



Horwath HTL™

Hotel, Tourism and Leisure

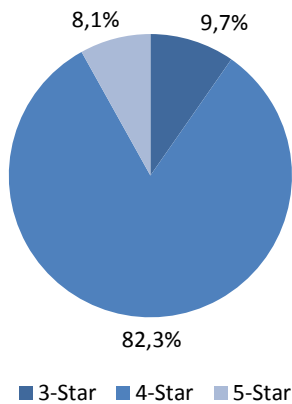
Global Leader in
Hospitality Consulting

**Italy Hotel Market
Sentiment Survey**

March 2015



SHARE OF RESPONDENTS BY CATEGORY

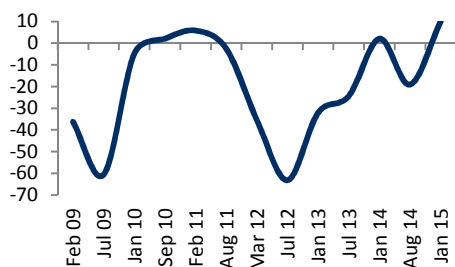


INTRODUCTION

The Horwath HTL Italy Hotel Market Sentiment Survey gives a quick assessment of the market outlook for the Italian 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 36 provinces and 48 Italian towns. Of the 62 respondents, 82.3 percent of them operates into 4-star hotels, 9.7 percent into 3-star hotels and 8.1 percent into 5-star hotels.

ITALIAN INDEX SCORE JANUARY 2009 – JANUARY 2015



Looking at current operating performance, it is clear that Italy’s hoteliers are becoming optimistic as their results show a growth of 8 points in comparison to the January 2014 survey but also an increase of 29 points was noted to the August 2014 survey. The sentiment score of January 2015 reaches 10 points, the best result in these last six years, a signal of recovery for the national hospitality market.

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

SENTIMENT RANKINGS

| BY AREA | SCORE | | | | | |
|------------|----------|----------|----------|----------|----------|----------|
| | JUL 2012 | JAN 2013 | JUL 2013 | JAN 2014 | AUG 2014 | JAN 2015 |
| Italy | -63 | -32 | -24 | 2 | -19 | 10 |
| Global Avg | 1 | 15 | 5 | 25 | 9 | 18 |

“Italy began more optimistic almost reaching the result of the other countries in the world and expecting progressive changes in the hospitality market for 2015”

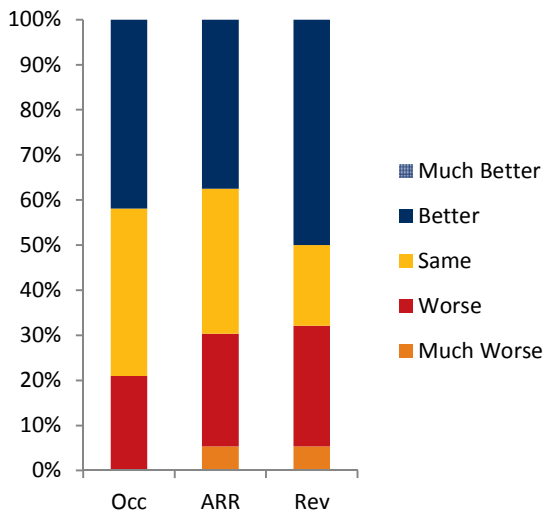
RANKING SCORE KEY

| | |
|-------------|--------|
| 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.

Moving into positive territory, Italy began more optimistic almost reaching the result of the other countries in the world. This can be viewed as hoteliers expect progressive changes in the hospitality market for 2015, thanks also to the EXPO.



“Over 41 percent of respondents stated that they expected occupancy and total revenues to perform better in 2015”

EXPECTATION FOR 2015

| | AVG | OCC | ARR | REV |
|----------------|-----|-----|-----|-----|
| Italy | 9 | 16 | 1 | 9 |
| Global Average | 14 | 11 | 13 | 18 |

2015 MARKET OUTLOOK

WHAT IS YOUR ASSESSMENT OF THE HOTEL MARKET FOR 2015 VS. 2014?

Hoteliers were asked their expectation for performance levels in 2015 compared to that recorded in 2014, in relation to hotel occupancy (Occ), average room rate (ARR) and hotel revenues.

OCCUPANCY

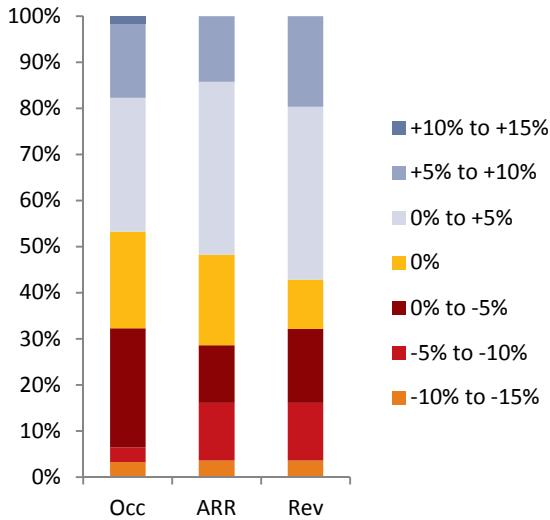
Occupancy scored an average sentiment score of positive 16 wherein 42 percent of respondents expect growth in occupancy levels than that recorded in 2014, 37 percent felt that performance will be in line with 2014 results, while 21 percent felt that it will be worse.

AVERAGE ROOM RATE

The average sentiment with regard to ARR expectations was equal to 1 wherein 38 percent of hoteliers replied that the index would be better, 32 percent expected ARR to remain stable and 30 percent it to be worse or much worse in 2015.

REVENUES

Revenues recorded a sentiment score of 9, with 50 percent of hoteliers around Italy expecting higher revenues in 2015 compared with 2014, 18 percent felt that revenues will be in line with 2014 results and 32 percent expected it to be worse or much worse in 2015.



“Between 14 to 20 percent of hoteliers expect to see an improvement in performance growth of at least 5 percent”

EXPECTATION FOR 2015

| | AVG | OCC | ARR | REV |
|----------------|-----|-----|-----|-----|
| Italy | 11 | 12 | 9 | 13 |
| Global Average | 22 | 18 | 20 | 27 |

HOTEL PERFORMANCE EXPECTATION

WHAT IS YOUR EXPECTATION FOR GROWTH/DECLINE FOR 2015 VS. 2014?

The second survey question asked hoteliers to give their expectation of how their respective hotels will fare in 2015 in comparison to 2014, in percentage terms.

The Italian sentiment outlook was better of the previous year, with a sentiment average score of +11 for question 2, indicating that most hoteliers expect their respective hotels to perform better than market in the coming year.

OCCUPANCY

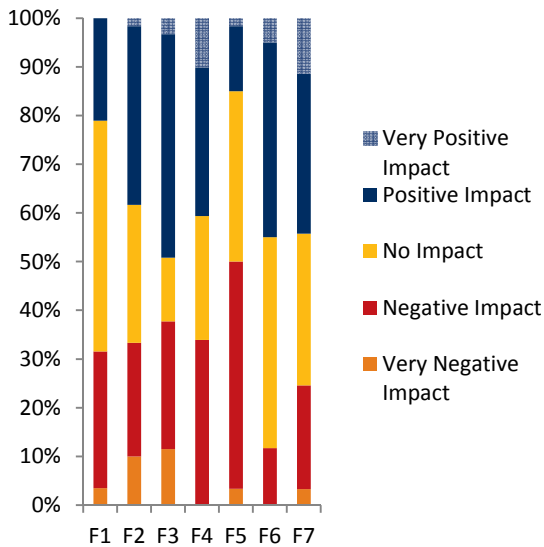
47 percent of hoteliers expects occupancy to increase in 2015, with 18 percent expecting that to be in excess of 5 percent. 21 percent felt that performance will be in line with 2014 results, while 32 percent expected a decline of the index, with 7 percent expecting that to be between -5 percent and -15 percent. An Italian sentiment score of 12 was recorded.

AVERAGE ROOM RATE

The Italian sentiment score for ARR was again below occupancy, scoring 9, with 52 percent of hoteliers around Italy expecting performance to increase, with 14 percent expecting that to be in excess of 5 percent. 20 percent expected ARR will be in line with 2014 results. However, negative performances are forecasted by 28 percent of managers, with 16 percent assessing a decrease by up to 5 percent.

REVENUES

The Italian sentiment regarding hotel revenues was higher than the one of question 1, scoring 13. 57 percent of hoteliers expected growth, 20 percent of which expected this to be in excess of 5 percent. 11 percent expected total revenues will be in line with 2014 results, while 32 percent of managers expected a decline.



“Global economic growth trends and global oil prices are believed to have the strongest positive impact on the Italian hotel market in 2015”

FACTORS AFFECTING PERFORMANCE RANKING

| | Italy | G.A. |
|--|-------|------|
| 1. Local/Global Stock Market Performance | -11 | -5 |
| 2. Local Economic Growth Trends | -3 | 21 |
| 3. Global Economic Growth Trends | 3 | 14 |
| 4. Local Tourism Trends | 13 | 28 |
| 5. New Competitive Supply Additions | -28 | -32 |
| 6. Global Oil Prices | 29 | -7 |
| 7. Currency Exchange Rates | 21 | -1 |

**FACTORS EFFECTING PERFORMANCE
HOW ARE EACH OF THE FACTORS BELOW EXPECTED TO INFLUENCE HOTEL MARKET PERFORMANCE IN 2015?**

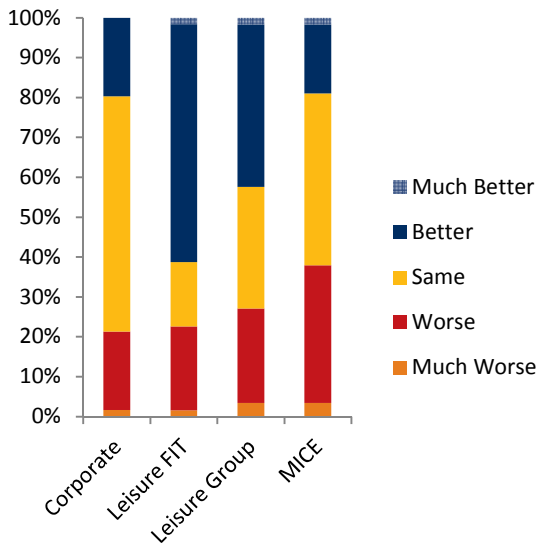
Each hotelier was also asked to gauge their attitude towards seven factors and how these will impact their hotels’ performance in 2015.

1. Local/global stock market performance
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 41 percent expecting a positive impact from local tourism. Most negative were the new competitive supply additions and local / global stock market performance respectively at a score of negative 28 and 11, although 35 and 47 percent, respectively, 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 2014.

Utilizing the index, four factors (3, 4, 6 and 7) registered positive results, while the others were negative. It is worthwhile mentioning that among the seven factors, two (1 and 6) had the majority of respondents feeling they would have no impact on performance.



“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 2014”

**MARKET SEGMENT PERFORMANCE
HOW ARE EACH OF THE MAJOR DEMAND SEGMENTS EXPECTED TO PERFORM IN 2015 VS. 2014?**

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 2015.

The majority of the respondents had positive opinions about the future performance of the Leisure FIT and Leisure Group demand segments, with at least 42 percent of respondents expecting a better performance for these demand segments. For the Corporate and MICE group segments, the majority of respondents (respectively 59 and 43 percent) felt performance would be the same in 2015, however, at least a higher share (respectively 21 and 38 percent) felt the segment would decrease, compared to 20 and 19 percent that felt it would get better.

Compared to the January 2014 survey, the participants believe all segments, except Leisure Group, will improve their results in 2015, improving at least 6 points from January 2014 to this survey.

MARKET SEGMENT PERFORMANCE

| | Italy | Global Average |
|------------------|-------|----------------|
| 1. Corporate | 3 | 11 |
| 2. Leisure FIT | 29 | 23 |
| 3. Leisure Group | 10 | 3 |
| 4. MICE | 16 | 4 |



CONCLUSION

Hoteliers in Italy have recorded the best result in the last six years, after a period characterized by pessimism, with all provinces and towns recording an overall sentiment score of 10, therefore moving into positive territory.

Most Italian hoteliers remain optimistic about the performance and health of our industry, underlining a very positive outcome for the industry above all in terms of occupancy, while ARR and total revenues albeit with lower scores recorded stronger increases compared to the same period of 2014.

Most of the recipients think that Corporate and MICE travels will remain at same levels in 2015, 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 local / global stock market performance will present the most significant issues hoteliers will have to deal with.

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