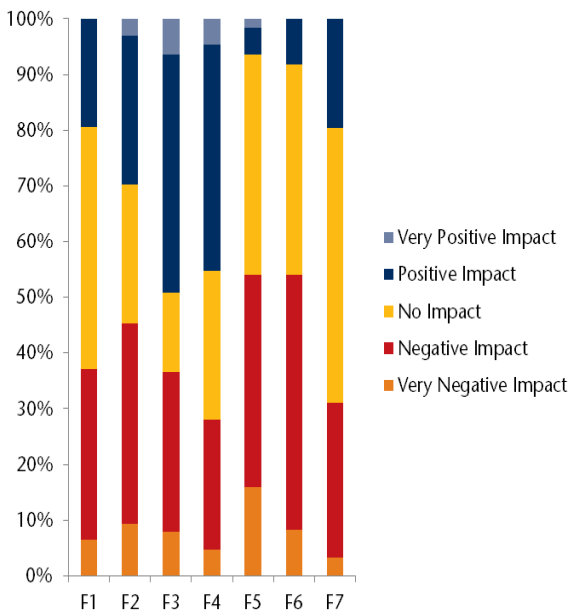
54 percent of hoteliers expects occupancy to increase in 2014, with 14 percent expecting that to be in excess of 5 percent. 20 percent felt that performance will be in line with 2013 results, while 26 percent expected a decline of the index, with 12 percent expecting that to be between -5 percent and -15 percent. An Italian sentiment score of 13 was recorded.

AVERAGE ROOM RATE

The Italian sentiment score for ARR was again below occupancy, scoring -7, with a reduced 38 percent of hoteliers around Italy expecting performance to increase, with 7 percent expecting that to be in excess of 5 percent. 28 percent expected ARR will be in line with 2013 results. However, negative performances are forecasted by 34 of managers, with 20 percent assessing a decrease by up to 5 percent.

REVENUES

The Italian sentiment regarding hotel revenues were similar to the one of question 1, scoring 0. 48 percent of hoteliers expected growth, 7 percent of which expected this to be in excess of 5 percent. 20 percent expected total revenue will be in line with 2013 results, while 33 percent of managers expected a decline.



“Global economic growth trends and local tourism trends are believed to have the strongest positive impact on the Italian hotel market in 2014”

FACTORS AFFECTING PERFORMANCE

HOW ARE EACH OF THE FACTORS BELOW EXPECTED TO INFLUENCE HOTEL MARKET PERFORMANCE IN 2014?

Each hotelier was also asked to gauge their attitude towards seven factors and how these will impact their hotels’ performance in 2014.

1. Local/global stock market
2. Local economic growth trends
3. Global economic growth trends
4. Local tourism trends
5. New competitive supply additions
6. Global oil prices
7. Currency exchange rates

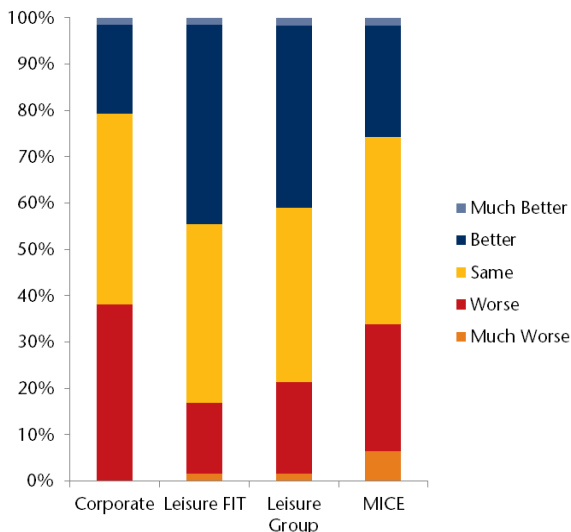
Local tourism trends scored the highest sentiment score among the 7 factors at 13, with 45 percent expecting a positive impact from local tourism. Most negative were the new competitive supply and global oil prices respectively at a score of negative 46 and 41, although about 40 percent expected that these factors would have no impact on performance.

49 percent of respondents felt that global economic growth trends would have a positive impact on performance, compared to 2013.

Utilizing the index, the two factors (3 and 4) registered positive results, while the others were negative. It is worthwhile mentioning that among the seven factors, two (1 and 7) all had the majority of respondents feeling they would have no impact on performance.

FACTORS AFFECTING PERFORMANCE RANKING

	Italy	G.A.
1. Local/Global Stock Market	-18	3
2. Local Economic Growth Trends	-16	28
3. Global Economic Growth Trends	8	29
4. Local Tourism Trends	13	37
5. New Competitive Supply	-46	-30
6. Global Oil Prices	-41	-20
7. Currency Exchange Rates	-11	-5



“In Italy, the leisure FIT and leisure group segments are expected to fair the best, while MICE and corporate demand are seen as having the same potential for growth compared to 2013”

MARKET SEGMENT PERFORMANCE

HOW ARE EACH OF THE MAJOR DEMAND SEGMENTS EXPECTED TO PERFORM IN 2014 VS. 2013?

The last question dealt with each participant’s opinion with regard to primary market demand segments which were Corporate, Leisure FIT, Leisure Group and MICE (Meetings, Incentive, Conference, and Exhibition) and how they are expected to perform in 2014.

The majority of the respondents had positive opinions about the future performance of the leisure FIT and leisure group demand segments, with at least 41 percent of respondents expecting a better performance for these demand segments. For the Corporate and MICE group segments, the majority of respondents (respectively 41 and 40 percent) felt performance would be the same in 2014, however, at least a higher share (respectively 38 and 34 percent) felt the segment would decrease, compared to 21 and 26 percent that felt it would get worse.

Compared to the January 2013 survey, the participants believe all segments will improve their results in 2014, improving at least 31 points from January 2013 to this survey.

MARKET SEGMENT PERFORMANCE

	Italy	Global Average
1. Corporate	-12	16
2. Leisure FIT	21	28
3. Leisure Group	15	10
4. MICE	-10	5

OTHER MARKET SENTIMENT REPORTS

BY REGION

ASEAN
Benelux
Europe
South East Europe

BY COUNTRY

Austria
Brazil
China
Hungary
Indonesia
Ireland
Italy
Japan
Norway
Switzerland

BY CITY/DESTINATION

Beijing
Hong Kong
Shanghai

CONCLUSION

Hoteliers in Italy have recorded significant improvement in their sentiment towards the market outlook since the survey in July 2012 (-63), with all provinces and towns recording an overall sentiment score of 2, barely moving into positive territory.

While the context of the sentiment improvement in relation to the poor results of 2012 and 2013 needs to be considered, this survey at least highlights that most hoteliers across Italy do believe that the Italian hotel market have hit bottom, and this can only be seen as a very positive outcome for the industry.

Most of the recipients think that corporate and MICE travels will remain at same levels in 2014, which means that leisure travellers will still be the most significant market segment this year. Group and Conference business is still very weak and this challenge, together with the aftershock of new competitive supply and hotel prices will present the most significant issues hoteliers will have to deal with.

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