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Hotel, Tourism and Leisure

ASSOCIAZIONE ITALIANA
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2017

HOTELS & CHAINS REPORT

ITALY

Hotels & Chains in Italy 2017
The Report, EXECUTIVE VERSION

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Hotels & Chains in Italy 2017
The Report, EXECUTIVE VERSION

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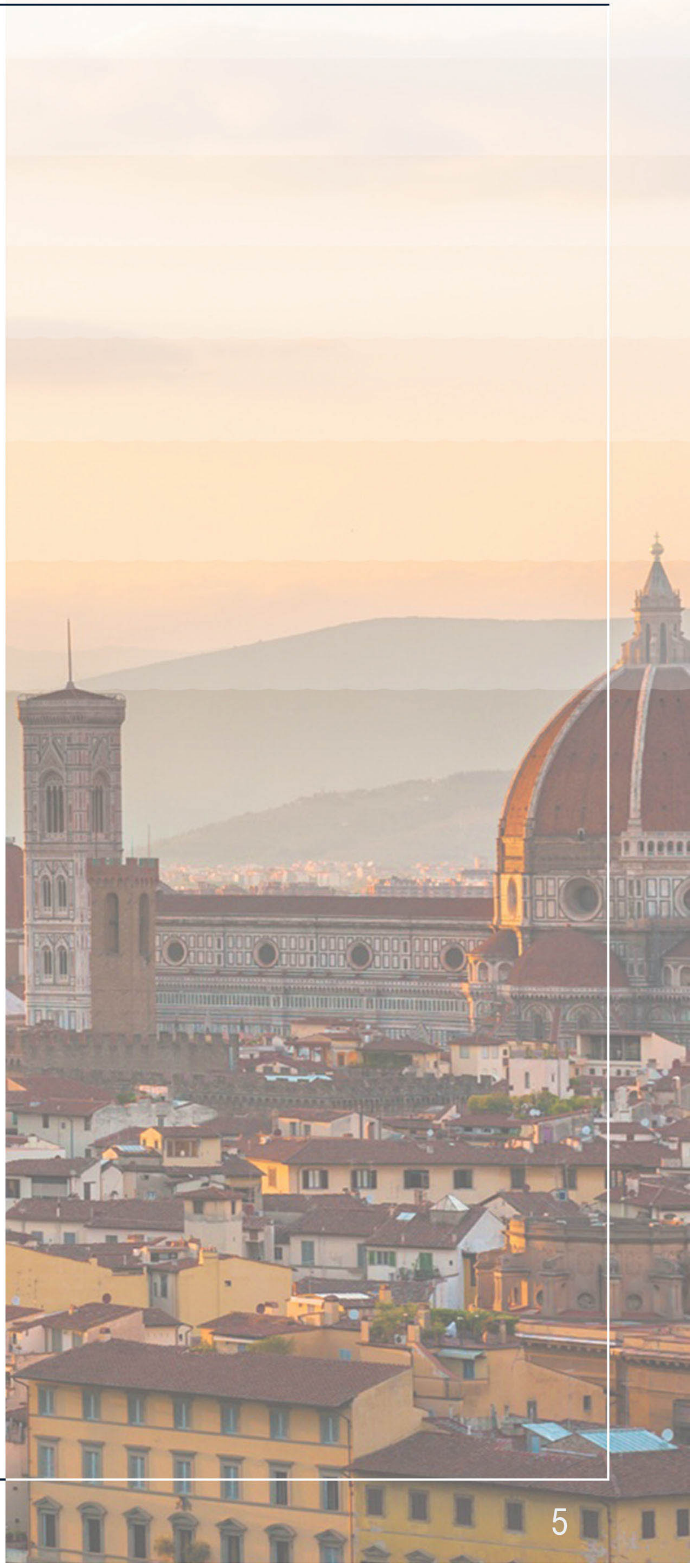
Executive Version.

This version of the Report is distributed for free and re-ceives no public nor private funding. We have tried our best to correctly report information and data on hotel chains and have directly contacted hotel chains responsible persons prior to distributionfor data check, in order to improve accuracy. Nevertheless, omissions and minor errors may occur as methodologically accepted for any census.



Legend

ADR	Average Daily Rate *(Room revenues in a period devided by rooms sold in the same period)*
Avg	Average
EBITDAR	Earnings before Interest, Income Tax, Depreciation and Amortization, Rent *(Operational result after deduction of management fees and fixed charges)*
F&B	Food & Beverage
FF&E	Furniture, Fixtures & Equipment *(Movable furniture, fixtures or other equipment which have no permanent connection to the structure of the building)*
GDP	Gross Domestic Product
GOP	Gross Operating Profit *(Operational result before management fees and fixed charges)*
IDC	Including Double Counting *(Second Tiers managed hotels have been included and sum up twice to total)*
LCC	*Low Cost Carriers*
MICE	Meetings, Incentives, Congresses, Exhibitions
Mln	Millions
MOD	Minor Operating Departments *(Includes e.g. parking, guest laundry, shops, pay-TV, business center, …)*
NOI	Net Operating Income (or Net Operating Profit)
P&L	Profit & Loss Statement (Income statement)
OR	Occupancy Rate *(Ratio between rooms sold and available rooms in a certain period)*
R&M&O	Repair, Maintenance and Others
RevPAR	Revenue per Available Room *(Total room revenues of a period divided by the number of total available rooms in the same period)*
VAT	Value Added Tax
Int.l	International
Dom.c	Domestic (Italy)

Definitions

Hotel Chains: (in this report) *Any hotel organization operating 5 or more hotels in the world (of which, at least 1 is in Italy), by owning, managing, leasing or franchising properties.*

International Chain: *A chain with headquarter outside Italy*

Domestic Chain: *A chain with headquarter in Italy, including those that also have operations abroad*

Foreword

Dear Readers,

in 2016 the hotel industry registered signs of recovery against the Expo year, and in comparison with 2014 it showed a clearer recovery.

Worldwide international arrivals continued to rise and the Bel Paese trend is currently aligned with the global data.

We expect 2017 to hold on and pursue the additional goal of intercepting ever larger shares of customers, as we are aware that the market is outlining an increasingly varied supply.

The hotel facilities, in fact, are also confronted with a new context characterised by the spread of new forms of accommodation on the supply side and by a request for experiential tourism on the demand side, the new trip's frontier.

Compared to the recent past, this set of circumstances has further spurred the qualitative growth of the sector, particularly in the upscale segment which, more than others, affects the international market.

Foreign investors (hotel chains, real estate investment trusts) are paying great attention to our hospitality system, but the points of contact between supply and demand of the hotel industry in Italy need to be improved, especially by adapting as much as possible our hotel heritage to the demands of the international investor who have certain parameters and more flexible features and management models.

From the structural redevelopment to the adjustments on the technological front, hotels tend to adapt themselves to an increasingly demanding clientele who is oriented to use new online tools.

Therefore it becomes unavoidable to adapt to new trends and, at this stage characterised by strong and rapid changes in the market, our Association will continue to support its companies in their processes of growth and development in order to favour an increasingly competitive offer.

Giorgio Palmucci
Presidente
Associazione Italiana Confindustria Alberghi

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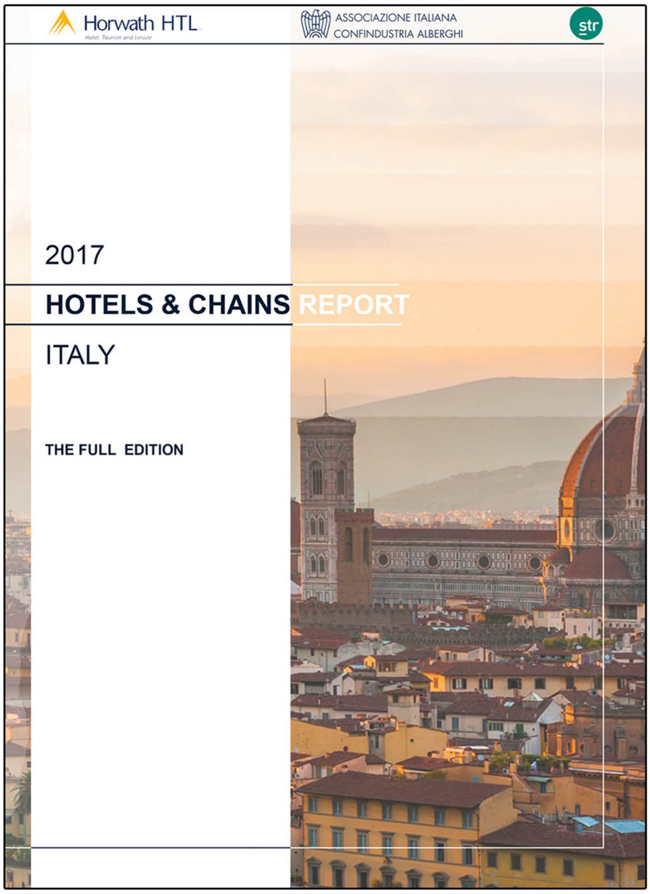

After 5 years of running the census of hotel chains in Italy we structured the most complete database, built by Italian analysts based in Italy, with information on presence, development and key strategic features of all hotel chains with at least one property in Italy.

Buy the Full Edition for Euros 790,00 + VAT to get over 100 pages of key statistics on hospitality in Italy, including:

- Extended rankings (+ 100 operators) by scale, size, business models, history of the last 4 years
- Top 50 brands complete outlook (by property)
- Key persons in the area of hotel development and affiliation (+100 contacts)
- Interviews with Italy experienced development directors on hospitality business drivers
- Top 20 destinations complete outlook with demand forecasts
- Recently branded and recently de-branded hotels
- Complete pipeline 2017-2018
- More on profitability benchmarks

Request the table of contents or buy the Full Edition Report at Italy@horwathhtl.com

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From the authors

Dear Readers,

Inside the 2017 Report you are to read some major evidences of the fifth year of our census on hotels chains in Italy. A lot has changed since 2012, not just in the number of chain hotels, which have modestly increased, but clearly in the number of brands and the attention international investors and brands put today on our country.
We counted 204 corporate brands corresponding to 149 chains, clearly excluding networks, consortia and similar light brands. Are they too much?

No surprise brands continue to look at Italy with special interest: Italy is the second European country with the highest number of international hotel arrivals (Eurostat 2016) and development opportunities should be easily found among almost 1.1 Mln of hotel rooms (the second widest hotel portfolio for a single[1] country in the world), despite high market fragmentation.

The world of branded hospitality has changed since our last report, with major mergers happening among global chains: in 2016 we also had our own experiences, of different size, but still of certain impact for Italy.
Domestic hotel chains have grown rapidly in this five years, some of them getting international, some other consolidating and reaching quota over 1 thousand rooms abroad. This 2017 edition put the spotlight also to those Italian brands and operators with international footprint.

From a hotel development perspective, despite franchising and management contract are heading the way for chains expansionall around Europe, even this year census confirmed the importance of being prone to lease for achieving growth in Italy, given both the peculiar ownership market and the flourishing system of white label operators.
At the end of December 2016, along 550 destinations we counted over 1,400 chain hotels for almost 156 thousand rooms, representing 14% of the Italian room stock. This is a net increase of 40 hotels and 8 thousands rooms on 2015, which indicates that the process of branding and de-branding results in increasing size of chains' properties.

This year the census was made even more accurate and reliable thanks to the support provided by development analysts, managers and directors at A&O HOTELS & HOSTELS, ACAMPORA, ACCOR, ALLEGROITALIA, ALPITOUR, ALTON GROUP, AMAN RESORTS, AMT HOTELS, ARS HOTELS, AZZURRO CLUB, BARCELO' HOTELS, BELMOND, BEST WESTERN, BIANCHI HOTELS, BLUSERENA, CARLSON REZIDOR, CDSHOTELS, CERINI HOTELS, CHOICE HOTELS, CIMINO HOTELS, CLAP HOTELS, CLUB ESSE, CLUB MED, COMPAGNIE DES HOTELS, CONCERTO, DELPHINA, DORCHESTER COLLECTION, DUETORRIHOTELS, EDEN, FATTAL, FLORENTIA HOTELS & RESIDENCES, FMTG, FOUR SEASONS, GB THERMAE HOTELS, GENIESSER, GRUPPO MIRAGE, H 10 HOTELS, HILTON, HNH HOTELS & RESORTS, HRE, IHG, INC HOTELS GROUP, INTOURIST, ITALIANA HOTELS & RESORTS, ITI HOTELS, JSH HOTELS & RESORTS, LDC HOTEL & RESORTS, LEONARDI, LOAN, LOUVRE, LUNGARNO, MANDARIN ORIENTAL HOTEL GROUP, MARRIOTT INTERNATIONAL, MELIA HOTELS INTERNATIONAL, MINIHOTEL, MITHOS HOTELS, MONRIF, NH HOTELS, PALLADIUM, PLANETARIA HOTELS, PLATENO GROUP, PREMIER HOTELS, RESIDENCE HOTELS, RIMINI HOLIDAYS, RIMINI RESIDENCE, RIZZANTE GESTIONI ALBERGHIERE, ROCCO FORTE, ROSEWOOD, SHANER, SHANTI HOSPITALITY, STARHOTELS, TH RESORTS, TIMBERS RESORTS, TOWN, TREVI, TRIANON GROUP, TUI, UNA-ATA, VERATOUR, VIP HOTELS, WYNDHAM.

We do thank these chains for their valuable support in improving market knowledge for Italy.

We hope you will enjoy the reading!

Zoran Bacic, Managing partner Horwath HTL

Giorgio Ribaudo, Author

[1]Excluding the federation of the United States of America. Second after China, reporting 3.2 mln rooms in 2015.

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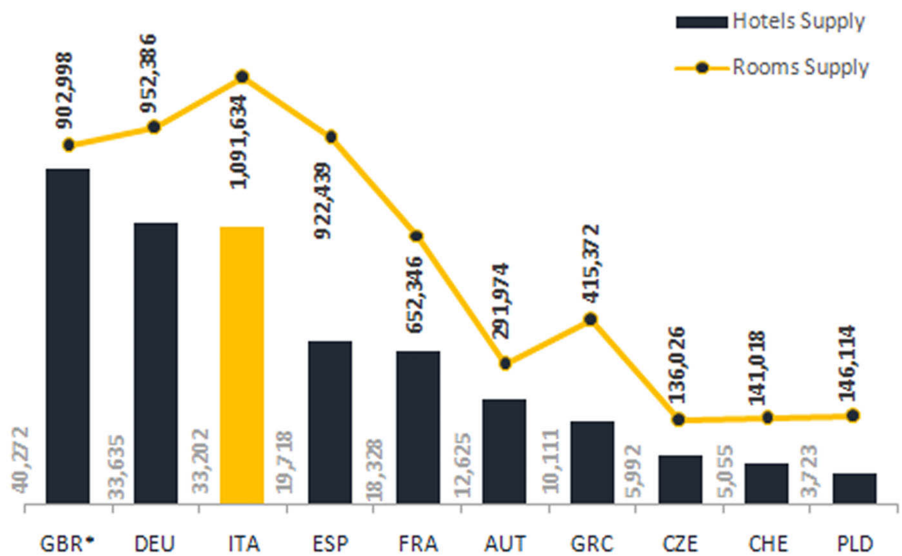
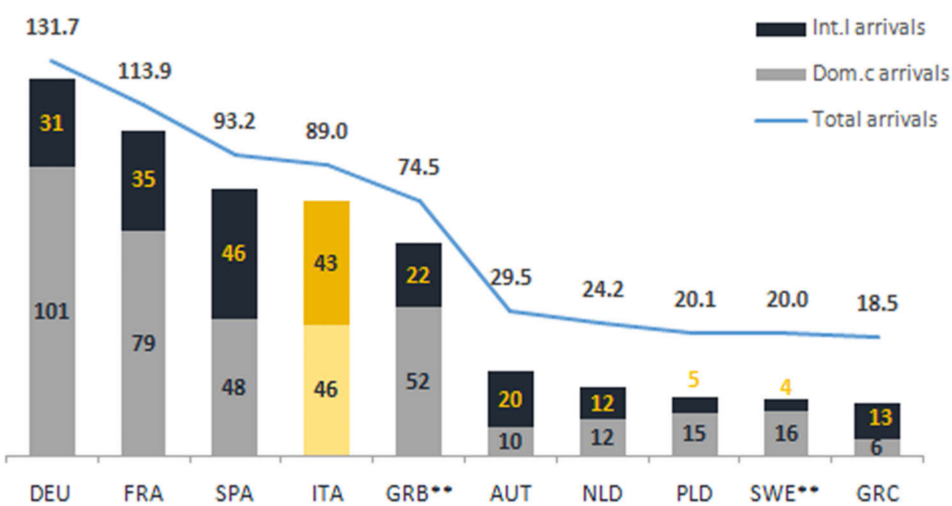
HOTEL INDUSTRY IN ITALY

Italy and the European arena

Top 10 European countries by number of hotels and similar accommodations and number of rooms; 2015 (EUROSTAT).
* Data refer to 2013



Top 10 European countries by total arrivals in hotels and similar accommodations, domestic arrivals and international arrivals (in Mln); 2015 (EUROSTAT).
** HorwathHTL processing on EUROSTAT monthly data



Italy and the European arena

The second hotel destination in Europe in 2015 for international demand

Tourism continues to be one key sector for global economy even in 2016, demonstrating a strong aggregate resilience in front of natural catastrophes, terrorist events and reduced momentum of some major economies (China, Russia). The only publicly available and most commonly commented forecasts, made by the UNWTO, predicts further global growth for 2017 and for the next years. Asia will play a relevant role in this growth, though Europe will remain the most visited area of the world for the next 15 years.

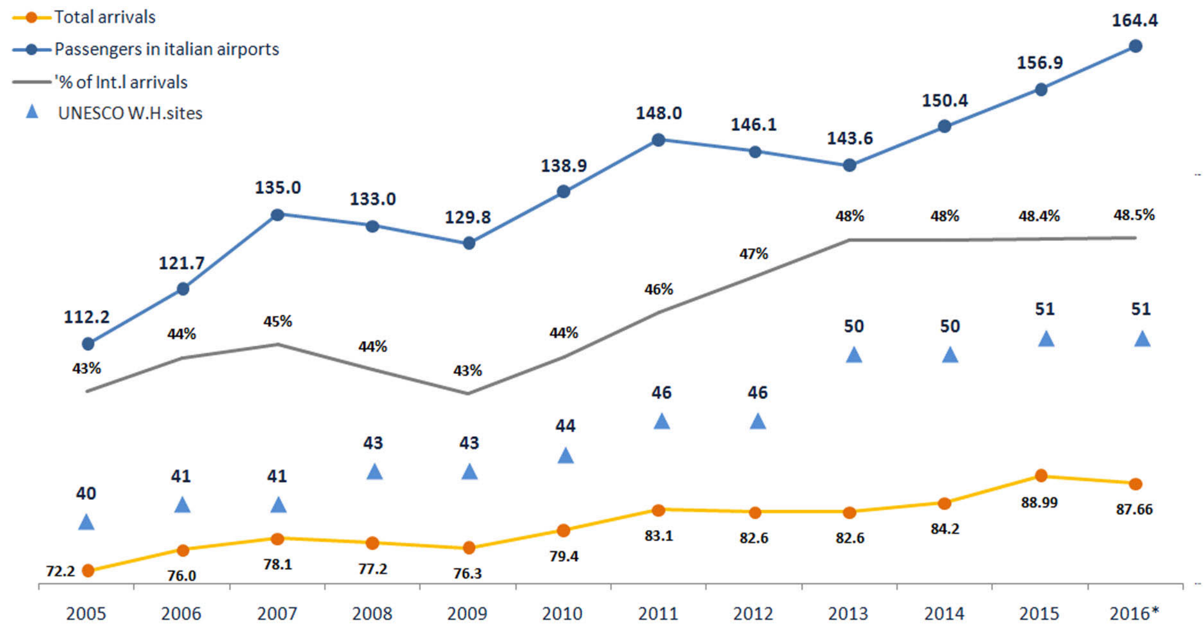
The appeal of Europe is growing in terms of both non-EU arrivals and internal markets. The first 24 EU destinations recorded in 2015 702,8 Mln arrivals compared to 670,5 Mln in 2014, a growth in the area of 5%. We acknowledge these growing trends have reduced their momentum in 2015 and 2016, but the aggregate result of non-EU demand is still growing.
Italy is the fourth most visited country in Europe in terms of total arrivals in hotels but the second for international arrivals, after of Spain and ahead of France (which includes private rents in its statistics resulting in non-comparable data) and Germany, recording 31 Mln hotel international arrivals in 2015. This figure highlights the strong interest of the international demand towards the hotel system in the country, although the tremendous growth of demand for non-hotel lodging is well known.

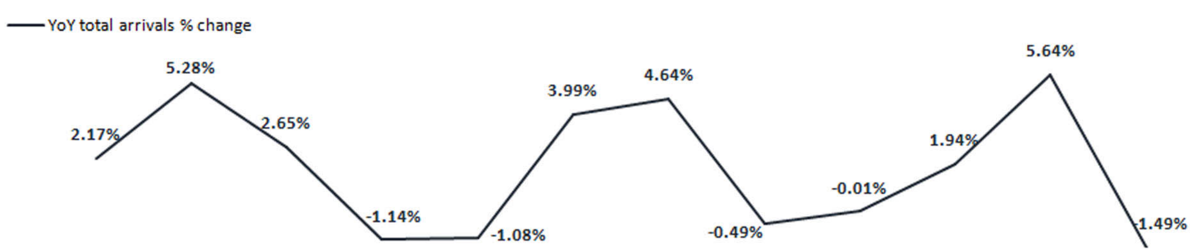
The first room portfolio in Europe in 2015

According to the latest available data, EUROSTAT (EU-28) records more than 203,000 Hotels and similar accommodation (+0.5% compared to 2014) for a total exceeding 6.6 Mln rooms (+0.8% compared to 2014).
The average size of a hotel in Europe in 2015 was 32.8 rooms, indeed the same recorded in 2014.
The top 5 countries (UK, Germany, Italy, France and Spain) in terms of hotel capacity accounted for approximately 71% of the supply - meant as number of facilities - and approximately 68% in terms of rooms.
With regard to the hotel offer, with almost 33,200 hotels and similar accommodation Italy ranks third in Europe by number of facilities, behind Great Britain and Germany, but first for the room stock, totalling 1.1 Mln of rooms.
This stock is the second in the world for a single country, after China

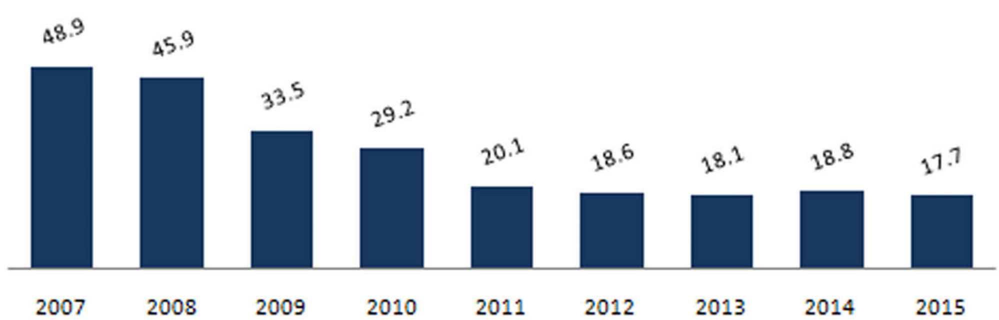
Hospitality drivers 2005 – 2015

ITALY: Hotel arrivals (Mln), share of int.l arrivals, total passengers in airports (Mln) and Unesco WHS (2005-2016); Horwath HTL processing of official data; 2016 Horwath HTL projection on ISTAT data





Budget allocated for funding the National Tourism Promotion Agency (ENIT) by central government (Mln) in the years 2007-2015.



Hospitality drivers 2005 – 2015

Hotel arrivals in Italy have grown in 2015 by 6%

Hotel arrivals in Italy have grown in 2015 by 6% on 2014: one key driver of the growth is to be found in the reduced appeal of northern Africa and Turkey destinations.
The decade we consider is also marked by the international financial crisis and the tremendous growth of LCC connections to Italy, as well as new airports opening and, to some extent, the growth of international hotel chains presence.

In addition, the exposure to growing economies, such as the Russian, the Indian, the Chinese and Polish ones, have supported the increase of international arrivals to art cities.
During the last 10 years demand from international markets to Italy have indeed recorded a continuous growth. International demand accounts in 2016 for over 48% of total arrivals in hotels, a modest increase compared to 2015 but a relevant share if compared to foreign direct competitors in Europe.

This trend is confirmed by the relevant growth of international passengers in our airports which very rarely serves as hubs (as for Germany or France) and most often are the real final destinations of tourists' journeys.

Time series in airports international traffic demonstrate that, given the average stay has remained almost unchanged, hotels started to capture less and less of the international flows to the country: a big share (to some extent, mostly deriving from LCC) of this in-bound flows has moved to apartments, B&B and farmhouses.

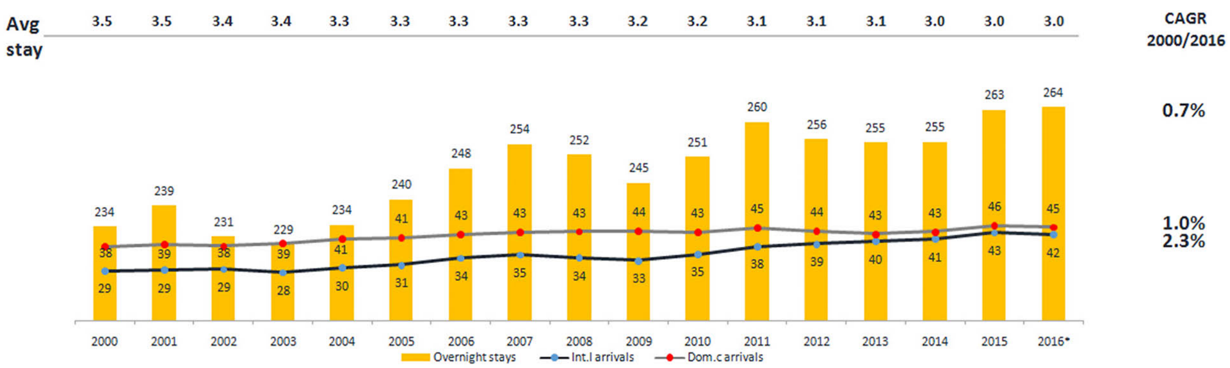
These last 10 years have also recorded a strong increase in the number of Unesco World Heritage Sites, a major evidence of our potential international visibility in terms of magnets, although not directly related to any easy-to-measure increased appeal. Still in 2016, Italy has the biggest portfolio of UWH certified destinations and sites.

Despite these positive signs that ask for additional effort to consolidate international appeal, our industry has suffered continuous changes in governance (we changed 4 ministries of tourism in the last 6 years) and reduced budget for centralized international S&M campaigns (government dedicated budget to ENIT moved from almost 49 Mln Euros in 2007 to 18 Mln Euros in 2015).

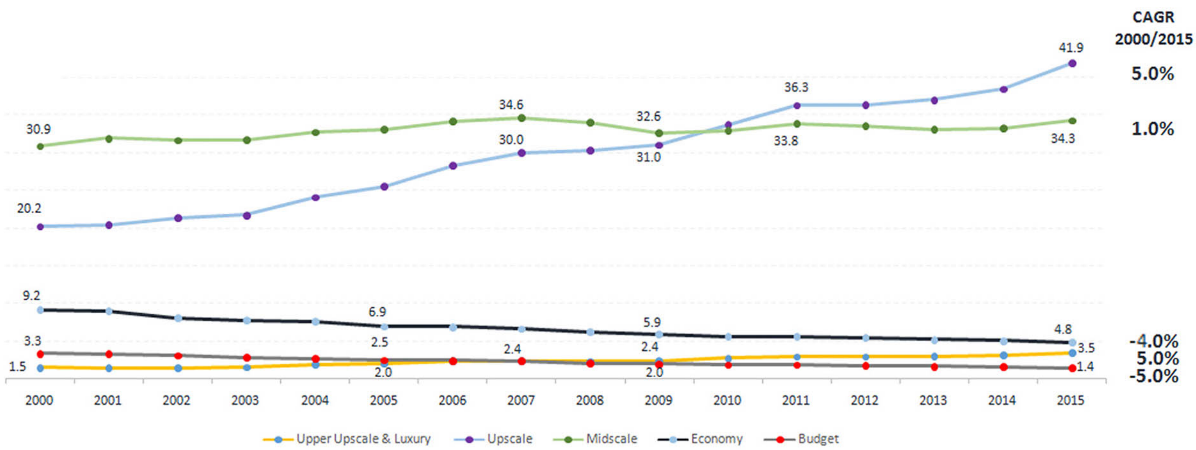
To such extent, it could be argued that some of our real international visibility, especially for minor destinations, is today put in the hands of hotel brands promoting properties through their hotel directories all around the world.

Last 15 years of hotel demand in Italy

Trend in the overnight stays (Mln), avg stay, Int.l and Dom.c arrivals (Mln) in hotels (2000-2016); Horwath HTL processing of official data; 2016 Horwath HTL projection on ISTAT data



Trend in the arrivals (Mln) in hotels by scale (2000-2015); Horwath HTL processing of official data



Last 15 years of hotel demand in Italy

Demand for hotels is pretty cyclical in Italy

Within the last 15 years Italy has crossed at least 3 minor cycles: the first caused by the drop of international demand following Sept. 11th 2001, the second ending after the global fear for the financial crisis deriving from the derivatives panic in the US market, with a major fall of demand in 2009, the third ending in 2014, maybe the last year of evident crisis for domestic travels consumption.

Where are we now? We are within the 4th short cycle since 2000, started with the partial recovery of the domestic market in 2014 and the significant increase brought by EXPO in 2015.

2016 hotel overnight stays, at quota 264 Mln, confirmed demand is still growing for the second year. Considering the shape of the demand curve for this 4th cycle, in the light of global evidences of demand trends from feeding markets, Horwath HTL predicts modest growth on current volumes still for the period 2017-2019. Indeed, 2017 or 2018 may be the years of peak and turning point for this cycle. In the long run, the overall trend, as far as what we can nowsee, will continue to be positive in a range within a 1.5%-3.0% yoy growth.

International demand grows faster than domestic

Since 2000 domestic hotel arrivals have grown modestly if compared to international. This is not only due to reduced purchasing power in the domestic midscale and economy markets, but to the clear augmented international exposition of Italy to countries such as India, Brazil, China, Russia, Poland, and the Middle East. It should be also argued that, in the same period, the flourishing of competitive B&B, farmhouses and apartments supply (especially for the short breaks) has attracted domestic young couples and families to switch from hotels to alternative hospitality forms, a phenomenon that was much less evident for Russian, Indian, Chinese tourists, for intuitive reasons. Chain hotels, significantly augmented in the period and with higher visibility abroad, have then absorbed a lot of the growth of international demand in the period.

Since 2000 Upscale and Luxury demand more than doubled

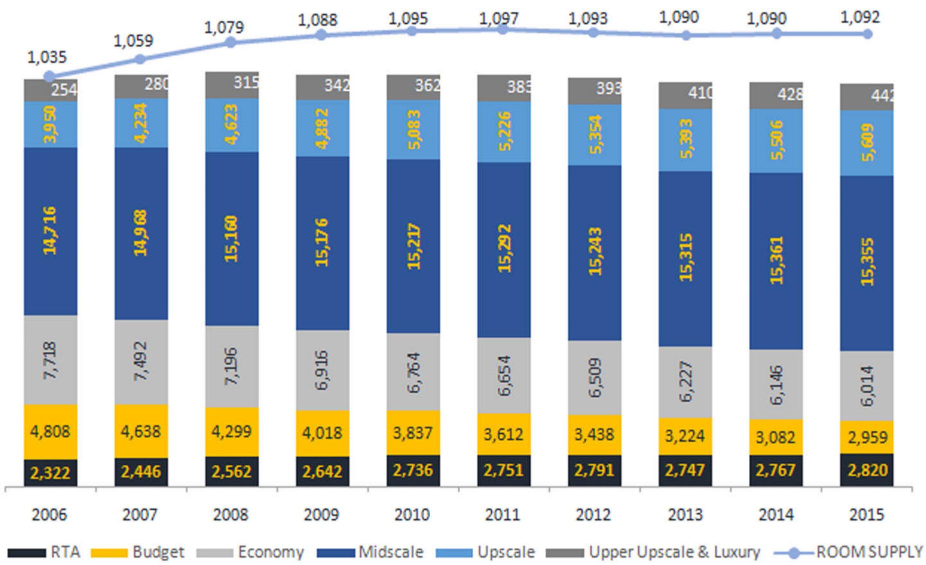
The upscale tier welcomed almost half of tourists who decided to stay in a hotel in 2015. This is a record year for this figure, accounting for almost 42 Mln arrivals. It was just at 20 Mln 15 years ago.

The Upper Upscale and Luxury tier did also very well, but to a much smaller extent. With a growth of 2 Mln arrivals since the 2000, this scale more than doubled its performance in the last 15 years.

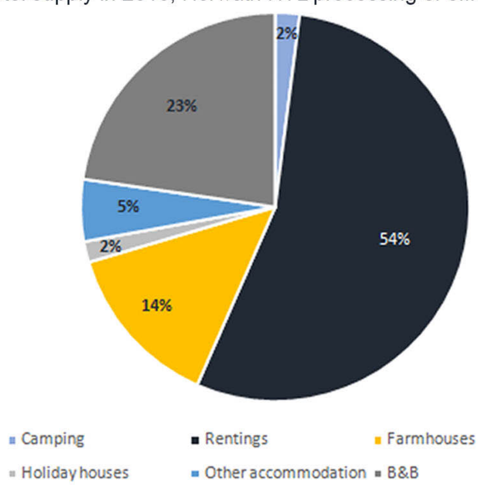
As opposite, Budget and Economy scales have seen their appeal visibly reduced, accounting in 2015 (6.2 Mln) for almost half of their arrivals recorded in 2000 (12.5 Mln).
The easiest of the explanation for such a drop in demand: Budget and Economy oriented domestic tourists moved to alternative forms of hospitality with the same price points, while international demand has never been so relevant for these scales and today expects services, facilities and standards that are most often placed, as far as independent hotels, in the 3 and 4 star supply. This would then indicate a clear setting for growth for the branded supply.

Last 10 years of hotel supply in Italy

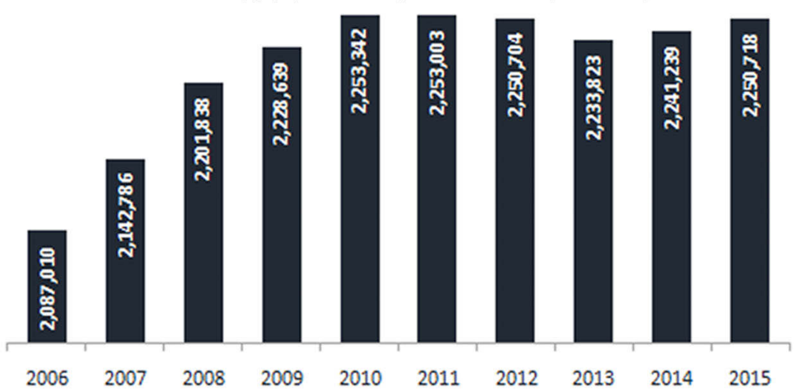
Trend in hotel supply by scale and total rooms stock (000) (2006-2015); Horwath HTL processing of official data



Share of non-hotel supply in 2015; Horwath HTL processing of official data



Trend in total hotel beds supply (2006-2015); Horwath HTL processing of official data



Last 10 years of hotel supply in Italy

The mid-market scale prevails though Upscale strongly grows

Italy still sees the Midscale tier prevailing. It is due to the huge amount of S&B resorts in the southern coastal areas of Sicily, Apulia, Campania and Calabria. They are numerous and very relevant in size, mostly built in the 80s and 90s and most often branded by domestic chains with frequent (lease) operators turn-over.

From a comprehensive perspective, nothing new under the sun for the Italian room stock. It has found its natural dimension, it seems, and there is enough evidence that the balance between the slow growth of upscale supply and the fast decline of 1 and 2 star hotels will maintain the total amount of rooms on the market almost unchanged at 1.1 Mln, with 2.3 Mln beds.

Aparthotels, an opportunity?

There are, though, small interesting signs: aparthotels are slowly growing in importance, and un-branded and un-serviced private apartments are as well also more and more popular. Why? Is it a demand issue, meaning more demand more adapting supply? Or is it simply because of their simplicity in management and operations? Or the combination of these two?

One could argue that the demonstrated low profitability of operating F&B department has led some investors to consider aparthotels as a form that still meets leisure tourist needs for medium and long stays. At the same time, the severe acceleration of food intolerances worldwide and the augmented awareness on the consequences of industrial food consumption may also have boosted the demand for self-managed cuisine along a stay, especially for the family and health conscious senior segments.
Aparthotel specialized brands in Italy are very few though.

Last 3 years in top destinations

Last 3 years of hotel rooms distribution among independent and chains' hotels in 10 cities, by scale (2013-2015); Horwath HTL 2016 census

Last 3 years in top destinations

Why is chains' presence so "non-normally" distributed among cities?

To find a pattern that explains the different penetration rate of chains among Italian destinations is an hard work. Apparently, chains concentrate in those destinations where the volume of foreign demand is higher, but of course this has little to do with franchising, which is on the contrary mostly driven by affiliation requests.

Clearly, when chains are prone to invest in models such as ownership (rare) and lease (rare but yet common) they do for top locations in cities where the international demand is high and prevailing. This are clearly Rome, Milan, Venice, Florence, the Costiera Amalfitana, and very few others.

As a result, when destinations encounter high RevPAR compared to average (Italy) there we will see interest from chains to consider lease and preferably management contracts.

Generally speaking, and with some exceptions, in destinations with RevPAR under 40-50 Euros there would be no space for management contract, due to low profitability when 2 subjects have to draw off cash from the same P&L.

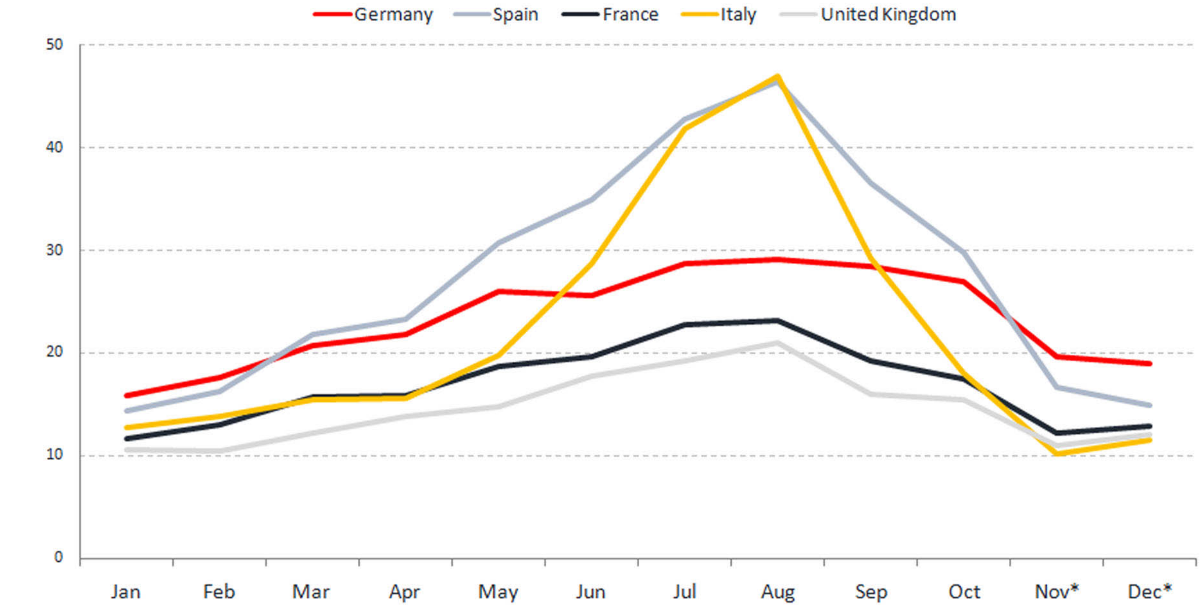
On the contrary, for such destinations that generally perform very well, one would say there should be few space for franchising , because affiliation is not worthwhile the potential increase in profitability for a hotel that could do fine on itself.

But none of the alleged patterns can effectively explain the variety of mechanisms and outcomes about affiliation and chains penetration in Italy, very likely because of the peculiar differences in management capabilities and networks among destinations. So that, for example, Naples upscale tier penetration (57%) slightly differs from Turin (63%) but significantly from Genoa (82%) even though it could be a comparable destination for several features. The same could be said for Palermo (36% and only 675 chain rooms) and Genoa (82% with 1.737 rooms) and Bologna (63% with 2.386 rooms), where the penetration of chains seems incomparable.

Nevertheless, it should be noted that many branding deals happen when an "upside story" is awaited: a revamping of a property, that has been managed under potential and is now re-launched through capex injection and a partnership with a brand or a white label, is a common case history. Here the value of the deal stands in the opportunity to enhance the yield of a property that has been operated below its real potential, whatever the destination is.

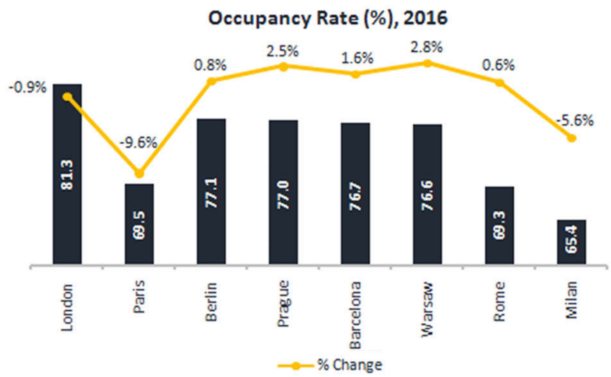
Recent Trends & Performance

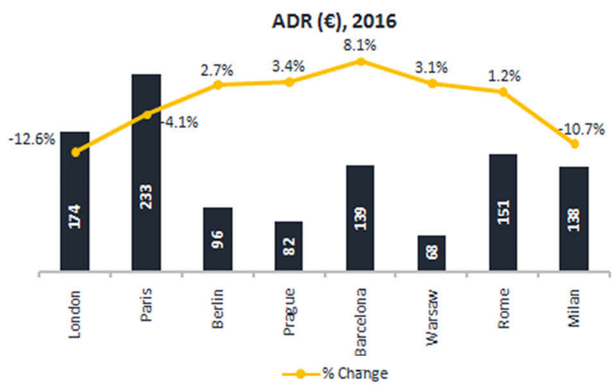
Monthly distribution of overnight stays (Mln) in hotels in top 5 countries in Europe in 2016; Horwath HTL processing of Eurostat data, Nov. and Dec. based on 2015 data

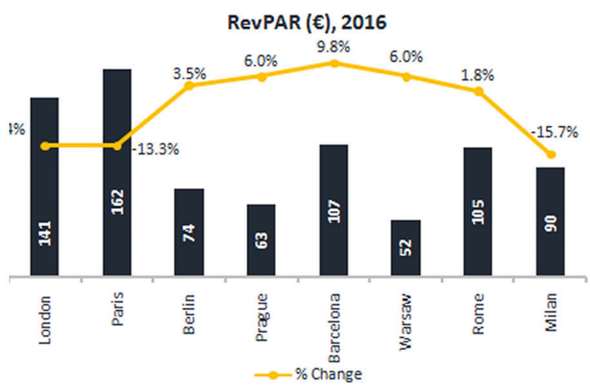


	% change 2015/2016	% change Oct YTD 2015/2016
	2.26%	2.63%
	6.85%	7.30%
	-3.04%	-3.45%
	1.47%	1.60%
	-0.53%	-0.62%

OR, ADR, RevPAR for selected European destinations in 2016 and percentage increase on 2015; Horwath HTL processing of STR data







Recent Trends & Performance

Why is Italy so "summer-polarized" ?

A quick look at the distribution of overnight stays along months for top European destinations would lead to assuming Spain and Italy clearly headed the market during 2015, which is not.

The steady volume of flows to German cities, generated mainly by domestic business travellers along 9 months, in the end overcomes the market Italy has gained all along the year. Flows are very concentrated in the summer months when the huge leisure S&B domestic market populates resorts in southern and central Italy and finally sum up to the more constant international flows. Nevertheless, it is to be said that German statistics for hotels are definitely tricky, as many forms of hospitality which are non-hotel for Italy are reported as hotel-equivalent for Germany.

While also Spain reports an evident peak in July and August, the destination performs much better in May, June and September at least.
Besides the domestic demand tendency to concentrate summer vacations in July and August, why is Italy so "summer-polarized"? Are hotels in leisure destination doing well in terms of pricing their offer in June and September? Is Italian hospitality less competitive in these months?

Or is the lack of international big events, trade fairs and exhibitions, together with the reduced appeal of our business environment that explains lower performance if compared to Germany?
The answer may be in the middle.

Hotel performance depict a slightly different picture

Hotel performance data (STR) for capital cities in the mentioned destinations depict a picture which tells Italy (with Rome and Milan) is highly competitive at least for major arts & business cities. These two destinations, on average, perform better than Berlin in 2016.
It is also remarkable that Rome did not effectively take advantage of Jubilee in terms of ADR, so that RevPAR remained almost unchanged on 2015. Increased volumes very likely concentrated on Economy and Midscale properties, which may be less covered by STR statistics for the city. A focus on this is presented in page 64. As opposite, STR expect demand for Milan in 2017 will be pushed by events, which in turn will mean growth for hotels.
Interesting to see that, although Paris clearly suffered from terrorist attacks, its hotelier system remained anchored to high price points.

In very few years other emerging stars destinations will populate the Olympus of top RevPAR capital cities in Europe competing with Rome, Florence, Venice, for performance at least.
Prague, Cracow, Warsaw, Budapest are clearly improving their hotel performances at a steady pace, although room stock is also, generally, growing.

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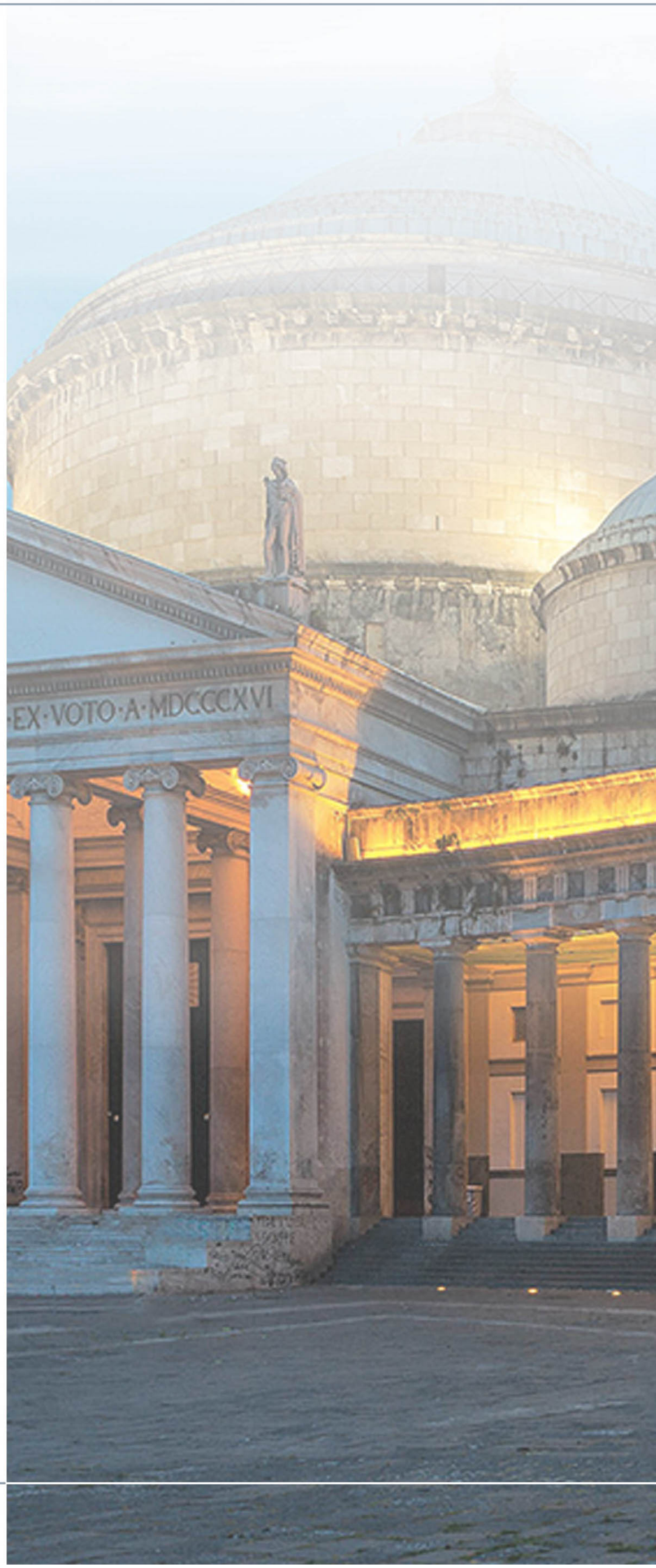
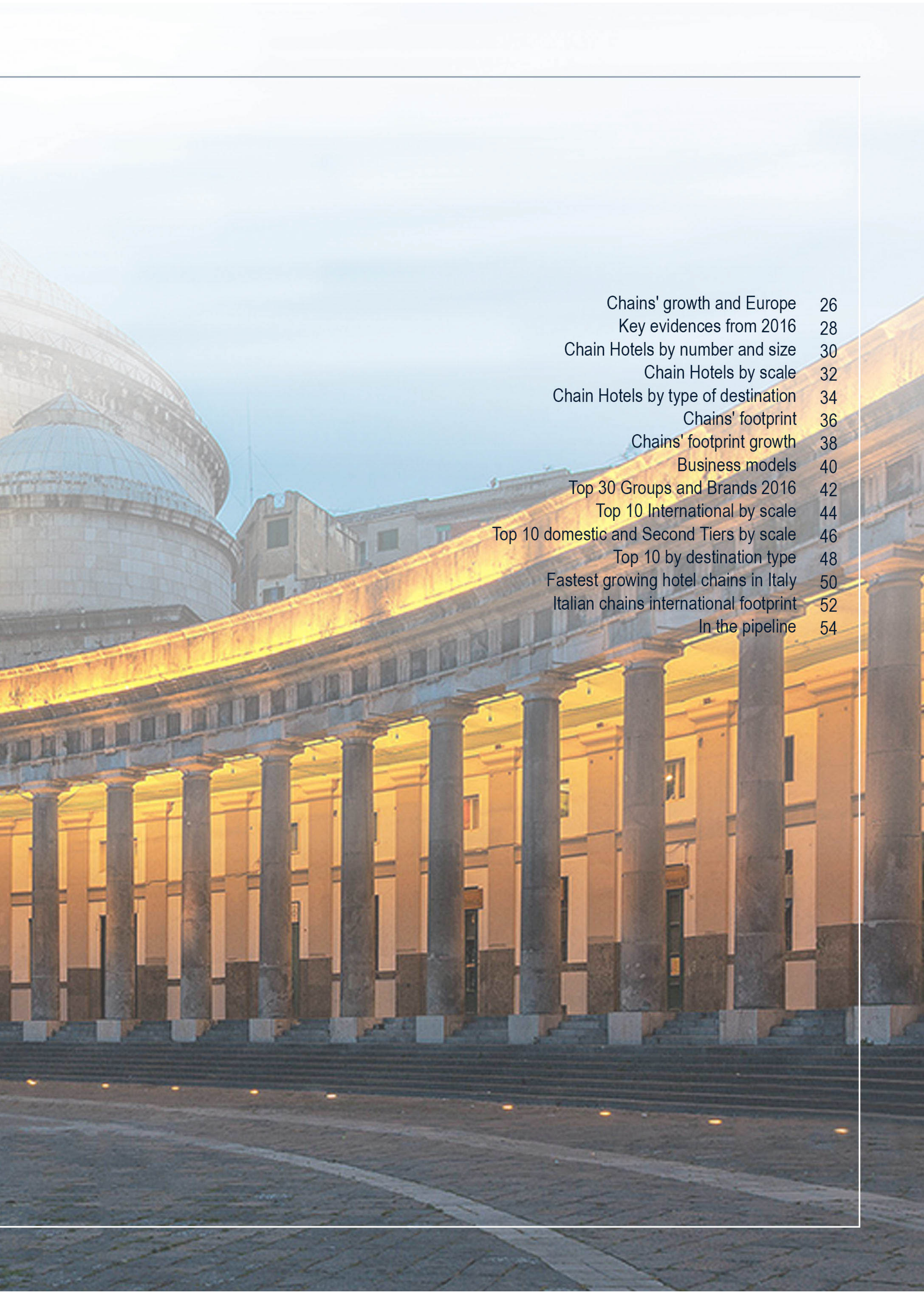
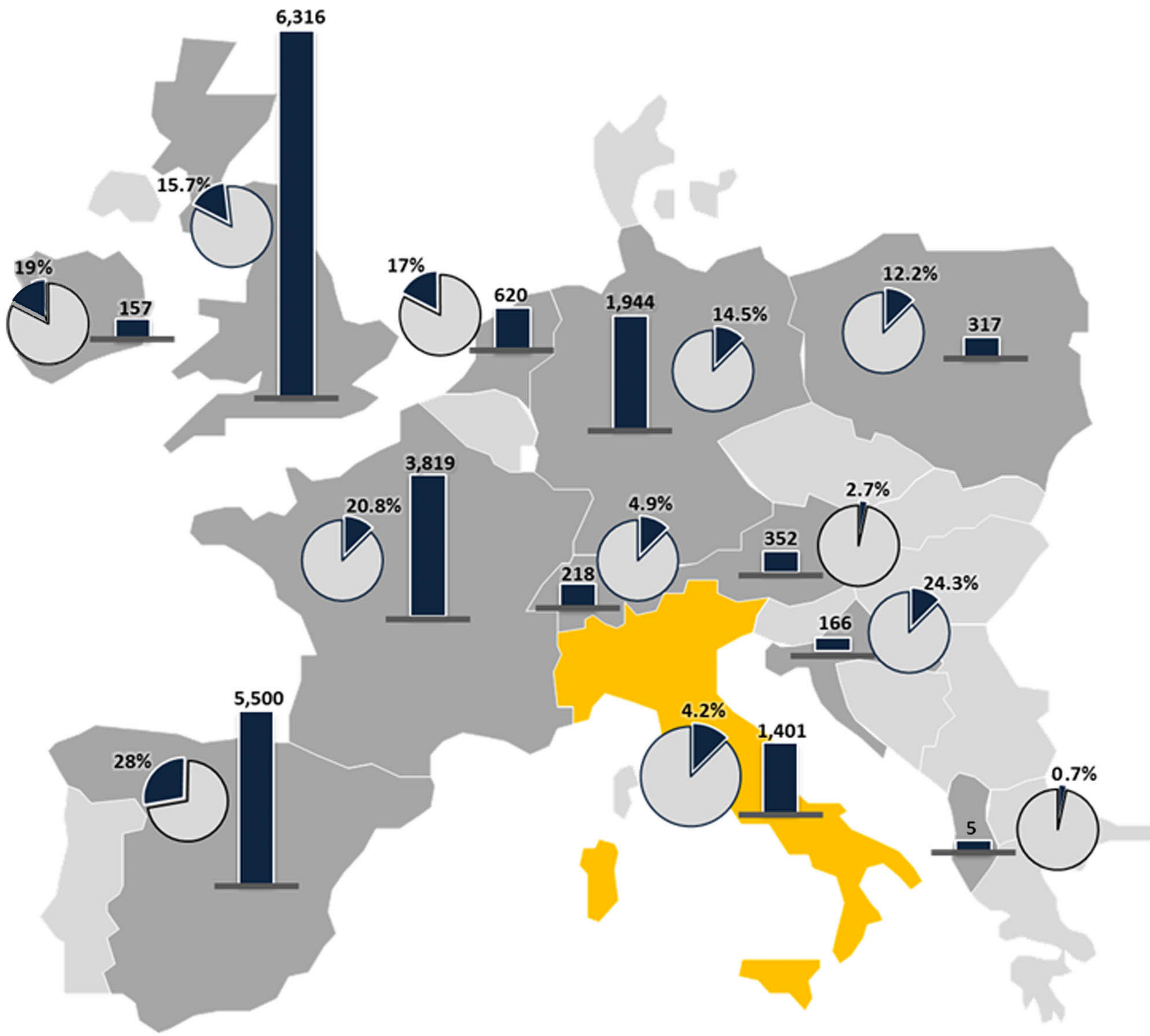
HOTEL CHAINS IN ITALY





Chain's growth and Europe

Number of chains' hotels and chains penetration in selected European countries (2016); Horwath HTL respective offices processing based on the ongoing 2016 census, preliminary data subject to partial review



Chain's growth and Europe

Where are chains expanding in Europe?

Chains presence in Europe is visibly increasing. The pace at which new hotels are branded or re-branded every day is much faster than what we report for Italy, due to the different destinations life-cycles and to incomparable market structures.

The European continent (in this map excluding Russia) ranges from the UK, with a stock of over 6,300 chain hotels, with a chain history dating back to the 50s, to Albania, with less than 10 chain hotels and a tourism history which born only after the year 2000.
According to last Horwath HTL countries censuses run at the end of 2016, chains in Europe are mainly concentrated in the UK (around 6,300 hotels and a penetration of 16%), Spain (around 5,500 hotels and a penetration of 28%), France (around 3,800 hotels and a penetration of 21%), Germany (around 1,900 hotels and a penetration of 15%) and Italy.

According to Horwath HTL offices network researches, the European central and eastern countries will lead the pipeline for hotels chains in the next future: Croatia, Bulgaria, Romania, Hungary, Poland, Bosnia, Serbia and maybe Albania too, have a lot of potential for hotel chains still to be deployed, given international leisure demand curiosity for the capital cities of these countries is growing, while business travel is also pushed up by improved trade conditions and favourable business environment.

Franchising will remain, in the first stage and for the very first properties each chain develops in these countries, the preferred entry mode, due to risk minimization approach, with the exception of the luxury scale, where management contract is and will be preferred.

Regional chains: finally visible!

The big effort Horwath HTL offices have put for mapping chains in the several European countries was getting the real picture of chains presence by including the huge number of regional ones that have long been ignored by chains statistics due to lack of local market knowledge.

They are the reason why some consultants have long underestimated the presence of chains in several European countries, among which Italy.

There are tens of big chains with over 10-20 properties around Europe that are concentrated in just two or three neighbouring countries, managing through ownership, management contracts or lease, that flourished in the early 2000 and operate with own brands or as white labels. They are growing fast, with their fees being adapted to local market structures and prone to assume more risk than global chain corporations, thus being very competitive and faster in expanding.

Italy has now a fair history of regional chains with international footprint. Discover the top 15 international Italian chains reported in page 50.

Key evidences from 2016

Key evidences from the Horwath HTL 2016 Census of Chains' Hotels in Italy

Key evidences of the last 4 years *(all rannking made by rooms)*	*2013 rev.*	*Growth %*	*2014 rev.*	*Growth %*	*2015 rev.*	*Growth %*	*2016*
Chains Hotels	1,308	*1.7%*	1,330	*2.3%*	1,360	*3.0%*	1,401
Chains Rooms	143,968	*0.7%*	144,956	*2.8%*	148,963	*4.4%*	155,505
Average Size per Chain Hotel in Rooms	110	*-1.0%*	109	*0.5%*	110	*1.3%*	111
Italian Hotels Stock (overall supply)	33,728	*-1.2%*	33,316	*-0.1%*	33,290	*-0.3%*	33,199
Italian Rooms Stock (overall supply)	1,093,286	*-0.3%*	1,089,770	*0.0%*	1,090,300	*0.1%*	1,091,569
Average Size per Hotel in rooms	32.4	*0.9%*	32.7	*0.1%*	32.8	*0.4%*	32.9
Chain penetration % by hotels	**3.9%**	*2.9%*	**4.0%**	*2.3%*	**4.1%**	*3.3%*	**4.2%**
Chain penetration % by keys	**13.2%**	*1.0%*	**13.3%**	*2.7%*	**13.7%**	*4.3%*	**14.2%**
Total number of brands	148	*14.9%*	170	*15.3%*	196	*4.1%*	204
Domestic Brands	87	*12.6%*	98	*12.2%*	110	*12.7%*	124
International Brands	61	*18.0%*	72	*19.4%*	86	*-7.0%*	80
International Chains Hotels IDC	516	*-0.2%*	515	*4.3%*	537	*-4.1%*	515
Domestic Chains Hotels IDC	860	*2.6%*	882	*0.9%*	890	*6.9%*	951
International Chains Keys IDC	64,260	*-2.0%*	62,945	*4.9%*	66,042	*-2.7%*	64,280
Domestic Chains Keys IDC	88,231	*2.9%*	90,809	*-0.2%*	90,637	*10.9%*	100,559
Top 10 Chain Groups total hotels	488	*-0.2%*	487	*7.4%*	523	*-4.8%*	502
Top 10 Chain Groups total rooms	63,078	*-1.8%*	61,964	*1.4%*	62,848	*5.4%*	66,617
Top 10 Chain Groups Hotels %	0	*-8.0%*	37%	*5.0%*	38%	*-7.6%*	36%
Top 10 Chain Groups Rooms %	0	*-6.0%*	43%	*-1.3%*	42%	*0.9%*	43%

Key evidences from 2016

2016 has been a year rich in changes in the chain industry in Italy. We have watched at the merger of Marriott and Starwood totalling in Italy 46 properties, we also have recorded the final act of the financial merger Ata-Una and more recently the relevant acquisition of the former Royal Demeures properties by Starhotels.

In the same year some Italian operator went international for the first time, gaining visibility abroad through the consistency of their portfolio.
This year recorded a minor growth of chains' properties, from 1,360 in 2015 to 1,401 at the end of last December.

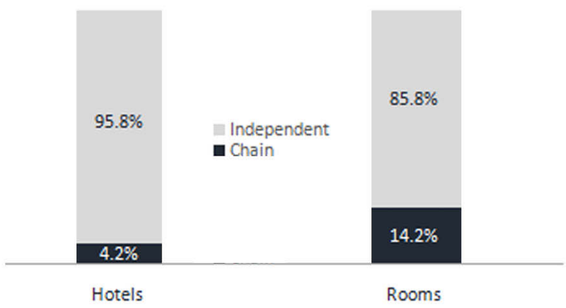
On the contrary, the volume of chains' rooms significantly improved, thanks to the positive balance between exiting hotels and new branded hotels, reaching over 155 thousands rooms, almost 6,5 thousands more than last year.
Chains' penetration moved then to 4,2% in terms of hotels and 14,2% in terms of rooms.

For the 2016 being, the census accounted for a net growth of 8 brands (or operators) while several others are expected to start up operations, in their very first hotel, along 2017 and 2018 (see our Pipeline section on page 52). The growth of brands in the country has been driven by domestic operators, while international have, as a balance, slightly reduced.

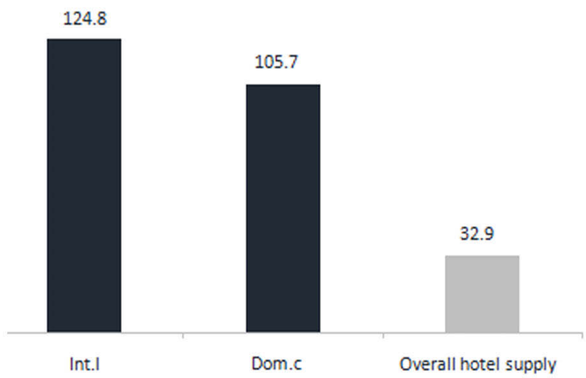
A look at the last 4 years statistics shows how steady but slow is the trend of growth of chains' presence, highlighting the hospitality system is somehow mature: in the next future the Country will record a growth in the number of operators, still for the years 2017-2020, while the following stage may present more consolidation (mergers, concentration of properties among less operators) than absolute growth.

Chain Hotels by number and size

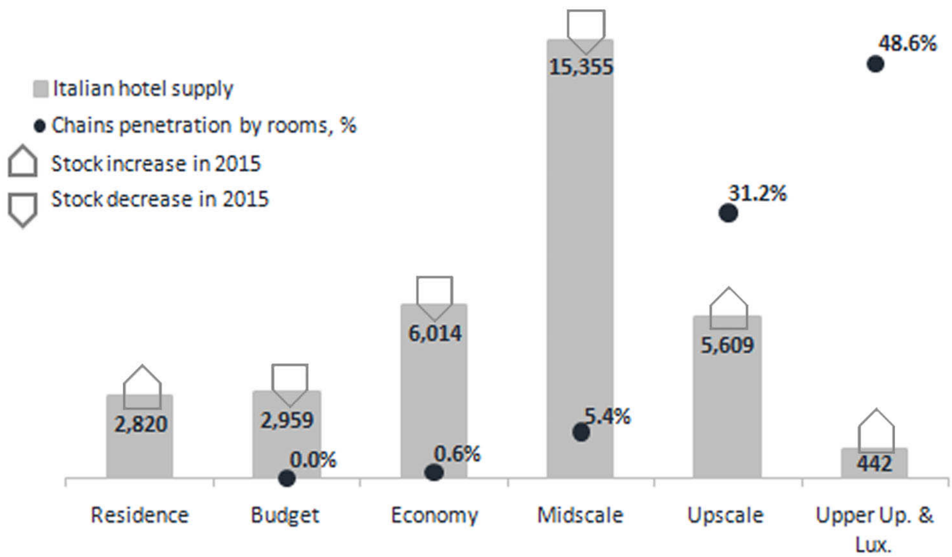
Italian hotels and rooms portfolio share of independent vs chains' hotels in 2016; Horwath HTL 2016



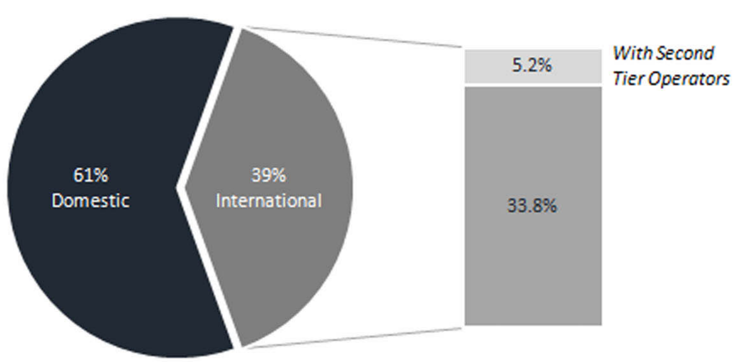
Italian hotels portfolio average size in 2016; Horwath HTL 2016



Italian hotels portfolio by scale in 2016 and chains penetration rate; Horwath HTL 2016



Chains' hotels distribution among Int.l, Dom.c and Second Tiers; Horwath HTL 2016



Chain Hotels by number and size

Chains' hotels are 3 times bigger than independent, on average

Since in Italy hotel chains concentrated the most on Upscale and Luxury tiers, their properties average size, 111 rooms, is much bigger than the average size of the Italian portfolio, which stands at 33 rooms.

With the exception of aparthotel, chains concentrate the most in those scales that are also growing in number in the recent years: their penetration is 5.4% in the Midscale, 31% in the Upscale and almost 49% in the Upper Upscale and Luxury segment.
This means that, within the 5 star category, in Italy 1 property out of 2 is affiliated to, or owned by, a hotel chain.

This may put the light on the question why their presence is alleged to be low compared to other countries.

Still thinking of few chains' hotels in Italy? Think it again

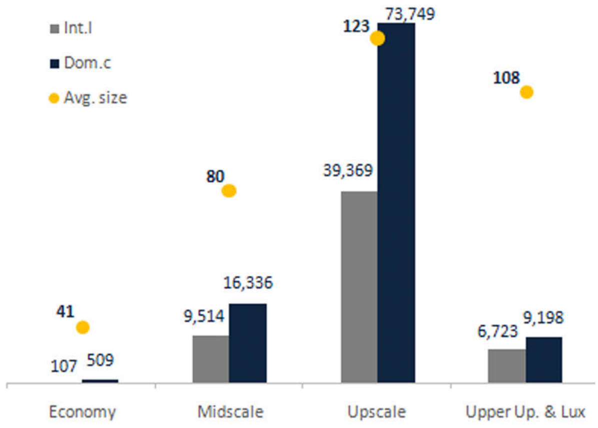
It is demonstrated that the absolute number of chains' hotels is limited if compared to UK, France and Spain, but relevant in general for the rest of Europe. Italy could be assumed to be one of the world countries with the highest number of chain hotels, very likely the seventh in the world if we consider the US and China. As far as the alleged low penetration rate, being Italy over-populated of Midscale properties, the answer is natural: brands are concentrating on Upscale and Luxury properties, no surprise chains' relative presence will always remain low compared to the huge stock of hotels in the country.

61% (58% last year) of chains' hotels are managed or (more rarely) franchised by domestic operators, while the remaining 39% is under an international brand, within which 5% is managed by domestic white labels operators. We have recorded 1 only foreign white label operator in Italy (while the domestic are a dozen), an evidence of the difficulties faced by this kind of corporation to be accepted or considered in the Italian market.

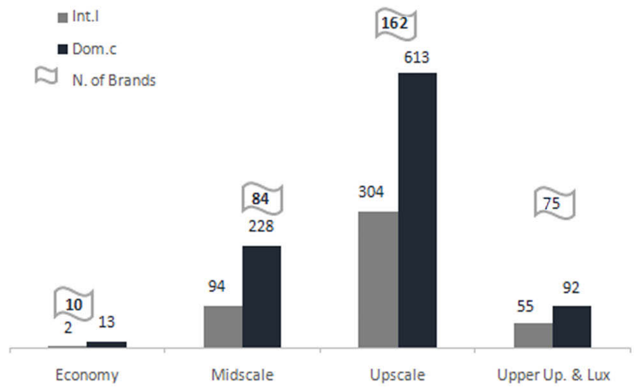
As we reported last year, the charts highlight, even for the 2016, the enormous room for growth in the Midscale segment, which accounts for over 15,000 hotels and where the domestic chain presence is already well developed.

Chain Hotels by scale

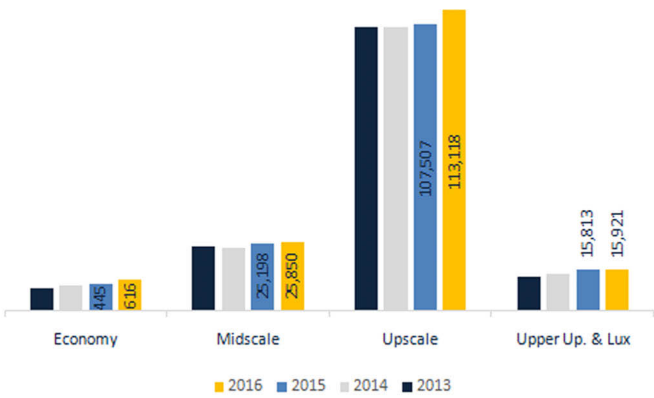
Chains' rooms distribution among scales and avg. size; Horwath HTL 2016



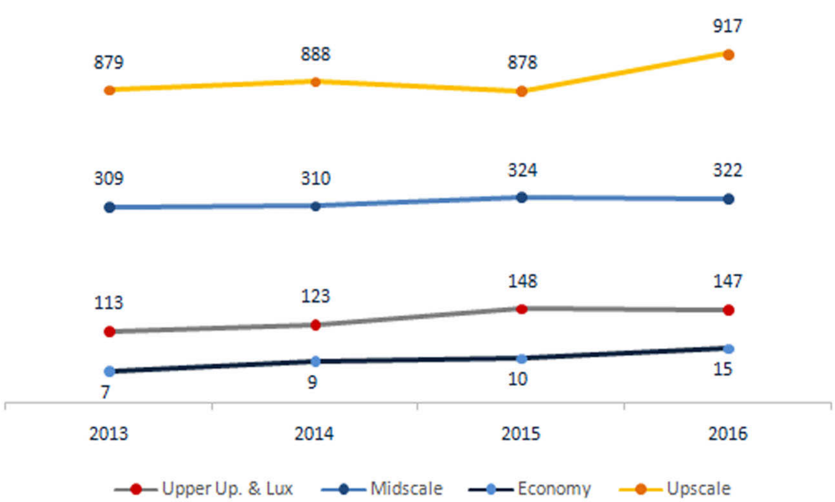
Chains' hotels and brands distribution among scales; Horwath HTL 2016



The growth of chains' rooms in the last 4 years among scales; Horwath HTL 2016



The growth of chains' hotels in the last 4 years among scales; Horwath HTL 2016



Chain Hotels by scale

216 brands competing in the Upscale segment, but 10 in the Budget and Economy scales

The distribution of chains' presence hasn't changed that much in the last 5 years. The majority of brands is concentrated on affiliating 4 star properties. There are 84 brands operating in the Luxury tier, but a very limited presence in the Budget and Economy scales, accounting for only 15 properties and 10 brands, though increased in number compared to last year.

Domestic operators dominate on every scale but the difference is less evident in the Luxury segment, while very relevant in the Upscale and Midscale tiers. This one in particular, seems a market that domestic operators target more and this may be due, in general, to lower restrictions imposed by Italian operators in terms of structural standards.

Not differently from 2015, the Upscale segment accounts for the biggest size, with an average of 123 keys per property, while the Upper Upscale and Luxury tier records properties that are, on average, sized around 108 rooms.

Reflecting the shape of the hospitality system as it is, the size of properties in the Economy tier stands at 41 rooms only: a size that is clearly not common if we look at current development of chains in this segment all around Europe.

Has the market of chains' hotels changed?

The Italian market depicted by daily news appears more vibrant than what is coldly referred by these figures, since while many new affiliations are happening, many contracts are not renovated or are interrupted prematurely, especially in S&B seasonal resorts.

The market would clearly become more vibrant should the potential increase of chains presence, with Economy and Midscale dedicated brands, happening in non-core cities.
The market of chains' hotels has not changed that much since the year of the first census (2012) in terms of where chains are expanding and their expansion pace.
But few clear signs emerge: the interest in the Economy scale is growing (there were no chains in 2012 in this segment, in 2016 we counted 15 hotels), the growth speed in the Upscale segment is relevant, as the net increase of chains' hotels in 2016 was almost 40 properties in this segment.

Everything almost unchanged in the Luxury tier since 2014, as we recorded a partial stop in the growth of chains in this segment to 147 hotels and 15,900 rooms.

Chain Hotels by type of destination

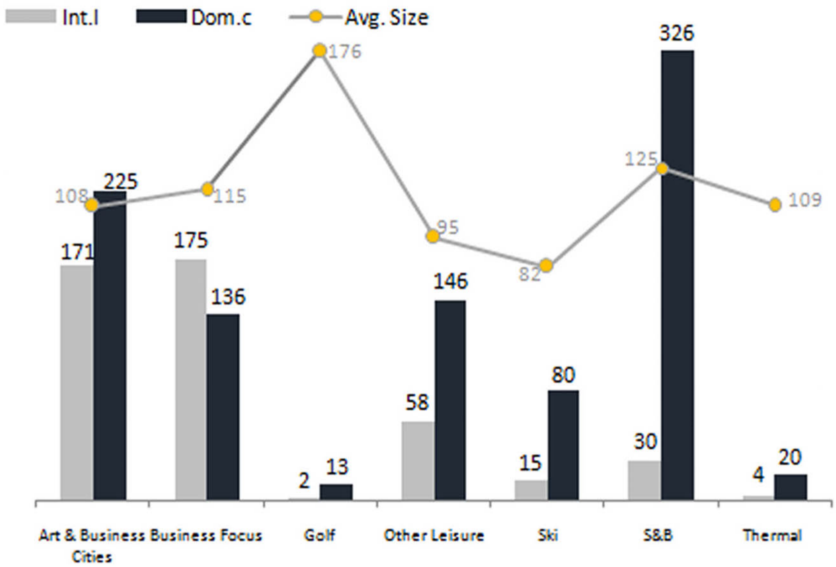
Ranking of destinations for new hotels in 2016 by rooms; Horwath HTL 2016

Rank	Top 10 destinations for new Chain Hotels entered in 2016	New Hotels	New Rooms
1	Rome	21	1,695
2	Milan	7	1,497
3	Venice	6	310
4	Rimini	6	223
5	Palau	3	283
6	Tirrenia	3	249
7	Taormina	3	234
8	Bologna	2	231
9	Cagliari	2	221
10	Milano Marittima	2	200

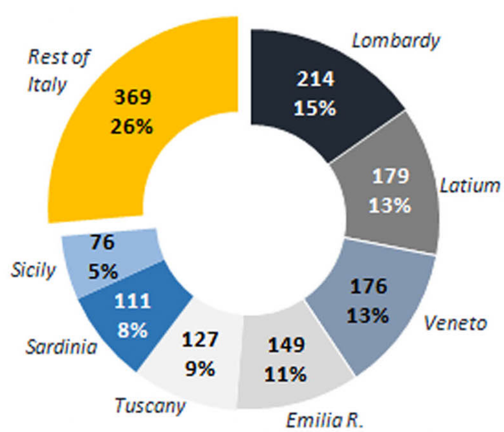
Ranking of destinations by rooms in 2016; Horwath HTL 2016

Rank	Top 10 destinations by rooms	Rooms 2016	Hotels 2016	Hotels 2015	Hotels 2014	Hotels 2013
1	Rome	18,965	160	149	151	146
2	Milan	14,794	111	116	127	123
3	Venice	4,898	54	51	49	46
4	Florence	4,560	58	62	59	58
5	Bologna	3,082	23	23	26	27
6	Turin	2,585	24	23	26	24
7	Naples	2,337	15	15	16	16
8	Budoni	2,170	13	6	6	6
9	Genoa	1,979	19	20	19	21
10	Taormina	1,688	13	14	12	12

Distribution of chains' hotels by type of destination and avg. size; Horwath HTL 2016



Distribution of chains' hotels among regions; Horwath HTL 2016



Chain Hotels by type of destination

28% of all chains' rooms are located in Rome, Milan, Florence and Venice

28% of the chains' presence in the county, measured in rooms is located in the cities of Milan, Rome, Florence and Venice, those which display the highest concentration of chains and accounted in 2016 for the most of new rooms, with the exception of Florence.

As it was for 2014, yet in 2015 Bologna, Turin, Naples, Genoa, Taormina lead, together with the four top cities, the ranking of most sought after destinations for chains, while Rimini left this ranking due to the entry of Budoni (Sardinia).

Lombardy, Latium, Veneto, Emilia Romagna and Tuscany are therefore the regions where chains mostly concentrate, not only because of the mentioned star destinations, but also because of the strong presence of business prevailing hotels they account for.
But among the destinations that recorded the highest increase of new branded hotels we unexpectedly find also Rimini, Palau, Tirrenia and Taormina, which we would consider leisure market prevailing destinations.

An interesting point of view returned by ranking destinations among prevailing markets

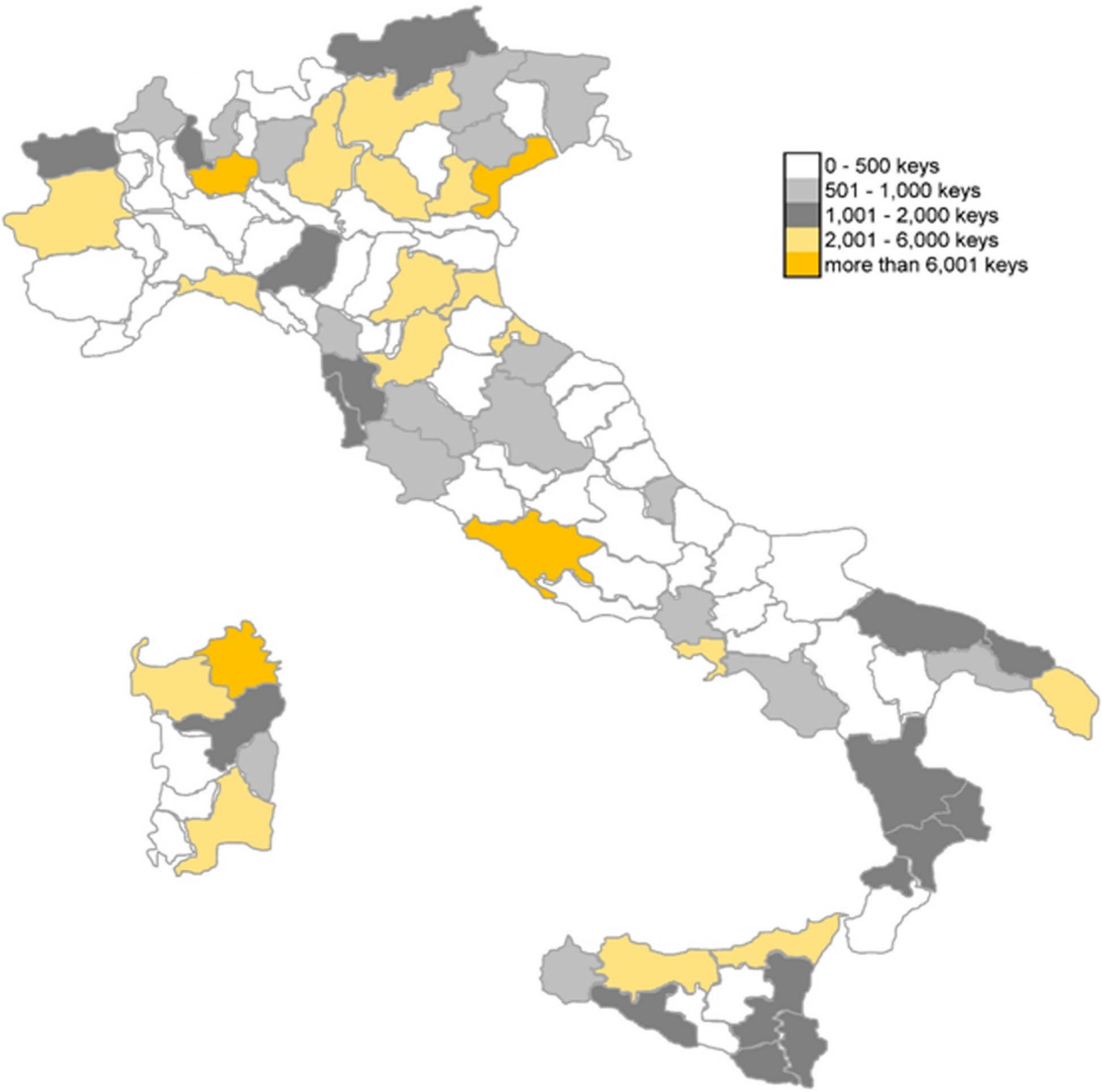
Reflecting the very unique nature of the chains phenomenon, S&B destinations play a significant role in the chains figures of this country. We counted 356 S&B hotels affiliated or managed by chains, but only 1 out of 11 by an international chain.
On the contrary, international chains are prevailing in terms of properties in the business focused cities.

But it is the kind of cities that merge arts & business magnets that account for the most of chains' hotels, with around 400 properties (IDC), where domestic operators (including white label operators) are still prevailing.

This year we included the "golf" classification for those destinations hosting resorts on golf courses. Italy account for only 15 branded golf resorts in 2016, a figure that is destined to grow if the appeal of this sport will increase in the Country, possibly with the ferment or legacy of next Ryder Cup in 2022. Indeed, the Marco Simone Golf and Country Club (unbranded), 15 km from the centre of Rome, will follow in the footsteps of Club de Golf Valderrama in Spain (1997) and Le Golf National in France (2018).
This new "golf" classification also allowed to highlight that the average size for such resorts is even higher than the one reported for chains' S&B resorts.

Chains' footprint

Distribution of chains' rooms among provinces of Italy;
Horwath HTL 2016 - Copy prohibited, all rights reserved



Chains' footprint

Do destinations' brands and chains' brands go together?

Mapping hotel chains in Italy from a geographic perspective provides insights on both the historic fortune of some destinations, their share of international demand and the presence of chains.

Taormina and Cefalù, the Salento, the Costiera Amalfitana and Pompei, the Costa Smeralda, Florence and Chiantishire, Venice, together with Rome and Milan are all part of the ancient or new grand tour(s) that still drive international flows today. There chains know there is much probability to lever their international appeal especially towards the USA, UK, French and Spanish markets.

This map (based on provinces) explains few additional truths: there are few incentives to locate around Rome when you can locate in Rome, with this reflecting the poor business or leisure appeal of the provinces around the Rome one, in the minds of hotel chains.

Moreover, there are several areas of the south where one would clearly expect chains' presence to be more consistent, such as the area of Matera and its Ionian coast, the Gargano peninsula with the impressing rocky coasts of Peschici and Mattinata. Or in the north, the charming Ligurian Riviera di Levante, so close to France and potentially highly exposed to international flows, or yet, in the opposite borders with Slovenia, the province of Trieste, where we recorded unexpectedly a very modest chain presence yet.

In the end, with very few exceptions driven mostly by history and the international brand awareness for a dozen of destinations, the concentration of chains is evident in those cities (and provinces) with a relatively evident mix of business and leisure market.
Outside the mentioned dozen, when the leisure (and seasonal) demand is prevailing, chains are less prone to manage, and international chains are much less prone than domestic ones.

Franchising responds to other approaches and is less driven by chains selection of destinations, but rather pulled by hoteliers requests and will to be affiliated. Again, central areas of Italy outside Rome (Marche, Umbria, Abruzzo and Latium) seem less conscious of potential outcomes of affiliation and this partially explains even the lowest penetration of franchising.

Chains' footprint growth

Chains penetration, brands and new chains' hotels in 2016 for a selection of Italian destinations; Horwath HTL 2016

Chains' footprint growth

Bologna and Genoa among top destinations for chains' penetration

Besides the well-known abundant presence of chains in Milan and Rome, the high penetration rates of Genoa (35%), Bologna (30%) and Turin (25%) come unexpected. Especially because these figures are higher than what we report for Florence (23%).
In general they are much higher than what we report as average for Italy (4.2%) and make it more clear why, with such an enormous number of tourism destinations (we counted 555 destinations with at least 1 chain hotel), it is quite impossible for Italy to jump to double digit values, as happens for other countries.

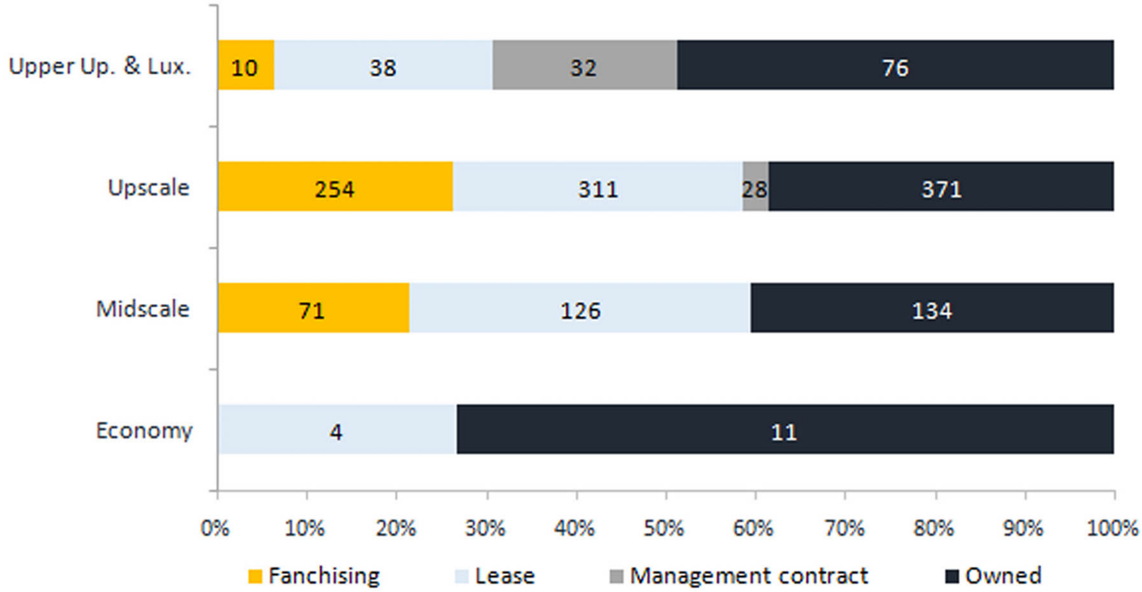
The number of brands is also representative of the intensity of the phenomenon for a destination: 78 brands in Rome, 59 in Milan, 41 in Venice, 34 in Florence. It can't be said that these are saturated locations but, nevertheless, they are intensively cared by chains.

The map on the left also shows interesting figures in terms of where new chain hotels have started in 2016 or have been re-branded: Rome clearly heads the ranking with 21 hotels, followed by Milan with 7 hotels, Rimini and Venice with 6 hotels.
Looking at these figures like a net growth of supply would be misleading. There are branding changes, re-vamping and re-branding cases, hotels that entered the census because of the expansion (over 4 properties) of the group they belong to.

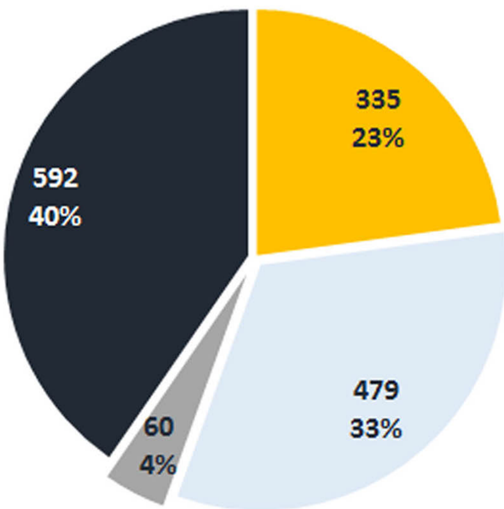
In addition, supply growth is not always an index of positive momentum of the destination, as far as we know how long it takes for any new hotel to start operations. Thus most of the new listed properties have been planned 3-4 years ago and will now generate and face a different competitive environment, within new or changed market perspectives.

Business models

Distribution of business models among chains' hotels by scale; Horwath HTL 2016, IDC



Percentage distribution of business models by hotels; Horwath HTL 2016, IDC



Business models

Franchising is expanding, but lease is still the rule

The majority of hotels «belonging» to chains in Italy still fall under the ownership model[2] (40%, 41% in 2015).

This share was very likely much stronger in the past, but the owned properties component is still very relevant among the domestic brands.

The second most common model is the lease (33%), much ahead of the franchising (23%), which is obviously much common among international brands.
Franchising represents the first option for growth among international operators and it is becoming more and more the way in the Midscale segment, as it is already in the Upscale. It seems to work well for the affiliation of Arts & Business destinations hotels when they size around 100 rooms, while it is almost not present in Thermal and SKI areas.

Less relevant, as it is well known, is the management contract model, which represents in Italy just 4% of hotels (60 properties[3]), the majority of which in the Upper Upscale & Luxury tier.

When does management contract work?

As it was reported last year, management contracts start to be more frequent among even domestic operators in major tourism capitals, namely Milan, Florence and Rome, for those brands reaching already a certain size and with some changes on the international standard, that make it more flexible to fit to the Italian lodging environment.

Management contracts are concentrated especially in the Arts & Business destinations and in Business Focus locations, for properties that are sized, on average, over 140 rooms. We haven't recorded any management contract in the Midscale and Economy tiers.

The Italian legal and administrative infrastructure as well as the history of hotel management make management contracts not clearly appealing for hotels that are already on the market, so that they are almost absent in the case of re-branding, where franchising and lease appear to be the first choices.
On the contrary, this model may have a privileged entry in greenfield projects and in conversion projects , when the owner comes from a different sector or when an acquiring fund is used to partner with hospitality brands.

[2]All figures on business models include double counting, for the sake of illustrating how business models are distributed among categories.

[3]This figure was overestimated in 2015 census because of a wrong reporting from two contributing chains, which have then reviewed their data. The information on the business model derives for Horwath HTL knowledge of brands and to the gentle participation of hotel chains disclosing their data. Therefore cannot be intended to be 100% correct for all hotels, but it is still the most reliable data on the market in 2016, since over 70% of records have been certified by hotel chains.

Top 30 Groups and Brands 2016

Top 30 hotel groups and chains' brands in 2016 by number of rooms; Horwath HTL 2016

Rank	Top 30 Chain Groups by Rooms in Italy 2016	Hotels	Rooms
1	BEST WESTERN	164	12,458
2	ACCOR	77	10,015
3	MARRIOTT INTERNATIONAL	46	8,890
4	NH HOTELS	52	7,992
5	UNA-ATA	43	5,467
6	VALTUR	15	4,990
7	IHG	31	4,911
8	HILTON	19	4,399
9	ITI HOTELS	31	3,824
10	STARHOTELS	24	3,671
11	BLU HOTELS	30	3,394
12	AEROVIAGGI	15	3,273
13	BLUSERENA	8	3,130
14	JSH	14	2,698
15	TH RESORTS	14	2,472
16	B&B	24	2,262
17	GETURHOTELS	14	2,004
18	PARC HOTELS	13	2,004
19	CHINCHERINI HOLIDAY GROUP	21	1,969
20	AURUM	14	1,878
21	APOGIA HOTELS GROUP	26	1,700
22	CLUB MED	4	1,672
23	ALPITOUR	8	1,661
24	CLUB ESSE	14	1,637
25	GRUPPO STUDIO VACANZE	10	1,636
26	PIAZZA DI SPAGNA VIEW	16	1,574
27	DELPHINA	8	1,527
28	GIORGIO MAZZELLA GROUP	5	1,510
29	UAPPALA HOTELS	16	1,503
30	I GRANDI VIAGGI	5	1,382

Rank	Top 30 Chain Brands by Rooms in Italy 2016	Hotels	Rooms
1	BEST WESTERN	132	9,684
2	NH HOTELS	41	6,386
3	VALTUR	15	4,990
4	BLU HOTELS	30	3,394
5	AEROVIAGGI	15	3,273
6	BLUSERENA	8	3,130
7	MERCURE	28	3,004
8	STARHOTELS	17	2,774
9	JSH	14	2,698
10	HOLIDAY INN	16	2,621
11	ATAHOTELS	13	2,615
12	TH RESORTS	14	2,472
13	B&B	24	2,262
14	SHERATON	6	2,229
15	NOVOTEL	13	2,200
16	UNA HOTELS & RESORTS	25	2,192
17	ITI HOTELS-MARINA H&R	17	2,145
18	HILTON	6	2,065
19	GETURHOTELS	14	2,004
20	PARC HOTELS	13	2,004
21	CHINCHERINI HOLIDAY GROUP	21	1,969
22	AURUM	14	1,878
23	IBIS	11	1,860
24	APOGIA HOTELS GROUP	26	1,700
25	BEST WESTERN PLUS	18	1,682
26	CLUB MED	4	1,672
27	VOI HOTELS	8	1,661
28	CLUB ESSE	14	1,637
29	STUDIO VACANZE	10	1,636
30	PIAZZA DI SPAGNA VIEW	16	1,574

Top 30 Groups and Brands 2016

Many changes in the top ranking of chains groups in 2016

The ranking of the biggest chain groups in Italy recorded several changes in 2016, both on the international front and domestic one.

Best Western is still the group with the highest number of rooms in Italy, within its 3 brands, totaling over 12 thousands keys affiliated along 164 properties at the end of December 2016. This is not a news, the group is heading through franchising the rank since the very beginning of the census.

The second position is still hold by Accor group, as it was in 2015, with 77 hotels and over 10 thousands rooms, almost the same amounts held in 2015.

But the third position is a complete new rank, since the merge of Marriott and Starwood completed in mid-2016, with the effect of creating a new structure for the portfolio of Marriott International in Italy, standing at 46 properties and almost 9 thousands rooms.
NH has slightly concentrated its portfolio compared to 2015, with now 52 properties and almost 8 thousands keys.

A completely new portfolio structure for the merger of ATA Hotels and UNA Hotels & Resorts, generating one group, the biggest Italian in terms of both rooms and properties, ranking now 5th in Italy with 43 hotels and around 5.5 thousands rooms.
Much smaller is the number of properties hold by following groups in the ranking, while the distribution of keys is much uniform.

Domestic operators practicing the art of segmenting brands

The merger of ATA and UNA has not changed the structure of the portfolio for their respective brands that much, in terms of hotels and rooms, with ATA reducing its size for other reasons, so that few has really changed in the brands ranking, except for the growth of some other domestic brands.

Valtur 2016 events put the brand in the third position in Italy for rooms number, followed by other S&B expert players such as Blu Hotels, Aeroviaggi and Bluserena.
Starhotels portofolio, which has significantly increased in 2016 thanks to acquisitions of assets of former hotel chain Royal Demeure, stands at 17 hotels within this brand, the rest (7 in Italy) being reported under the brand “Collezione”.

TH Resorts has also passed a favorable year for growth and entered the 12th rank with around 2.5 thousands rooms, while it was not even reported in the top 20 last year.
Among international brands Mercure slightly improved its portfolio in terms of rooms, now over 3 thousands, while B&B almost remained unchanged after the important growth reported in 2015.

Top 10 International by scale

Ranking of Economy and Midscale Int.l Brands by rooms in 2016; Horwath HTL 2016

Rank	Economy & Midscale	Hotels	Rooms
1	B&B	24	2,262
2	IBIS	11	1,860
3	BEST WESTERN	32	1,855
4	CLUB MED	2	1,268
5	IBIS STYLES	8	749
6	HOLIDAY INN EXPRESS	6	664
7	TULIP INN	4	445
8	MERCURE	2	210
9	MOXY	1	162
10	FERIENVEREIN	1	159

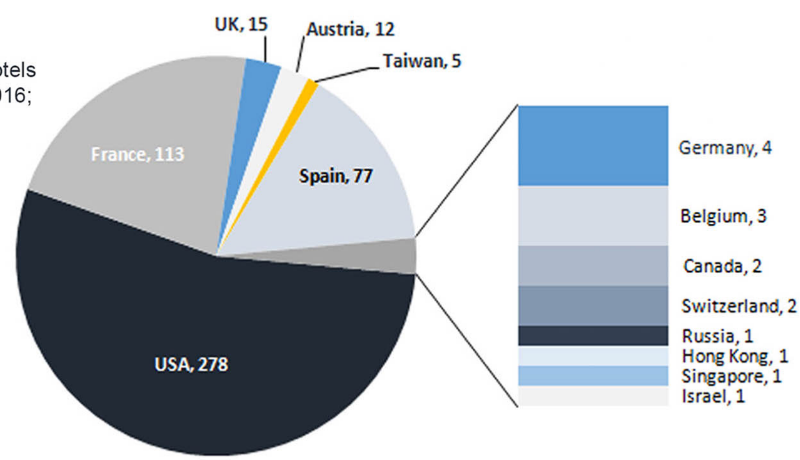
Ranking of Upscale Int.l Brands by rooms in 2016; Horwath HTL 2016

Rank	Upscale	Hotels	Rooms
1	BEST WESTERN	100	7,829
2	NH HOTELS	41	6,386
3	MERCURE	26	2,794
4	HOLIDAY INN	16	2,621
5	NOVOTEL	13	2,200
6	SHERATON	5	2,133
7	HILTON	5	1,686
8	BEST WESTERN PLUS	15	1,551
9	CROWNE PLAZA	7	1,476
10	HILTON GARDEN INN	8	1,300

Ranking of Upper Upscale and Luxury Int.lBrands by rooms in 2016; Horwath HTL 2016

Rank	Upper Upscale & Luxury	Hotels	Rooms
1	WESTIN	4	899
2	LUXURY COLLECTION	7	880
3	MGALLERY by SOFITEL	4	577
4	AUTOGRAPH MARRIOTT	3	458
5	MELIA'	4	449
6	ROCCO FORTE	3	427
7	DORCHESTER COLLECTION	2	422
8	BELMOND	6	412
9	HILTON	1	379
10	WALDORF ASTORIA	1	370

Distribution of Int.l chains' hotels by headquarter country in 2016; Horwath HTL 2016



Top 10 International by scale

A strong presence of Accor brands all along Economy, Midscale and Upscale

As it was for 2015, this year the census mapped international brands that landed on more than a scale (i.e. Midscale and Upscale), because of the peculiarity of hotel ranking and hotel physical standards in the Italian market. As it has always been for this census, brands are ranked according to the categories of the single property they hold, rather than on their declared positioning.

Accor group records a strong presence in the Economy and Midscale segments with dedicated brands, accounting for almost 2,800 rooms with Ibis, Ibis Styles and Mercure brands only.

As for last year, the leadership in the Economy market is anyhow in the hands of the brand B&B, that reached quota 24 hotels and over 2,200 rooms in few years of presence in the Peninsula.

The Upscale segment shows bigger figures in the top 10 ranking of international brands. Best Western and NH are by far the biggest players in this segment, together accounting for more than 140 hotels and 14 thousands affiliated rooms, a reduced amount if compared to 2015. Mercure, Holiday Inn and Novotel follows, so that Accor group is clearly a relevant player in this segment too, as it is Hilton, with the brands Hilton By Hilton and Hilton Garden Inn.

No one position has changed in the Upper Upscale & Luxury tiers since last year.

USA, French and Spanish brands total 90% of all international chains' hotels

As of the December 2016, USA based brands are by large the most established in the Country, followed by a strong presence of the French and Spanish brands.

Brands and investments from the USA market, the French market and the Spanish market total 91% of the overall amount of international chains' hotels. UK headquartered brands follow (15 hotels).

If we look at hotel demand statistics, with the only exception of Germany,these are also the top incoming markets for Italy at the moment.
Not increased since last year, Taiwanese chains still hold 5 properties in Italy.

Top 10 domestic and Second Tiers by scale

Ranking of Economy and Midscale Dom.c Brands by rooms in 2016; Horwath HTL 2016

Rank	Economy & Midscale	Hotels	Rooms
1	VALTUR	7	2,071
2	GETURHOTELS	7	1,330
3	CHINCHERINI HOLIDAY GROUP	10	1,170
4	AEROVIAGGI	2	772
5	BIANCHI HOTELS	10	626
6	MEDITUR	12	623
7	APOGIA HOTELS GROUP	12	618
8	RIMINI RESIDENCE	18	534
9	AZZURRO CLUB	10	516
10	AURUM	2	508

Ranking of Upscale Dom.c Brands by rooms in 2016; Horwath HTL 2016

Rank	Upscale	Hotels	Rooms
1	BLUSERENA	8	3,130
2	BLU HOTELS	23	2,920
3	STARHOTELS	17	2,774
4	VALTUR	7	2,661
5	AEROVIAGGI	13	2,501
6	ATAHOTELS	11	2,439
7	JSH	12	2,293
8	TH RESORTS	11	2,135
9	UNA HOTELS & RESORTS	24	2,127
10	ITI HOTELS-MARINA H&R	16	2,127

Ranking of Upper Upscale and Luxury Dom.c Brands by rooms in 2016; Horwath HTL 2016

Rank	Upper Upscale & Luxury	Hotels	Rooms
1	ITI HOTELS- COLONNA LUX.	4	818
2	GB THERMAE HOTELS	3	542
3	DELPHINA	3	541
4	BOSCOLO	3	458
5	SELECT	3	451
6	JSH	2	405
7	BAGLIONI	6	398
8	GIORGIO MAZZELLA GROUP	2	397
9	ALLEGROITALIA	4	395
10	SINA	5	392

Top 10 domestic and Second Tiers by scale

Economy and Midscale vibrant due to frequent turnaround in S&B resorts management

A lot of the changes that took place during 2016 among the domestic operators happened in the Midscale segment: lease contracts, as it seems, are easily questionable among S&B operators for which a lot of turnaround happens, not always for the expiration time.

It is sometimes an issue of capex: S&B midscale and upscale resorts frequently ask for capex (more frequently than city hotels) and lesser and tenant enter a dispute because these investments were unbudgeted, or unpredictable, or simply not easy to allocate as ordinary or extra-ordinary maintenance. Otherwise is an issue of badly projected performances or simply unexpected low performance in those destinations that are highly volatile, causing the tenant to leave earlier.

Within the Economy and Midscale segments Valtur is heading the ranking, while Rimini Residence is by far the operator with the highest number of hotels (namely hotels and residences).

Bluserena, Blu Hotels, Starhotels and Valtur are steadily confirmed at the top of the ranking of Italian operators, in the Upscale segment, all with over 2,600 rooms in this tier, Bluserena with over 3,000.

UNA Hotels & Resorts is the brand with the highest presence in the Upscale tier in terms of hotels, with 24 hotels at the end of 2016.

Leadership in the Luxury tier not any more stable

Last year we reported, for 2015, a very stable market structure in the top tier among domestic operators, a situation that has changed since then, with Delphina improved in hotels and rooms, JSH entering this market ranking for the first time, with over 400 rooms. We also recorded Giorgio Mazzella Group (previously not mapped into the census), which entered this ranking owning TimiAma and Capo Boi 5 star resorts both located in Sardinia.

As it was in 2015, for this year the brand Colonna Luxury of the ITI group heads the ranking of domestic operators in the luxury scale, with 4 properties and over 8 hundreds rooms.

Top 10 by destination type

Ranking of brands by rooms per each type of destination in 2016; Horwath HTL 2016

Rank	Art & Business Cities	Hotels	Rooms
1	BEST WESTERN	39	3,08
2	NH HOTELS	19	2,87
3	MERCURE	13	1,77
4	SHERATON	2	1,45
5	STARHOTELS	9	1,44

Rank	Ski	Hotels	Rooms
1	TH RESORTS	6	1,109
2	VALTUR	4	780
3	BLU HOTELS	7	644
4	CLUB MED	2	404
5	GETURHOTELS	4	400

Rank	Business Focus	Hotels	Rooms
1	BEST WESTERN	61	4,42
2	NH HOTELS	19	2,89
3	ATAHOTELS	8	1,44
4	STARHOTELS	8	1,33
5	UNA HOTELS & RESORTS	11	1,11

Rank	Sun & Beach	Hotels	Rooms
1	AEROVIAGGI	13	3,049
2	VALTUR	9	3,049
3	BLUSERENA	5	2,170
4	ITI HOTELS-MARINA H&R	15	2,002
5	BLU HOTELS	14	1,762

Rank	Golf	Hotels	Rooms
1	VALTUR	1	9
2	JSH	4	6
3	GOLDEN TULIP	1	2
4	ROCCO FORTE	1	2
5	VERATOUR	1	1

Rank	Thermal	Hotels	Rooms
1	GB THERMAE HOTELS	5	855
2	DIMHOTELS	8	775
3	BEST WESTERN	4	296
4	RADISSON BLU	1	284
5	AURUM	2	270

Rank	Other Leisure	Hotels	Rooms
1	CHINCHERINI HOLIDAY GR	14	1,56
2	PARC HOTELS	6	93
3	ZACCHERA HOTELS	5	90
4	BLU HOTELS	8	868
5	ATAHOTELS	2	826

Top 10 by destination type

Does product specialization exist among brands?

For the first year the Report proposes a different approach to operators ranking, based on their footprint by type of destination. It is a simple exercise based on counting hotels and rooms based on the kind of prevailing market for each destination, from which we derive the proposed classifications.

Therefore, these rankings answer to a simple questions: which are the brands with more presence in business focused destinations? Which brands are more frequent when it comes to golf resort?

This might provide a different picture of a brand, maybe often misaligned with the core concepts attached to these brands by chains, although, again, here we control statistics by our own perspective and classification of destinations, by which we do not want to attach any kind of specialization to any brand.

All this considered, Best Western is the brand with the largest footprint in Arts & Business cities and in those cities with prevailing business market, in both cases followed by NH.

On the contrary, TH Resorts is the absolute leader (by rooms) of Ski resorts, with over 1 thousands rooms in this ranking.

When it comes to S&B resorts, Aeroviaggi and Valtur both rank first with over 3 thousands rooms followed by Bluserena with over 2 thousands rooms in its 5 coastal resorts. The brand Marina H&R hold by the ITI group is the absolute leader in this market by number of hotels, with 15 resorts in 2016.

Still by number of hotels, when it comes to golf resorts, JSH is the leading operator (though the second one in terms of rooms after Valtur with 903 rooms in 1 only golf resort, the Tanka Village Golf & SPA) with 4 resorts, even 6 if we consider Galzignano as 3 detached properties, demonstrating a certain specialization towards other ranked operators (all managing just 1 hotel).

Still from a statistics perspective only, there are clearly other product specialized brands, for the case of thermal destinations, such as GB Thermae Hotels, with 5 properties and 855 rooms and Dimhotels, with 8 properties located in thermal resorts, for overall 755 rooms.

“Other Leisure” destinations are those with none of the markets listed before as clearly prevailing, often located in the countryside, close to lakes, in minor gateways cities or religious magnets, county towns or key destinations where the magnets is not precisely arts. For such locations, Chincherini Holiday Group is heading the ranking with 14 properties and over 1.5 thousands rooms.

Fastest growing hotel chains in Italy

Ranking of fastest growing groups (in Italy) by hotels in absolute value during the period 2013-2016; Horwath HTL 2016

Rank	*Top 20 Fastest Growing Chain Groups 2013-2016*	Hotels increase 2013-2016	Rooms increase 2013-2016
1	B&B	10	1,001
2	RIMINI RESIDENCE	9	292
3	VALTUR	8	3,080
4	UAPPALA HOTELS	7	1,011
5	MEDITUR	6	388
6	ALTON GROUP	5	517
7	ACCOR	5	512
8	BLU HOTELS	5	366
9	APOGIA HOTELS GROUP	5	293
10	TH RESORTS	4	720
11	BIANCHI HOTELS	4	284
12	STARHOTELS	4	258
13	TUI	3	725
14	AEROVIAGGI	3	608
15	ITI HOTELS	3	426
16	HNH HOTELS & RESORTS	3	381
17	INC HOTELS GROUP	3	221
18	FMTG	2	285
19	LOAN	2	125
20	RIZZANTE GESTIONI ALBERGHIERE	2	86

Fastest growing hotel chains in Italy

Who is running the fastest?

After 5 years of census[4] we are now pleased to present the ranking of the fastest growing hotel chains in Italy, based on records we collected with a structured and verified approach since 2013.

This ranking is based on the number of hotels, the driver that best can explain the effort of a chain to grow in its footprint in a country, a driver that also explains the most of the complexity of running centralized operations delivering real value (knowledge, economies of scale, guidelines and standards, governance) to several properties.
For what we reported at the end of 2016, the chain that has grown the most in terms of hotels in Italy in the last years is the French B&B, accounting for 10 new hotels in these 4 years and overall 1 thousand more rooms.

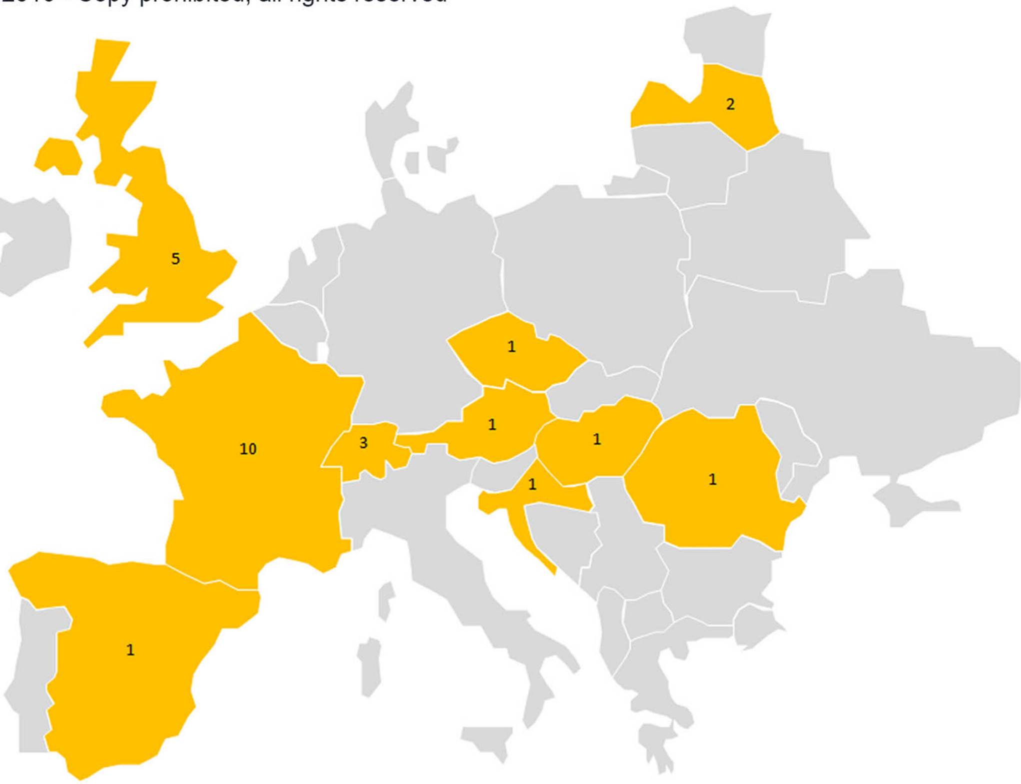
The fastest growing domestic chain is Rimini Residence, a group concentrated in managing hotels and residences mostly in the Midscale segment, spread over the coasts of Emilia Romagna, managing through lease and few ownerships, whose growth in terms of rooms is modest, due to the average size of properties, but relevant in terms of properties (+9 in 4 years). The group manages 22 properties at the end of 2016.

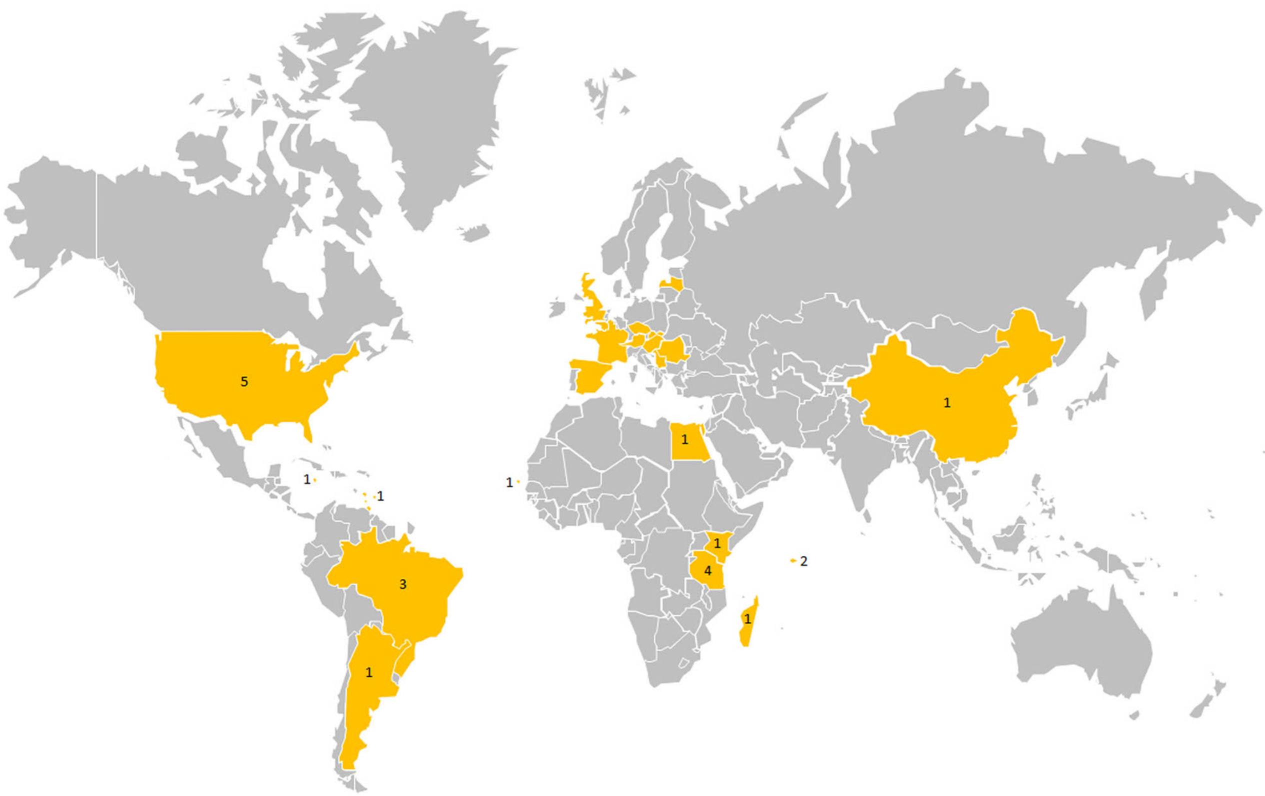
Valtur is the third operator for absolute growth in terms of hotels, with a net increase of 8 resorts in the period, but the first in terms of rooms, over 3 thousands more.
Accor, among the international brands, is the second one, with a net growth of 5 hotels and 512 rooms.

[4] *The first census was run in 2012, though chains coverage was not complete and does not allow to simulate increase since that year with adequate accuracy.*

Italian chains international footprint

International footprint (hotels) of Italian chains in Europe and the world in 2016;
Horwath HTL 2016 - Copy prohibited, all rights reserved





Italian chains international footprint

Ranking of Italian chains by international footprint in 2016, by rooms; Horwath HTL 2016

		International		World	
Rank	*Top 15 Domestic Chain Groups by International Rooms 2016*	Hotels	Rooms	Hotels	Rooms
1	ITI HOTELS	7	1,305	38	5,129
2	BOSCOLO	6	865	11	1,526
3	ALPITOUR	3	492	11	2,166
4	STARHOTELS	5	412	29	4,083
5	VERATOUR	4	397	9	1,011
6	JSH	2	249	16	2,947
7	I GRANDI VIAGGI	4	247	9	1,629
8	ROBERTO NALDI COLLECTION	2	209	5	471
9	APOGIA HOTELS GROUP	2	191	28	1,891
10	SELECT	1	187	12	1,229
11	TRIANON GROUP	2	169	5	232
12	BAGLIONI	3	105	9	503
13	ALLEGROITALIA	1	83	13	979
14	VALTUR	1	75	16	5,065
15	AUTOSOLE HOTEL GROUP	3	71	6	204

Italy has not an international chain: is this true today?

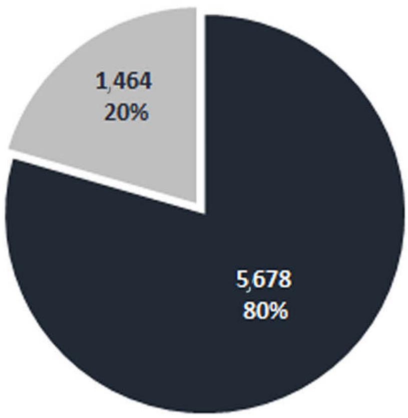
To answer this question we tried to be the most precise possible, avoiding stereotypes, through investigating, for the first time, the international footprint of domestic operators.
It has not been an easy exercise for both the huge number of domestic operators and for the fact that brands may change among countries as corporate vehicle do.
Nevertheless, we judge we have gained a certain accuracy and, in most cases, we have been able to have data checked by respective chains.

The outcome is impressive and tells that the general belief about Italian low presence abroad is somehow wrong: there are at least 20 Italian hotel chains with at least 1 hotel abroad, covering 4 continents. On top of this page we report the top 15 by number of international rooms, the first of which is ITI Group, the second Boscolo, followed by Alpitour and Starhotels. This new ranking also provides the wider picture of the world size of our chains, which sum up hotels in Italy and abroad.

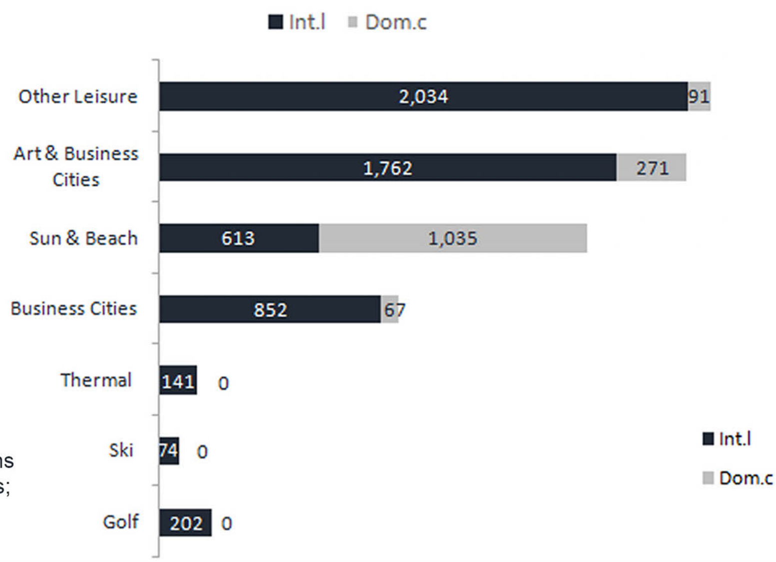
In the pipeline

Ranking of destinations by rooms in pipeline in the period 2017-2018 and by scale;
Horwath HTL 2016 based on publicly available data, as of December 2016

Rank	*Top 10 Destinations for pipeline rooms*	Economy	Midscale	Upscale	Upper Upscale & Luxury	Total pipeline rooms per destination
1	ROME	114	330	391	404	**1,239**
2	VENICE	319	408	334	51	**1,112**
3	MILAN	131		299	277	**707**
4	BOLOGNA	400				**400**
5	FLORENCE	394				**394**
6	ACIREALE			374		**374**
7	GIOIOSA MAREA		320			**320**
8	CEFALU'				310	**310**
9	CARLENTINI				235	**235**
10	QUARTU S. ELENA			220		**220**



Share of pipeline rooms among
Int.l and Dom.c chains;
Horwath HTL 2016



Distribution of pipeline rooms
among types of destinations;
Horwath HTL 2016

In the pipeline

Sicily among top locations for future expansion

It is an hard work to get to know about future hotel projects in Italy. There is a lot of talking about domestic and international expansion programs for most of big brands, but it remains very hard to be precise and certain about what is really happening in the next 12-18 months.

We have tried our best, with the cooperative support of chains, to be precise and to record the most of trustable information about development projects in pipeline for the next 2 years.

Overall, as of December 2016, we recorded 47 new chains' projects (including re-branding) for the next 24 months, for approximately 7,140 rooms.

Among the top destinations which can be easily imagined as target for future expansion, such as Rome (1,239 rooms), Venice (1,112 rooms), Milan (707 rooms), we find several Sicilian destinations, maybe a sign that domestic and international chains look at Sicily (over 800 rooms) as a safe spot for serving central and northern Europe demand targeting the Mediterranean Sea.

This amount is of course destined to grow and must be considered a «moving» figure.
Most of the pipeline is concentrated on the Upscale tier, with 18 properties and in the Luxury tier, with 13 properties.

The great news is represented by a consistent number of new projects in the Economy scale, most of them planned by international operators.

While other Leisure Destinations here appear very attractive[5], in general, Art & Business cities will convey much of new developments.

Given the tendency of international operators to plan in advance and to promote the visibility of their expansion plans, it is hard to believe that the share of new projects in pipeline is precisely the one here displayed: 20% domestic, 80% international.
In the light of the relevant potential for upgrade and re-launch of thermal resort in the country, the number of hotels under pipeline appears very limited.

[5] *It must be considered that Venice, for the scope of this Report, is listed under the "Other Leisure" destinations, because the driver moving the tourist masses to the city is not clearly and only arts, but rather a wider leisure experience, where water and the structure itself of the city play a key role.*

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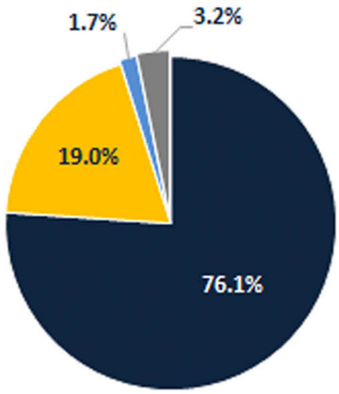
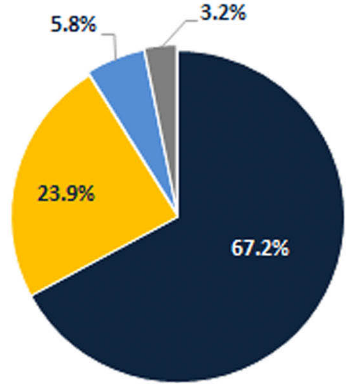
2017 OUTLOOK AND TRENDS

P&L Benchmark updates: revenue mix

Revenue mix for hotels under different size categories (Small < 70, Medium 71-130; Big > 131 rooms); based on a panel composed of 4.200 rooms (2,710 Upscale and 1,490 Luxury), averaging an ADR of Euros 156 and a TrevPAR of Euros 163; Horwath HTL 2016



SMALL SIZED HOTEL



MEDIUM SIZED HOTEL

BIG SIZED HOTEL

Revenue mix for Upscale and Luxury; based on a panel composed of 4.200 rooms (2,710 Upscale and 1,490 Luxury), averaging an ADR of Euros 156 and a TrevPAR of Euros 163; Horwath HTL 2016

Average Revenue Mix as % of Total Revenues	Room Dept.	FB Dept.	SPA Dept.	M.O.D
Upscale	74,4%	21,6%	1,1%	2,9%
Luxury	59,7%	30,7%	5,4%	4,2%

P&L Benchmark updates: revenue mix

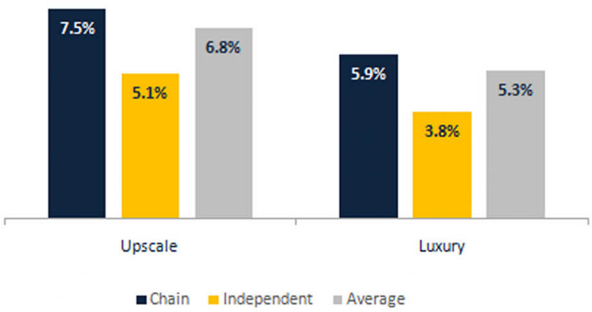
With this small insight into the revenue mix of hotels (independent and branded) we try to provide useful benchmarks for those planning new openings in Italy, based on a panel composed of 4.200 rooms (2,710 Upscale and 1,490 Luxury), averaging an ADR of Euros 156 and a TrevPAR of Euros 163.

As can be inferred from the presented table, Luxury hotels have much to say in terms of facilities and then can generate more relevant revenues in department other than room department, more than what Upscale properties do. In particular, while Upscale properties see their room revenues stand at an average 74%, this department is much lower in relative value in the Luxury tier, at 60%.

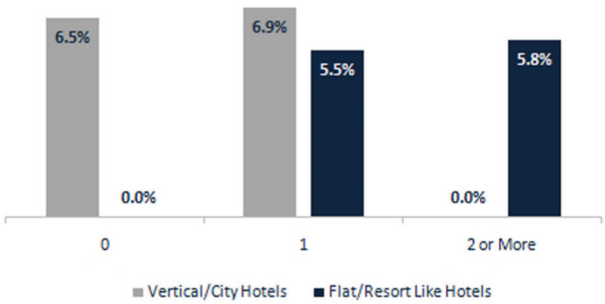
What is more evident as difference among these scales is the impact on total revenues of the F&B Dept. (since the SPA difference may be also attribuable to the specific product mix of the panel properties):
F&B in Upscale properties contribute relatively much less. This could be explained by low utilization rates, low cash generation compared to room pricing or, maybe, wrong department management resulting in both the previous hypothesis.
We tried the same room mix analysis based on the size of properties as reflected in the charts.

This time we found interesting patterns, though still predictable. First, the bigger the hotel the more various is the revenue mix. Second, it seems that F&B works well, as cash generator, when it comes to hotels that are bigger in size, those that can invest in F&B good practice management, where volumes can still generate profits.

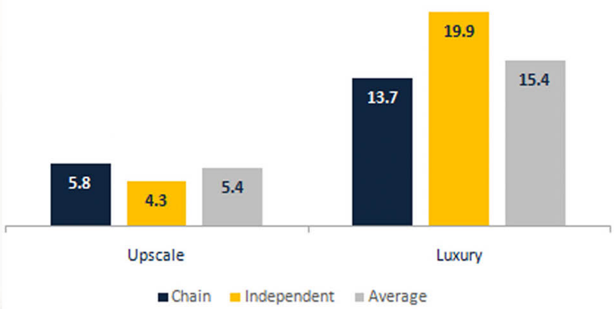
On the impact of utilities costs



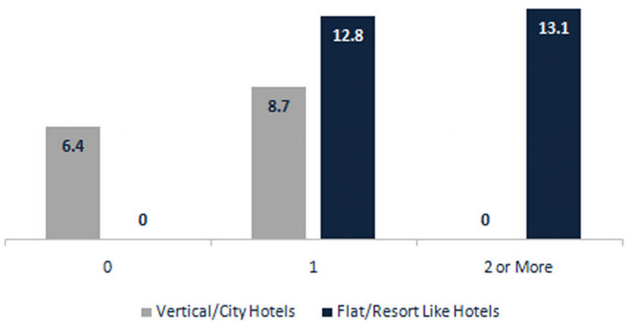
Average Utilities Cost by Scale As a % of Total Revenues



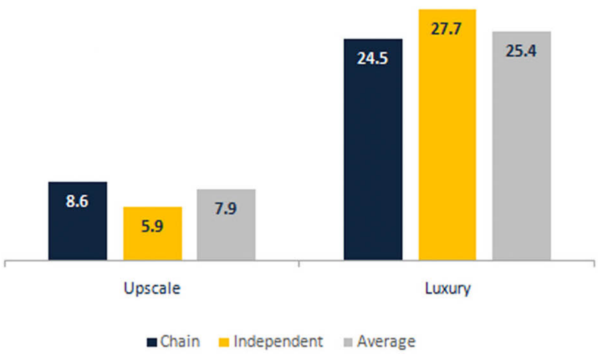
Average Utilities Cost by the Number of Pools As a % of Total Revenues



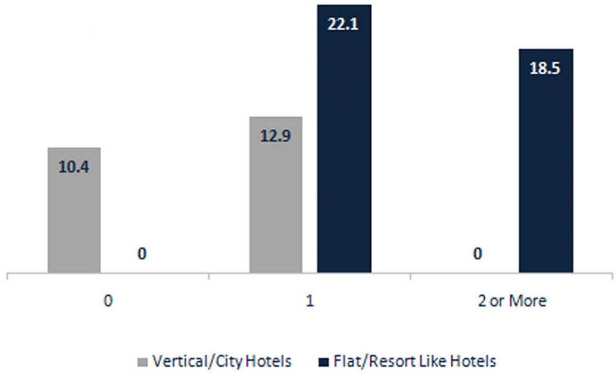
Average Utilities Cost (€) Per Available Room by Scale



Average Utilities Cost (€) by the Number of Pools Per Available Rooms



Average Utilities Cost (€) Per Occupied Room by Scale



Average Utilities Cost (€) by the Number of Pools Per Occupied Rooms

On the impact of utilities costs

In the last 5 years Italy has experienced a serious increase of utilities costs, notwithstanding the privatization process and the alleged new increased competition among providers at municipality level. This summed up with the increased taxation of real estate ownership.

That is why, among the several cost items of a hotel P&L, we have here proposed a focus on the impact of utilities costs on profitability, based on the analysis of a panel composed of 4.200 rooms (2,710 Upscale and 1,490 Luxury), averaging an ADR of Euros 156 and a TrevPAR of Euros 163.

The cost of utilities impacts total revenues for 6,8% on average in an Upscale property, and 5,3% in a Luxury property. There are minor differences among chain and independent hotels, but still evident, with independent hotels that appear more energy (water, energy and gas) savvy in our panel.

The PAR (Per Available Room) cost of utilities is much higher in the Luxury tier, very likely because of wider public areas, more facilities to manage, or maybe guests that “absorb” more of the energy of which they can dispose (?). It is also clearly an issue of OR, given our Luxury panel reports lower OR than the Upscale one. On average, the PAR cost of utilities stands at Euros 5.4 in the Upscale tier and Euros 15.4 in the Luxury tier. A huge difference that has to find a rationale in pricing of rooms, clearly.

When it comes to POR (Per Occupied Room) cost of utilities, the difference is even bigger. So that per each occupied room a Upscale hotel records around Euros 8 of utilities costs, while a Luxury hotel can record around 25 Euros. This figure may appear unrealistic, but it should be considered that having included full service top luxury resorts in the panel, most of them have a SPA which significantly absorbs energy (water and gas for heating at least).

That is why we also have presented how the cost of utilities changes with referece to the number of pools and the type of structure (Vertical/City Hotels vs Flat/Resort like Hotels).

Figures hihglight that, Vertical/City hotels in general accounts for higher utilities costs as percentage of their turnover, with or without a pool, while resorts account for higher utilities costs when they have more pools, but the difference is of limited extent, in the area of few cents per available room.

The PAR cost of Vertical hotels with no pool stands at 6.4 Euros, while it stands at Euros 8.7 when they have 1 pool. Resorts with 1 pool record PAR costs of utilities at Euros 12.8 and Euros 13.1 if they have 2 or more pools.

Figures indicate that, in general, Flat/Resorts like hotels are more expensive to manage in terms of utilities and that there is little difference in the cost of managing 1 only pool, 2 or more (meaning 2 or 3-4).

The impact of rent and about yields

Total value, year, location, Cap. Rate for a selection of transactions in Italy; Horwath HTL processing of RCA (Real Capital Analytics) data - Copy prohibited, all rights reserved

Date	Scale	Location	Keys	Portfolio Deal	Value (Euros)	Cap. Rate
Sep-16	4	Milan	100	1 of 3	25,493,203	5.7%
Apr-16	4	Florence	56	1 of 2	35,864,936	4.7%
Oct-14	5-4	Pula	788	1 of 1	180,000,000	7.6%
Feb-13	5	Florence	116	1 of 1	149,500,000	5.7%
Dec-10	4	Cerro Maggiore	160	1 of 1	41,600,000	9.0%
Jul-10	4	Genoa	134	1 of 1	15,000,000	7.0%
Jun-10	4	Sesto Fiorentino	180	1 of 2	15,299,934	8.0%
Jun-10	3	Sesto Fiorentino	220	1 of 2	18,699,919	8.0%

Type of investor, location, scale and yields for a selection of hotel investments in Italy; Horwath HTL 2016 processing of publicly available data (investment memorandum and other corporate reporting documents)

Investment Fund	Location	Scale	Year of reporting	Yield (gross)
Leader SIIQ	Turin	4	2015	5.5%
Leader Real Estate Fund	Padua	4	2015	4.4%
Leader Investment Fund	Pula (CA)	5 - 4	2014	5.7%
Institutional Investment Fund	Montesilvano (PE)	4	2014	5.5%
Institutional Investment Fund	Marina di Cutro (KR)	4	2014	5.6%
Institutional Investment Fund	Maracalagonis (CA)	4	2014	5.6%
Real estate fund managed by dom. SGR	Milan	4	2005	5.3%
Real estate fund managed by dom. SGR	Milan	3	2005	5.3%
Real estate fund managed by dom. SGR	Rome	5	2005	6.7%

The impact of rent and about yields

With the country recording increasing cases of "tandem deals", where investment funds (future lessor) team up with lease operators (future tenant) to start up new hospitality projects, it is common to be questioned about the correct expectations to have on the rent of a developing property.

Within such deals, that ask for precise financial feasibility, we can assume 3 parameters are definitely very important to control:

- The impact of the rent on total turnover, which according to the scale, to the location and to the revenue mix, can assume values between 15% and 23%;

- The profitability for the tenant, which assumes the operating and market risks, so that it deserves at least 40% of the EBITDA or more;

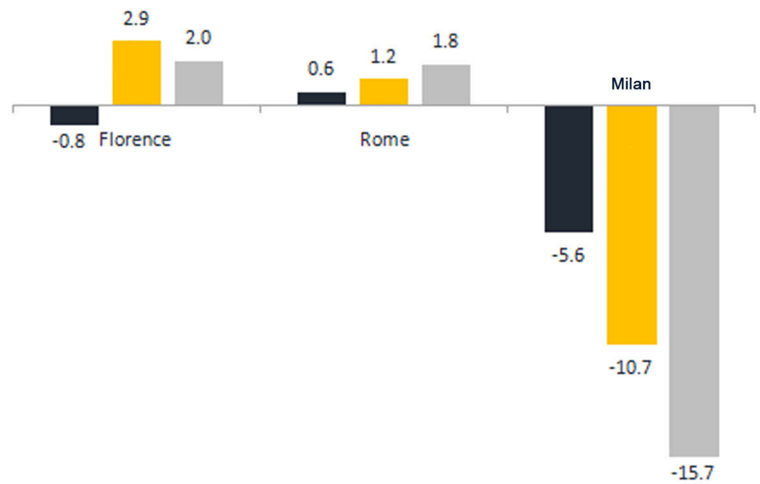
- The expectation of a certain market yield for the investor (lessor), built through its estimate of what it deserves, given overall and specific market risk, the experience and financial reliability of the tenant, its financial lever.

It turns to be, then, a complex matter, since this third parameter is not ever given as a precise market estimate and having benchmarks in such an illiquid market, as Italy is, seems difficult. In addition, it happens that often a certain confusion is made among the cap rate, used for determining the exit value of a property, and the expected yield.
For the sake of contributing to this subject with data and examples, we have reported a selection of cap rates from the Italian hotel transactions market , as derived from the RCA database, and a selection of yields, as result of analyses Horwath HTL has covered using Italian investment funds public reporting documents.

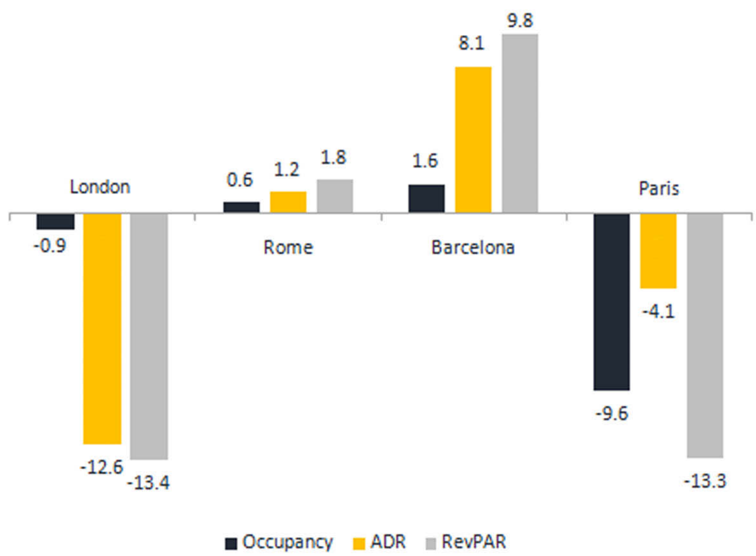
While today, London accounts for hotel yields in a range between 4.0% and 4.5%, and Paris is slightly higher, Rome and Milan, which we would consider as risky as the other capitals and not that volatile anymore, records higher yields. The Italian hotel investment market is less transparent and liquid if compared to Germany, Spain, UK, France. In addition, hotel development (greenfield or conversions) takes longer and, as a result of the quest for expansion of hotel chains in the country (with lease playing a major role), yield can be higher, even when considering a comparable market risk.

Rome and the Jubilee

Change (%) in key trading performance for a selection of Italian destinations, 2016 vs 2015; Horwath HTL processing of STR data



Change (%) in key trading performance for a selection of International destinations and Rome, 2016 vs 2015; Horwath HTL processing of STR data



Rome and the Jubilee

A promising year for the hotels in Rome was anticipated when 2016 Jubilee Year of Mercy was announced by Pope Francis on 13 March 2015. Over 25 million of pilgrims were expected to visit the city. The indicators of the previous Jubilee year 2000 was also supporting this expectation. Overnight stays in Rome increased 57.6% in 2000 compared to the previous year. However the performance of 2016 was not satisfying if compared to such impressive figures.

Positive impact on key trading performance of hotels is marginal according to STR data of 2016 in comparison with the previous year, based on more than 80 hotels:
+0.6% OR, +1.2% ADR, +1.8% RevPAR.

The other leading destinations, Florence and Milan have also been underperforming in 2016. While Milan's figures are dramatically declining after EXPO 2015, the decrease in occupancy rate in Florence is accompanied with a small increase in ADR.
On the other hand, as it is demonstrated on the graph, Rome's positive but humble performance can be considered brilliant in comparison with the other European top destinations, Paris and London. Only Barcelona among these four has an increase in RevPAR close to 10% which is mainly thanks to the tremendous boost of ADR.

It must be noted that, while in 2000 the additional volumes of pilgrims derived from the visit to the Vatican was absorbed by a well structured hotel system, playing the role of the lion, nowadays Rome hotel system (yet much large in terms of rooms than it was) competes with the huge amount of apartments, religious houses (casa per ferie), b&b and other alternative forms of supply, thus more tourism does not immediately mean a corresponding increase in hotels occupancy rates.

In addition, the fear of terrorist attacks might have reduced the appeal of the city especially in the months after the tragedies reported in Paris, namely November and December.

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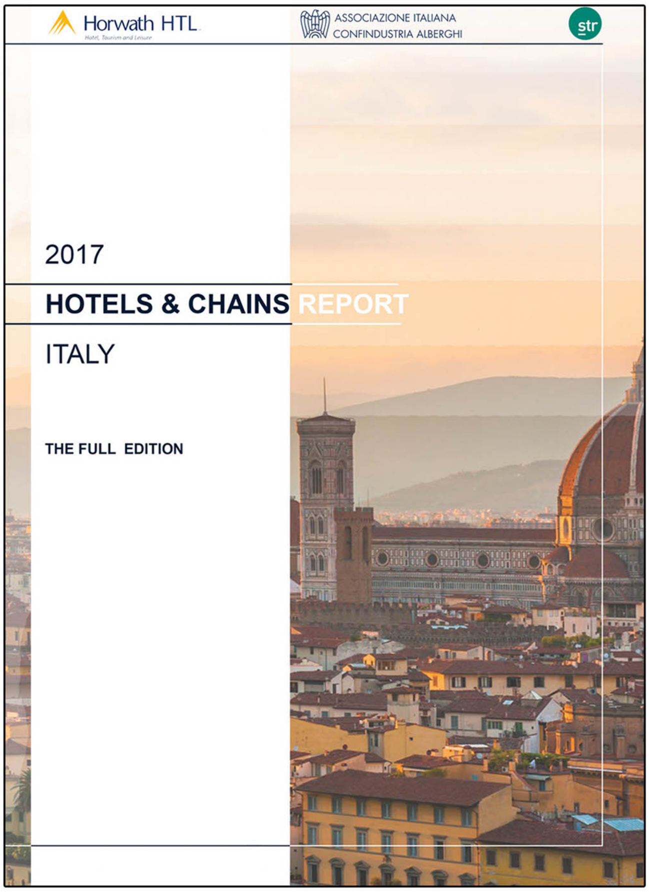

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Methodology

All data on Italian competitiveness and comparison with other EU states are based on Eurostat data as of December 10th, 2016.

This report contains evidences from the Horwath HTL census of operating chain hotels in Italy in the year 2016, as of December 5th, 2016.

All trading performance data referring to 2016 are full 2016 year (total) and have been provided by STR Global. Web Reputation data have been provided by TrustYOU.

For the purpose of the hotel chains census:

- "Chains" and "brands" are assumed as equivalent nouns. Chains groups are corporation owning several brands.
- A chain is any organization operating 5 or more hotels in the world (of which, at least 1 is in Italy), by owning, managing, leasing or franchising properties.
- Light brands and the so called "volontary affiliation networks" are not considered into the count.
- International chains are those with headquarter outside Italy; domestic chains are those with headquarter in Italy, including those that also have operations abroad.
  Investigation is based on volontary cooperation pf participating hotel chains and desk research covering several sources such as official websites, international and domestic chains directories, previous studies.
- As for the census, scales are based on the official classification of the hotels (Italian stars system) and do not represent the target positioning of the brand itself.
- As for the trading performance (OR, ADR and RevPAR) scales are based on a STR own classification.
- Double counting of hotels managed by second tier operators and franchised by a chain has been avoided. Therefore, aggregated data is net of double-counting.
- When the case, figures including double counting of properties are reported as "IDC"
- For the scope of this report, Pipeline hotels are counted separately and do not sum up into the census. Pipeline and re-branded hotels are counted together. Pipeline do not include the count of independent hotels.
- "Rooms" is used as equivalent to "keys", even in the case of suites and apartments.
- All charts showing international and domestic chains may not sum up to overall because of second tier operated hotels.
- All projections have been elaborated by Horwath HTL.
- Because of some chains that, due to their recent growth in size, have been included in 2016 census, with a certain, limited, impact on the previous years, we have partially reviewed the census figures for 2013 and 2014. Therefore we reported "2015rev." data to indicate that there might be some differences with previous Hotel Chains Reports.
  For any enquire on the census methodology please contact the author, Giorgio Ribaudo at gribaudo@horwathhtl.com

Stars to Scale conversion

The 2016 Census uses the following "Stars"-to-"Scale" conversion:

- 1 Star = Absent
- 2 Stars = Economy
- 3 Stars = Midscale
- 3S Stars = Midscale
- 4 Stars = Upscale
- 4S Stars = Upscale
- 5 Stars = Upper Upscale & Lux
- 5L Stars = Upper Upscale & Lux

About the Authors

Crowe Horwath International, founded in New York in 1915, is an international network with 558 independent offices offering managerial consultancy services in more than 102 countries around the world and with more than 26,000 partners and professionals. Crowe Horwath International member firms are known as leading consulting firms in the area of Hospitality, Auditing, Assurance, Services, Corporate Finance, Risk Consulting, Tax and Technology.
In its field, Horwath HTL (Hotel, Tourism and Leisure) has been recognized as the pre-eminent consulting specialist in the hotel, tourism and leisure industries by providing unequalled experience and expertise for client projects around the world through a combination of detailed local knowledge and international understanding. It is involved with projects in all phases of the property lifecycle and supports national and international clients: developers, lenders, investors, industrial corporations, public administrative offices and institutions.

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Associazione Italiana Confindustria Alberghi originated from the merger of the two industry-representing players at Confindustria: the independent hotels and the hotel companies.
Associazione Italiana Confindustria Alberghi is present throughout the country, with more than 2,500 tourist accommodation facilities totalling 175,000 rooms, 70,000 employees and more than 5 billion Euros in revenues. It is therefore a reference player of the tourism economy in Italy and has an entrepreneurial vision whose main features are commitment, planning skills, and attention to market change and rationale.
Associazione Italiana Confindustria Alberghi is a member of Confindustria and of Federturismo and, as such, it integrates with the other players of the Italian economy and tourism industry.
At an international level Associazione Italiana Confindustria Alberghi looks to new phenomena and dynamics that drive investments and tourist flows. Its aim is to provide companies with the tools to address today's crisis while looking at the future of an industry that all indicators see as growing strongly in the years to come, worldwide.

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