

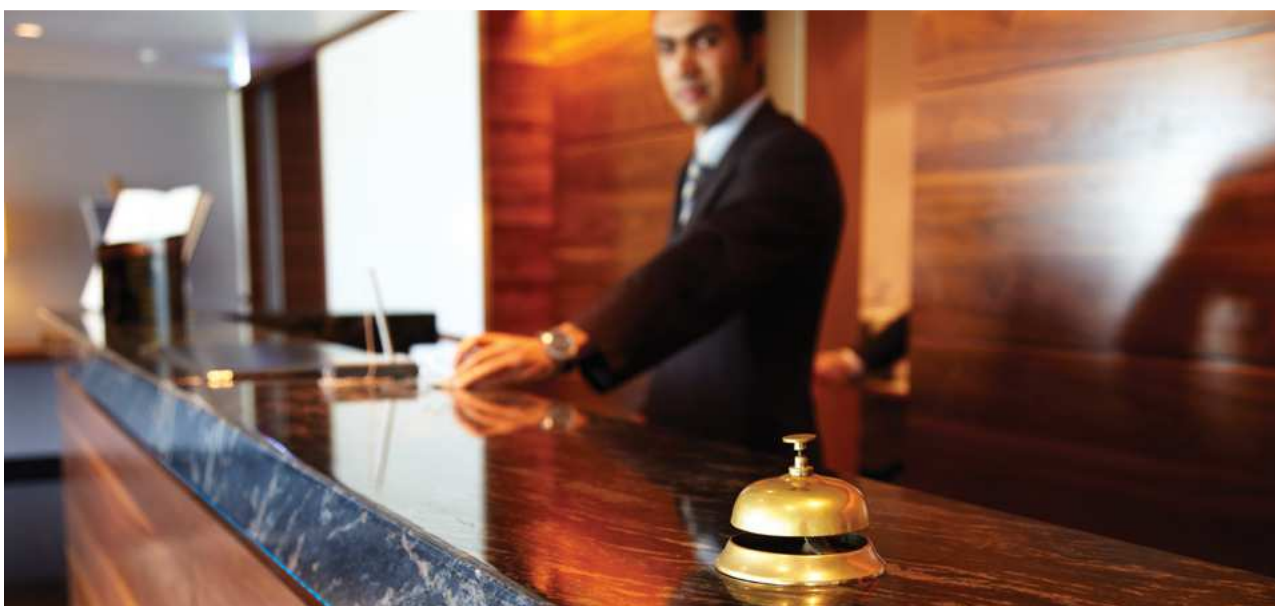


**Horwath HTL™**

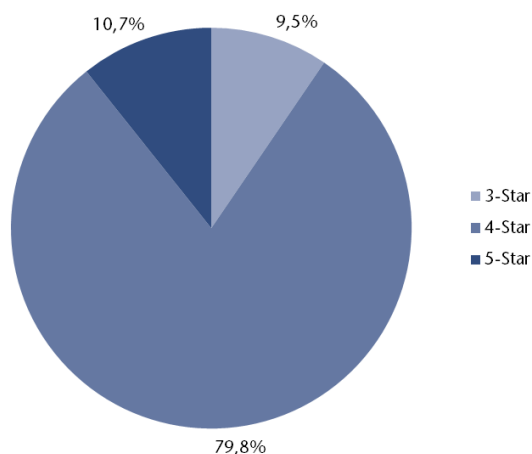
*Hotel, Tourism and Leisure*

Global leader in  
hospitality consulting

Italy Hotel Market  
Sentiment Survey  
August 2014



SHARE OF RESPONDENTS BY CATEGORY



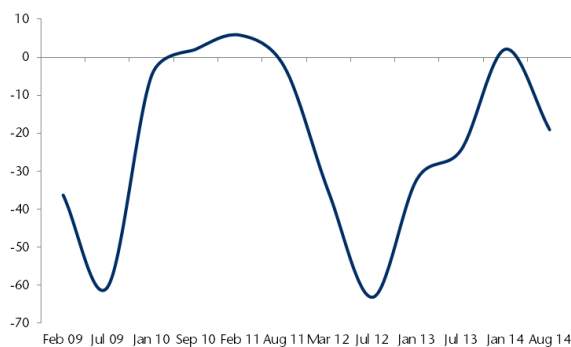
INTRODUCTION

The Horwath HTL Italy Hotel Market Sentiment Survey, part of a global initiative, has been designed to provide the Italian hotel industry with a quick assessment of the future market outlook. The survey focuses on the outlook for occupancy, average room rate and total revenue. In this mid-year survey, hoteliers have been asked to make comments on their expectations for the coming semester in comparison to the second half of 2013, as well as share comments on the impact that the global economic uncertainties continued to have on hotel room night demand.

This report summarizes the outcome of the survey, gathered from responses across 43 provinces and 62 Italian towns. Of the 84 respondents, 79.8 percent of them operates into 4-star hotels, 10.7 percent into 5-star hotels and 9.5 percent into 3-star hotels.

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

ITALIAN INDEX SCORE JANUARY 2009 – AUGUST 2014



SENTIMENT RANKINGS

BY AREA	SCORE					
	MAR 2012	JUL 2012	JAN 2013	JUL 2013	JAN 2014	AUG 2014
Italy	-35	-63	-32	-24	2	-19
Global Ave	24	1	15	5	25	9

**“The impact of political developments and global economic uncertainty on hotel performance in Italy is stronger than the global average.”**

RANKING SCORE KEY

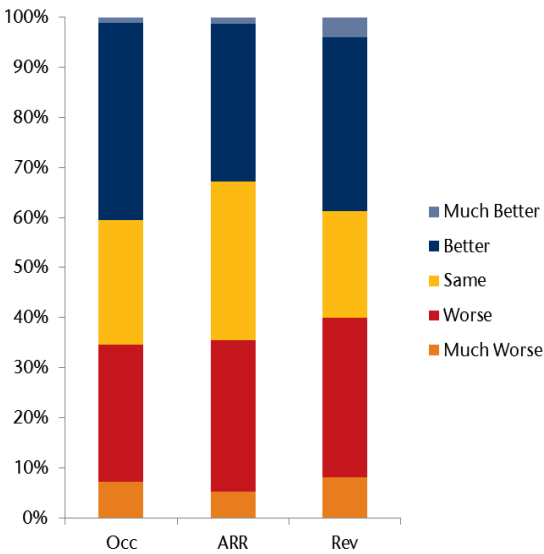
Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

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 the forward looking 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 whereas a positive 150 signifies a very optimistic outlook. The sentiment index or scores then allow trends to be observed over time.

Coming to the second half of the year, the sentiments of Italian hoteliers lose some of their optimism, affected by the political developments and global economic uncertainty, the impact on hotel performance in Italy is stronger than the global average. After a cautious result registered in January (+2 points), the Italian Hotel Market Sentiment has swung back to negative scores at -19 points with this issue.



“Respondents showed that total revenue fared worse than the other two performance gauges, at 40 percent, indicating that total revenue had performed worse or much worse than expected.”

MARKET PERFORMANCE RANKING

	Avg	Occ	ARR	Rev
Italy	-3	0	-5	-4
Global Average	-4	-4	-4	-5

FIRST HALF MARKET PERFORMANCES

Question 1: WAS THE FIRST HALF 2014 MARKET PERFORMANCE BETTER OR WORSE THAN YOU EXPECTED AT THE START OF THE YEAR?

OCCUPANCY

In response to expectations on market-wide occupancy performance, 27.4 percent of the hoteliers replied that occupancy was worse than expected, 7.1 percent said even much worse. Opposing them were 39.3 percent of the respondents who stated that occupancy rates were better than expected. 1.2 percent even indicated much better occupancy performance. 25 percent felt that performance was in line with expectation.

AVERAGE ROOM RATE

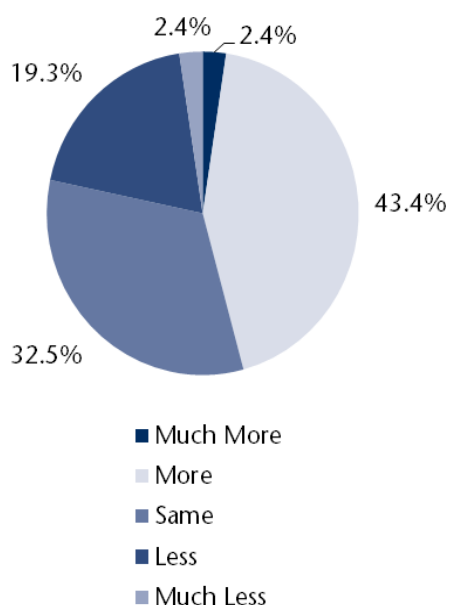
31.6 percent of respondents felt that the ARR has lived up to the expectations. 35.5 percent of hoteliers were relying that ARR was below expectation and a further 32.9 percent felt ARR exceeded expectations.

REVENUES

Respondents showed that total revenue fared worse than the other two performance gauges, with the main difference being more hoteliers with negative assessment, at 40 percent, indicating that total revenue had performed worse or much worse than expected. 21.3 percent stated that revenue was in line with expectations while 38.7 percent felt performance levels were better than had been expected (4 percent much better).

INDEX SCORE

The index was used to gauge the average response of respondents with regard to their actual first half performance when compared to their expectations at the beginning of the year. The Italy result is in line with the global average.



THE IMPACT OF THE FINANCIAL CRISIS

Question 2: HAVE CONTINUED GLOBAL ECONOMIC UNCERTAINTIES IMPACTED HOTEL DEMAND AS MUCH AS YOU HAD EXPECTED?

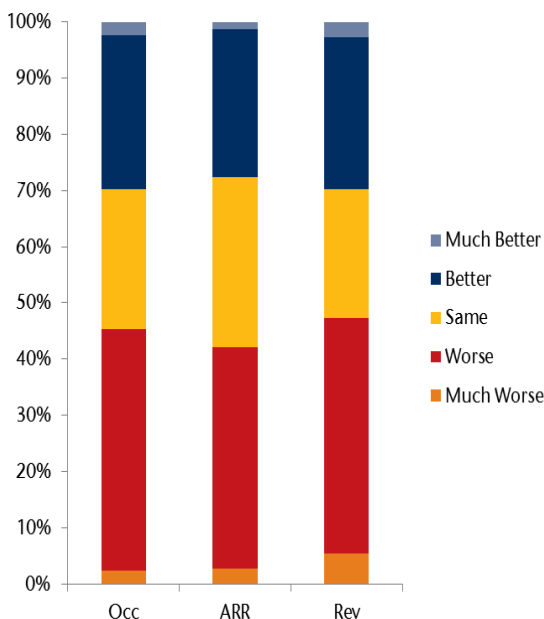
When asked if the continued global economic uncertainty had impacted hotel demand as much as they expected, 45.8 percent of hoteliers responded that demand was still affected more or much more than expected. 32.5 percent replied that the impact of the crisis was in line with expectations, while 21.7 percent felt that crisis had impacted demand less or much less than expected.

Italy registered negative assessment of the impact of the continued global economic uncertainty, with the national average score of negative 18.

“45.8 percent of responding hoteliers, felt that the impact of global economic uncertainties have impacted hotel demand more or much more than expected.”

IMPACT OF THE FINANCIAL CRISIS

	Avg
Italy	-18
Global Average	-6



**“47.3 percent of hoteliers expect that the total revenue in the second half of 2014 would perform worse or much worse than the performance of the second half 2013.”**

**EXPECTATION FOR THE SECOND HALF OF THE YEAR 2014**

	Avg	Occ	ARR	Rev
Italy	-13	-12	-12	-15
Global Average	10	11	7	12

**SECOND HALF MARKET OUTLOOK**

**Question 3: WHAT ARE YOUR EXPECTATIONS FOR THE SECOND HALF 2014 MARKET PERFORMANCE COMPARED TO SECOND HALF 2013?**

About the 45 percent of respondents stated that they expected performance in all three measures to perform worse or much worse in the second half of 2014 when compared to market performance in the second half of last year.

**OCCUPANCY**

45.2 percent of hoteliers across Italy expect that occupancy performance in the second half of 2014 will be worse or much worse in comparison to occupancy performance in the second half of 2013, whereas 29.8 percent expect that occupancy in the second half will be better or much better than the same period of last year. 25 percent feel that occupancy will be in line with second half 2013 performance.

**AVERAGE ROOM RATE**

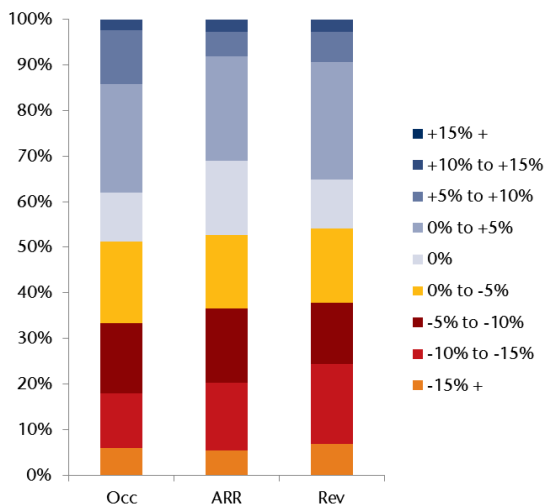
Respondents registered negative assessment of ARR performance in the second half of 2014. 42.1 percent of hoteliers expect the ARR would perform worse or much worse than second half 2013 performance. 30.3 percent of respondents expect ARR performance will be the same of second half 2013. 27.6 percent of Italy hoteliers expect to see improved ARR performance for the second half of 2014 when compared to the same period in 2013.

**REVENUES**

The sentiment of total revenue is more negative than occupancy expectation with 47.3 percent of respondents indicating total revenue in the second half of this year will be worse or much worse than the same period of last year. 23 percent of hoteliers expect that total revenue performance in the second half of 2014 be consistent with last year, while 29.7 percent expect total revenue to increase.

**INDEX SCORE**

The index was used to gauge the average responses of respondents with regard to their expectation of second half performance this year compared to the corresponding outlook of the same period of last year. The Italy result is lower (-13) than the global average (+10).



“Close to 38 percent of respondents expect, for their hotel, the decline in total revenue to be in excess of 5 percent in the second half of 2014 when compared to the performance of the same period in 2013.”

2014 SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Avg	Occ	ARR	Rev
Italy	-25	-20	-27	-28
Global Average	7	7	6	9

HOTEL PERFORMANCE EXPECTATION

Question 4: FOR YOUR HOTEL, WHAT ARE YOUR EXPECTATIONS FOR SECOND HALF 2014 PERFORMANCE COMPARED TO SECOND HALF 2013?

On average, hoteliers in Italy indicated negative expectation for their own hotel’s performance, scored at negative 25, lower than their expectations for the general market (-13).

OCCUPANCY

More than half of the hoteliers expect occupancy performance at their hotel in the second half of 2014 will decline compared to that in the same period of last year, within which 33 percent expect the decrease to be within the range of 10 percent. 38 percent of respondents expect occupancy at their hotel will increase in the second half of 2014, compared to the same period in 2013, with about 36 percent expecting the decrease to be within 10 percent.

AVERAGE ROOM RATE

About 53 percent of hoteliers expect a decrease in ARR in the second half of 2014, with more than 32 percent of respondents indicating a decrease within 10 percent. Another 31 percent still expect ARR increase, with 23 percent of these respondents expecting the increase to be within 5 percent.

REVENUES

The sentiment of total revenue was more negative than the other two performance indices. 35 percent of hoteliers expect improved revenue performance in the second half of this year when compared to the same period of last year. 54 percent of respondents expect revenue to decline, within which close to about 38 percent of respondents expecting, for their hotel, the decline to be in excess of 5 percent. The rest of 11 percent of respondents believe total revenue will be in line with the performance of the second half of 2013.

## OTHER MARKET SENTIMENT REPORTS

## BY REGION

ASEAN  
Benelux  
Northeast Asia  
South East Europe

## BY COUNTRY

Austria  
Brazil  
China  
Hungary  
Indonesia  
Ireland  
Italy  
Japan  
Norway  
Switzerland

## BY CITY/DESTINATION

Beijing  
Hong Kong  
Shanghai

## CONCLUSION

The domestic anaemic economic growth plagues the performance levels across Italy. The sentiment score shows a decrease on both market and hotel performance expectation compared with the same period of last year.

Overall, Italy recorded a slightly lower sentiment score of negative 19 in the second half of 2014, compared to the score of positive 2 in January 2014.

Performance in all three indicators in the first half of 2014 failed to meet hotel operator expectations: in particular, hoteliers feel more disappointed with total revenue levels than ARR and occupancy.

In the presence of a further contraction in national overnight stays partially offset by the increase in international ones, the sentiment of Italian hotel operators does not show expected improvement in the results for the foreseeable future that is still seen in slight pain.

Italian hotel operators, in this scenario, tend implicitly to maintain or improve occupancy rates at the expense of ARR, resulting in a pricing policy based on more flexible, competitive and customer-oriented rates, to ensure their hotels higher volumes of overnight stays.



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