

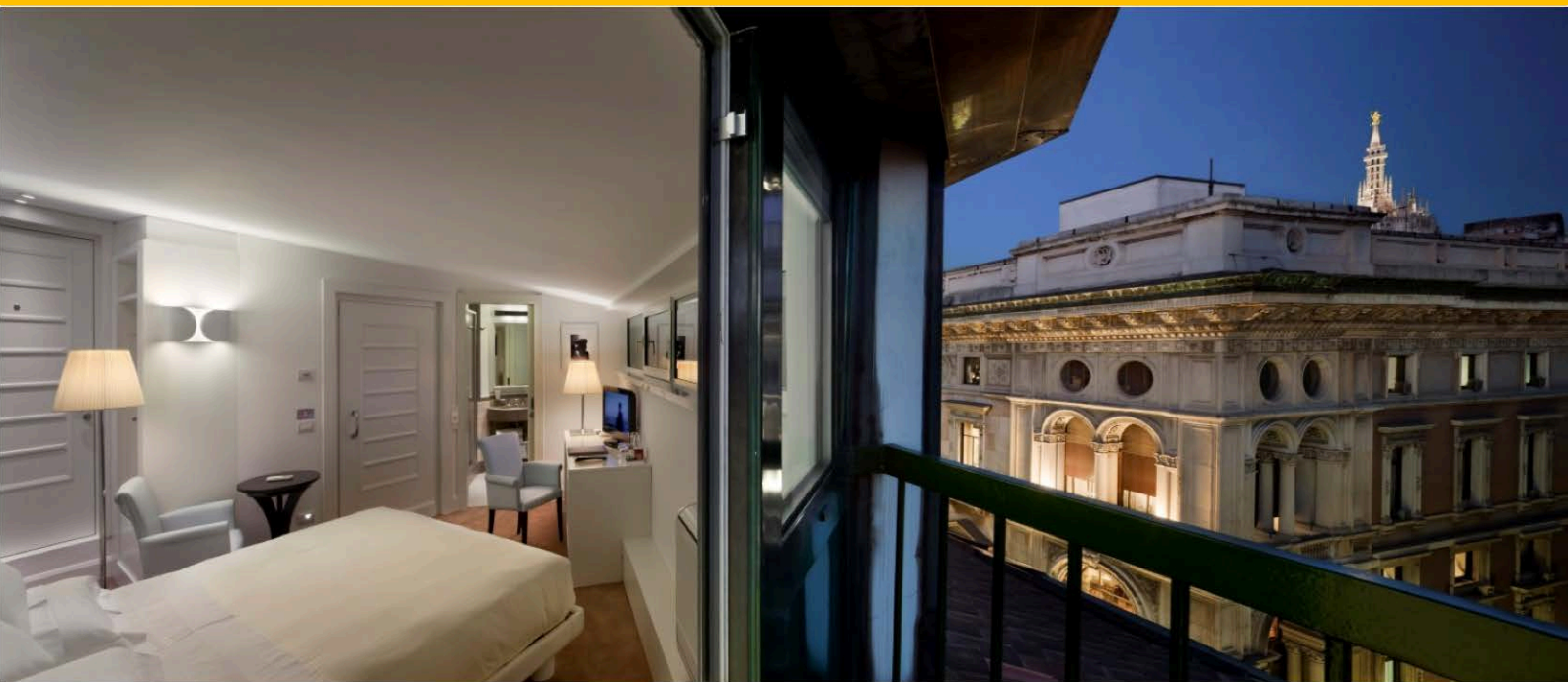


Horwath HTL™

Hotel, Tourism and Leisure

Hotel Chains in Italy

2015 Report



UNA Maison Milano – Under kind concession of UNA Hotels & Resorts (2014)
Cover: a view of Rimini city center – Under concession of Municipality of Rimini

Foreword

Despite a non-ideal business environment, **Italy continued to attract chains' interest in 2014**, thanks to its stable fundamentals and an increasing demand from international markets.

The hospitality landscape has changed since last year: a drop of more than -5% in Budget & Economy scale properties, paralleled by an increase of over+4% in the Luxury scale.

In 2014 new international luxury brands jumped into the Italian market, in destinations such as Venice, Milan, Rome, Umbria and the Alps, with several prestigious projects also set to open in 2015 (see our "Pipelines and Re-branding" chapter). Overall, 95 new properties entered the census this year.

The 2015 Report provides Chains and Operators with a full picture of a complex and changing competitive environment, which still offers unexplored opportunities for business.

We look forward to receiving your opinions and comments to keep on improving the census.

Giorgio Ribaldo, Author
Zoran Bacic, Managing Partner – Italy

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“High quality business intelligence, a crucial tool in monitoring markets and competition”

Alan Mantin

Senior Development Director Southern Europe and North Africa - *Hilton Worldwide*



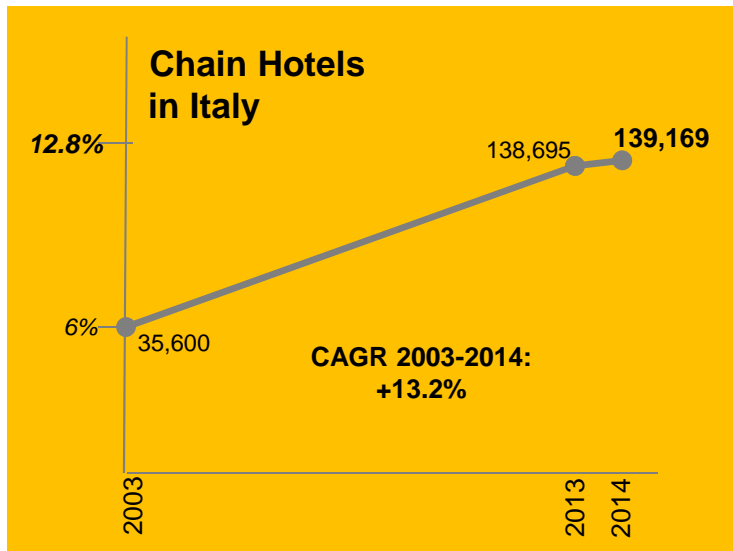
“A clear and updated picture for such a complex but still promising Country as Italy is today”

Vittorio Scarpello

Manager Franchise Development, Italy - *Choice Hotels Europe*

Key Highlights

1. THE GROWTH OF CHAIN HOTELS IN ITALY, BY ROOMS SUPPLY (2003-2014)³



Based on **167** brands and second tier operators, Italy reported nearly **139,200** chain rooms in **1,238** chain hotels in 2014.

This is a small increase in rooms compared to 2013¹, but a significant boost in the number of players, which were 146 last year. The country conveyed interest from new operators entering Italy, from central Asia and the Middle East.

Meanwhile, brands that were already in the count last year maintained their presence, with a few reporting a significant growth in the number of properties.

International chains recorded a presence of **509** hotels and almost **63,400** rooms, while domestic chains recorded **676** properties and over **70,200** rooms².

This stock of rooms explains an overall chain penetration of **12.8%**, slightly higher than 2013.

International and domestic chains are concentrated mostly in the **Luxury and Upscale segments**, where they account for about **29%** and **15%** of the Italian stock of hotels, respectively.

Nearly 3 out of 4 chain rooms are in the Upscale tier.

A look to destinations provides an almost unchanged picture compared to 2013: chains continued to focus on big Arts & Business cities such as Milan, Rome, Florence, Venice and Bologna.

Among these, Rome recorded the highest growth in chains supply, due to several re-branding and a couple of new projects in the upscale segment.

The top 10 brands' ranking slightly changed, with the brands B&B strongly increasing from 14 to 18 flags, and Blu Hotels from 25 to 28.

The chain groups' ranking is led by Best Western (178 hotels), with Accor (69), NH (50) and IHG (34) following.

Domestic groups UNA (30), ITI (28), ATA (21) and Starhotels (20) recorded minor changes, while Blu Hotels (28) and Apogia (24) have grown.

As of Nov. 5th 2014, Pipelines and re-branding record over 20 new projects to open between 2015 and 1st Q. 2016.

Major indicators for 2014 census	2014 vs 2013
No. of Chain Hotels	➔
No. of Chain Rooms	⬆
No. of Brands and Operators	⬆
No. of Destinations	⬆
Top 10 Brands Ranking	Changed
Top 10 Destinations Ranking	Changed
Highest increase Destination (by rooms)	Rome
Highest decrease Destination (by rooms)	Genoa
Highest increase in Int.l Brand (by rooms)	B&B Hotels
Highest increase in Dom. Brand (by rooms)	JSH

1. 2014 Report data have been slightly reviewed after data consolidation in June 2014. Previous estimation was 1,235 hotels.

2. Here total values are net of domestic second tier operators which operated international brands hotels.

3. Source: for 2003, Mintel "European Hotel Chains Expansion", T&T Analyst No. 8 – 2004; 2013-2014 data by Horwath HTL Chains Census Database.

Chains Ranking

Top 20 hotel chains and groups in 2014

The scenario of the top 20 brands in Italy slightly changed in 2014, with significant changes in size (rooms) occurring only for limited number of brands.

As of November 5th 2014, Best Western (brand) accounted for the highest number of hotels (162, not including "Premier" and "Plus"), followed by NH Hotels (43), BLU Hotels (28), Mercure (26) and UNA H.&R.(25).

The 5 biggest chain groups (by hotels) in Italy in year 2014 are Best Western, Accor, NH, IHG and the domestic group UNA.

Only Best Western, IHG, Blu Hotels, Apogia, Ata, B&B and JSH recorded a net growth in units in 2014.

2. RANKING OF TOP 20 BRANDS¹ BY HOTELS IN 2014 AND 2013²

Top 20 Brands by hotels	HOTELS		ROOMS	
	2014	2013	2014	2013
BEST WESTERN	162	162	11,636	11,668
NH HOTELS	43	43	6,942	6,934
BLU HOTELS	28	25	3,281	2,911
MERCURE	26	25	2,798	2,678
UNA HOTELS & RESORTS	25	25	2,270	2,280
APOGIA	24	21	1,520	1,373
ATAHOTELS	21	20	5,670	5,514
CHINCHERINI	20	20	1,730	1,860
STARHOTELS	20	20	3,403	3,403
B&B	18	14	1,663	1,248
SUNFLOWERS	17	17	1,047	1,047
LEONARDI	17	17	988	988
JSH	17	15	1,979	1,774
HOLIDAY INN	16	16	2,493	2,493
RIMINI RESIDENCE	15	13	467	423
GETURHOTELS	15	15	2,148	2,148
ITI HOTELS-MARINA H&R	15	15	1,777	1,777
PARC HOTELS	14	14	2,004	2,004
VALTUR	13	7	3,510	1,920
NOVOTEL	13	14	2,200	2,405

3. RANKING OF TOP 20 CHAIN GROUPS BY HOTELS IN 2014 AND 2013

Top 20 Chain Groups by hotels	HOTELS		ROOMS	
	2014	2013	2014	2013
BEST WESTERN	178	176	13,105	12,979
ACCOR	69	71	9,008	9,423
NH HOTEL GROUP	50	50	8,089	8,081
IHG	34	33	5,306	5,163
UNA H. & R.	30	31	2,881	3,031
BLU HOTELS	28	25	3,281	2,911
ITI HOTELS	28	28	3,384	3,384
APOGIA H. GROUP	24	21	1,520	1,373
STARWOOD	23	26	5,248	5,879
OROVACANZE	23	27	4,379	4,768
ATAHOTELS	21	20	5,670	5,514
MARRIOTT	21	22	3,515	3,627
STARHOTELS	20	20	3,403	3,403
IDEA HOTELS	20	22	2,245	2,485
CHINCHERINI H. GROUP	20	20	1,730	1,860
HILTON WORLDWIDE	19	19	4,241	4,241
CHOICE HOTELS	19	20	1,468	1,541
B&B	18	14	1,663	1,248
JSH	17	15	1,979	1,774
LEONARDI	17	17	988	988

1. Best Western, ITI Hotels, IDEA Hotels and UNA Hotels respective several brands reported as separated brands. This apply for all Chain Groups.

2. Valtur subject to re-branding and consolidation in 2014.

International Brands figures

4. TOP 10 INTERNATIONAL BRANDS IN BUDGET & ECONOMY AND MIDSCALE

Economy and Midscale	Total Keys	
	2014	2013
BEST WESTERN	2,421	2,449
IBIS	1,713	1,593
B&B	1,663	1,248
CLUB MED	1,282	1,282
IBIS STYLES	587	587
MERCURE	397	397
HOLIDAY INN	345	345
HOLIDAY INN EXPRESS	344	344
TULIP	325	325
MOXY	162	-

5. TOP 10 INTERNATIONAL BRANDS IN UPSCALE

Upscale	Total Keys	
	2014	2013
BEST WESTERN	9,135	9,139
NH HOTELS	6,942	6,935
MERCURE	2,401	2,266
SHERATON	2,393	3,349
NOVOTEL	2,200	2,405
HOLIDAY INN	2,075	2,075
HILTON H. & R.	1,836	1,836
CROWNE PLAZA	1,476	1,626
HILTON GARDEN INN	1,195	1,195
AC HOTELS MARRIOTT	1,147	1,147

6. TOP 10 INTERNATIONAL BRANDS IN UPPER UPSCALE & LUXURY

Upper-Upscale & Luxury	Total Keys	
	2014	2013
WESTIN	912	912
LUXURY COLLECTION	585	585
AUTOGRAPH MARRIOTT	464	551
ST REGIS	461	261
ROCCO FORTE	427	427
DORCHESTER COLLECTION	422	422
BELMOND (ORIENT EX.)	406	406
MELIA'	406	406
HILTON H. & R.	379	503
WALDORF ASTORIA	370	370

72 international brands operated in Italy in 2014

There were 61 international brands in 2013; none left Italy during this year.

Among the international brands that entered the census in 2014, we find:

- Nira (Upper Upscale & Lux.)
- Indigo (Upper Upscale & Lux.)
- Moxy (Budget & Economy)
- Generator (Budget & Economy)

Some brands are listed in more than one ranking as they operate or franchise hotels which are under different star rating levels (e.g. Holiday Inn, Mercure, Best Western, etc.).

In particular, in 2014, international brands:

- covered **161 localities** (including cities, small towns and villages)
- operated (or franchise) **on average nearly 6 properties each**, if we exclude (to get a less biased picture) Best Western brands.
- **concentrated mostly on the Upscale, Upper-upscale and Luxury tier** and on major arts & business cities.

Domestic Brands and Second Tier Operators figures

7. TOP 10 DOMESTIC BRANDS AND OPERATORS IN ECONOMY AND MIDSCALE

Economy and Midscale	Total Keys	
	2014	2013
VALTUR	1,943	927
AEROVIAGGI	1,026	1,026
CHINCHERINI H. GROUP	878	1,182
APOGIA HOTELS GROUP	752	591
AZZURRO CLUB	592	569
AURUM	508	508
OROVACANZE	439	1,644
GETURHOTELS	419	1,330
VIVA HOTELS	392	392
PARC HOTELS	378	378

8. TOP 10 DOMESTIC BRANDS AND OPERATORS IN UPSCALE

Upscale	Total Keys	
	2014	2013
ATAHOTELS	5,390	5,302
STARHOTELS	3,403	3,403
BLUSERENA	3,130	3,130
BLU HOTELS	2,550	2,355
UNA HOTELS & RESORTS	2,205	2,215
VOI HOTELS (Alpitour)	2,093	1,307
AEROVIAGGI	1,654	1,654
PARC HOTELS	1,626	1,626
VALTUR	1,567	993
JSH	1,533	1,231

9. TOP 10 DOMESTIC BRANDS AND OPERATORS IN UPPER UPSCALE AND LUXURY

Upper-Upscale & Luxury	Total Keys	
	2014	2013
ITI HOTELS - COL. LUX.	828	828
SELECT	616	616
BOSCOLO	560	762
GB THERMAE HOTELS	542	542
DELPHINA	539	539
BLU HOTELS	438	263
MONRIF	431	431
SINA	418	418
BAGLIONI	398	398
B4 BOSCOLO	353	889

89 domestic brands¹ operated in Italy in 2014

Domestic hotel brands and operators in 2014:

- covered **284 localities** (including cities, small towns and villages), 25 more destinations than 2013.
- operated (or franchised) **on average nearly 9 properties each**.
- concentrated mostly on the Midscale and Upscale** segments and on arts & business cities but also show a relevant presence in S&B resorts, especially in Southern Italy and the Islands.

Unlike international brands, **a relevant number of domestic operators run aparthotels**, mostly in S&B or Ski destinations.

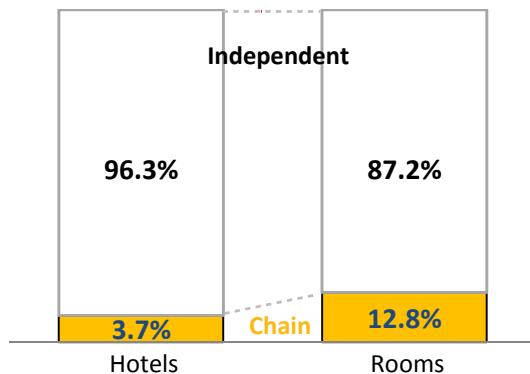
Very few (6) domestic chains have an international presence.

Second tier operators in the country are all domestic, with only one exception; they operate international brand franchised hotels, except for 3 domestic brand franchised hotels.

1. Including second tier operators

Chain Hotels by number

10. CHAINS PENETRATION IN ITALY IN 2014



Chains penetration in 2014

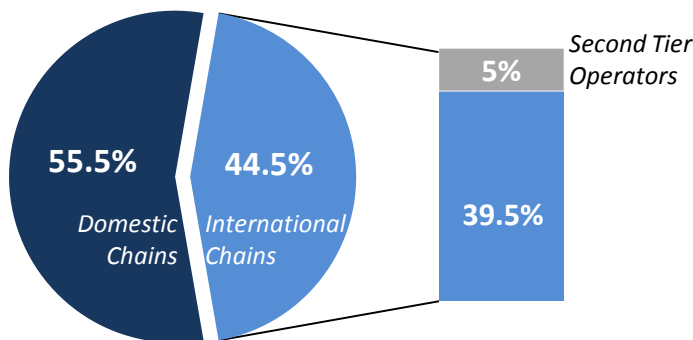
In 2014, Italy numbered 1,238 chain hotels, with a total of 139,169 hotel rooms.

This demonstrates a **chain penetration of overall Italian supply of 3.8% in terms of properties and 12.8% in terms of rooms.**

The census counted 167 hotel brands/operators, belonging to 120 international and domestic chain groups.

53 hotels are managed by second tier operators together with franchising brands.

11. DISTRIBUTION OF DOMESTIC VS INTERNATIONAL CHAINS ROOMS



International vs domestic branding and management

International operators cover about 44.5% of all chain rooms, with 62,000 rooms (-1,427 on 2013) in 509 properties. Their presence in 2014 slightly dropped compared to 2013, mostly due to the expiration of contracts for some big leased resorts in conjunction with few new small-sized franchised city hotels.

Of this international stock, around 7,000 franchised rooms are managed by second tier operators.

The majority of chain room inventory, nearly 55.5%, is managed and branded by domestic operators, accounting for over 77,000 rooms.

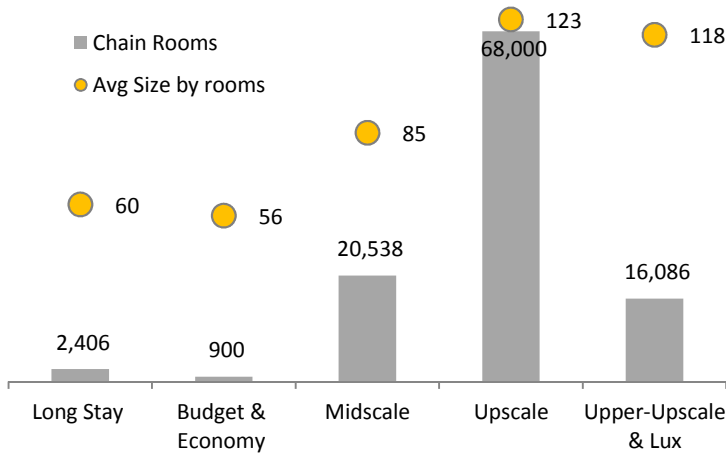
12. CHAIN HOTELS AND ROOMS BY NATIONALITY OF OPERATOR

	Year 2013		Year 2014	
Hotels	1,226		1,238	
Rooms	138,695		139,169	
	<i>Int.l</i>	<i>Dom.</i>	<i>Int.l</i>	<i>Dom.</i>
Hotels	510	716	509	729
Rooms	63,369	75,326	61,942	77,227
	<i>Of which Second Tier</i>		<i>Of which Second Tier</i>	
Hotels	57		53	
Rooms	6,270		7,007	

The chains presence net increase recorded by the census for 2014 is characterized by 474 rooms and 12 properties.

Chain Hotels by size

13. CHAIN ROOMS BY SCALE AND AVG. SIZE (net of Second Tier operated Hotels)



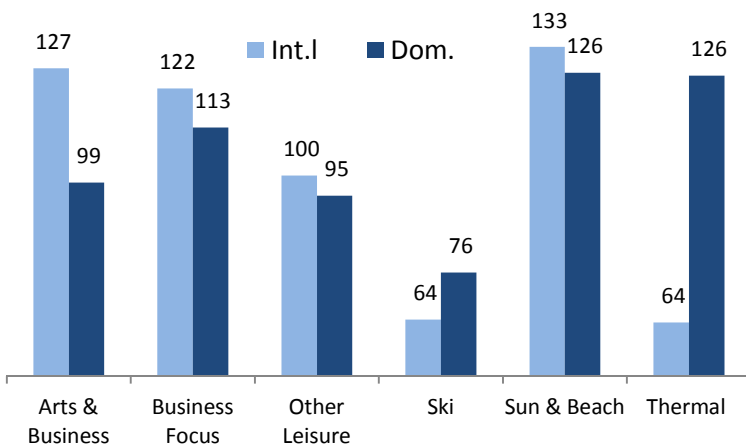
International chains city hotels are most often bigger than domestic

International chains city hotels are most often bigger than domestic, especially in Arts & Business cities. On the contrary, S&B domestic resorts are comparable or even bigger: these properties appear to be most often seasonal and managed through a lease agreement, by domestic operators.

The Upscale segment accounts the biggest size, with an average of 123 keys per property.

Compared to 2013, the Midscale segment recorded an increase of international brands presence and 2014 saw the average size of the properties grow.

14. AVG. SIZE OF CHAIN PER TYPE OF DESTINATION

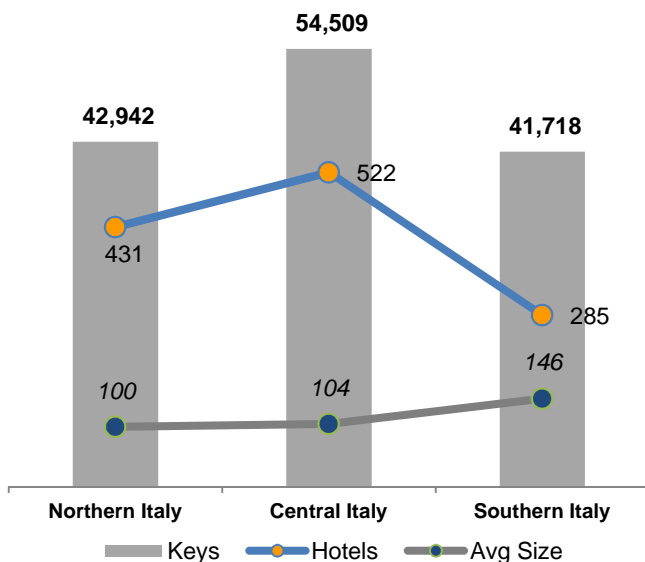


Average size is higher in Southern Italy

Southern regions account for the biggest properties, due to a significant presence of chains in S&B resort: these resorts are much bigger than mountain or countryside properties and average city hotels in Central and Northern Italy.

This may indicate that chains are less interested (or less able) to expand in Southern Italy cities, which of course, currently, attract a predominant leisure demand.

15. CHAINS HOTELS, ROOMS AND AVERAGE SIZE BY COUNTRY AREAS



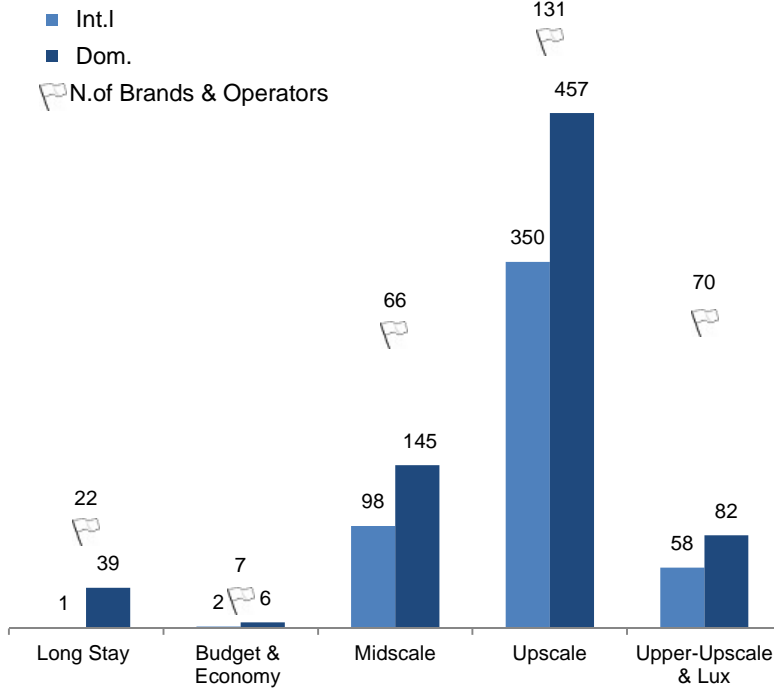
Stars to Scale conversion

The 2014 Census uses the following "Stars"-to-"Scale" conversion:

- Residence = Long Stay
- 1 Star = Budget & Economy
- 2 Stars = Budget & Economy
- 3 Stars = Midscale
- 3S Stars = Midscale
- 4 Stars = Upscale
- 4S Stars = Upper Upscale & Lux
- 5 Stars = Upper Upscale & Lux
- 5L Stars = Upper Upscale & Lux

Chain Hotels by scale

16. CHAIN HOTELS BY SCALE



Long stay yet unexplored by international brands

Nearly 2 out of 3 of all chain properties are classified as 4 stars (upscale) in 2014. Italian brands and operators are predominant in all scales, especially in the long stay segment, where international brands are almost absent.

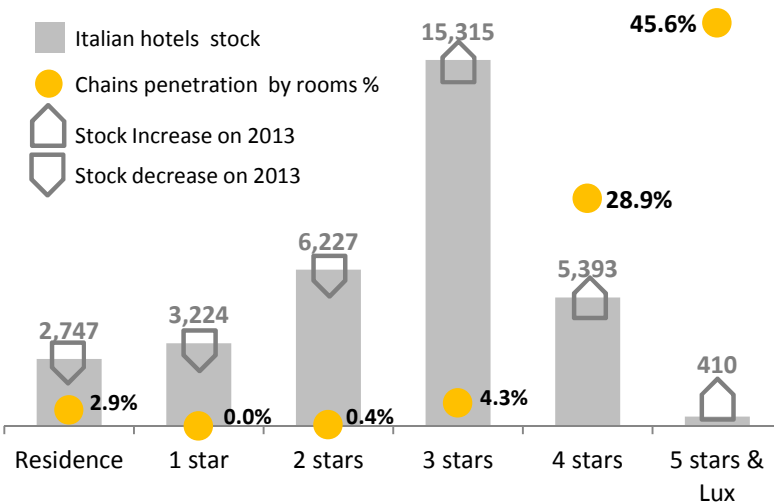
A wide range of brands covers the Upper Upscale & Lux segments, which appear even wider if compared to the number of units.

Nearly 1 out of 2 Luxury room is branded

2014 saw the strong growth of supply in the Upper Upscale & Lux segments with an additional 525 international brands (+7% on 2013 presence). Today nearly 1 out of 2 rooms in the 5 star segment is branded, while also in the 4-star-rated properties chains penetration is very high (29%).

Several international brands in the Budget & Economy scales are, more and more, focusing on Italy, although they select 3-star-rated hotels when converting independent properties in the country, very likely because of higher standard requirements.

17. ITALIAN HOTEL PORTFOLIO DISTRIBUTION AND CHAINS PENETRATION (ROOMS), BY SCALE¹

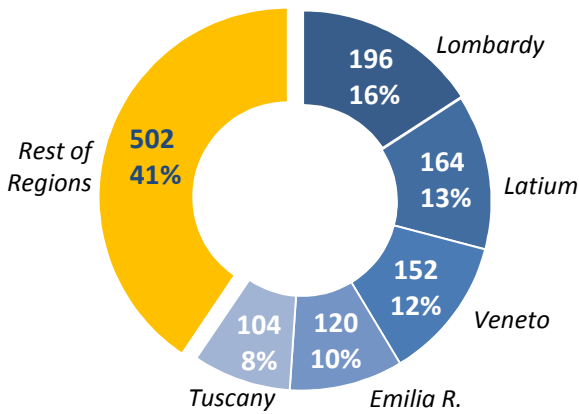


Chains penetration in the Luxury segment continues to grow

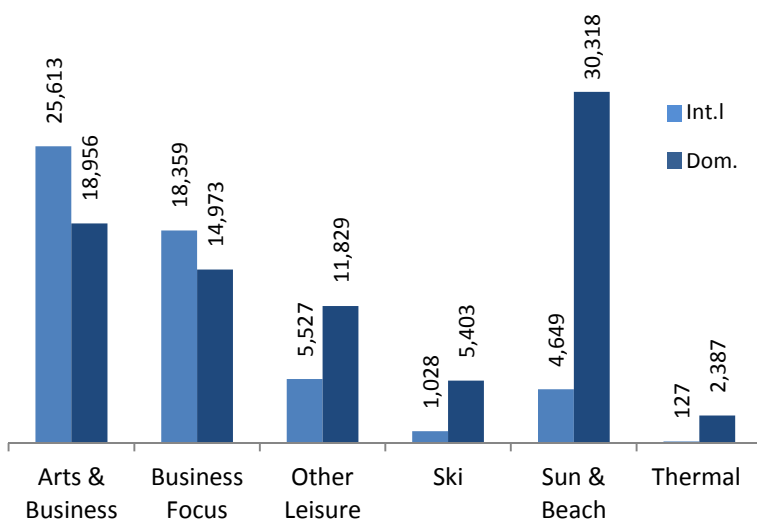
¹Data on supply by scale refers to last available release from ISTAT, National Board of Statistics, 2013.

Chain Hotels by location

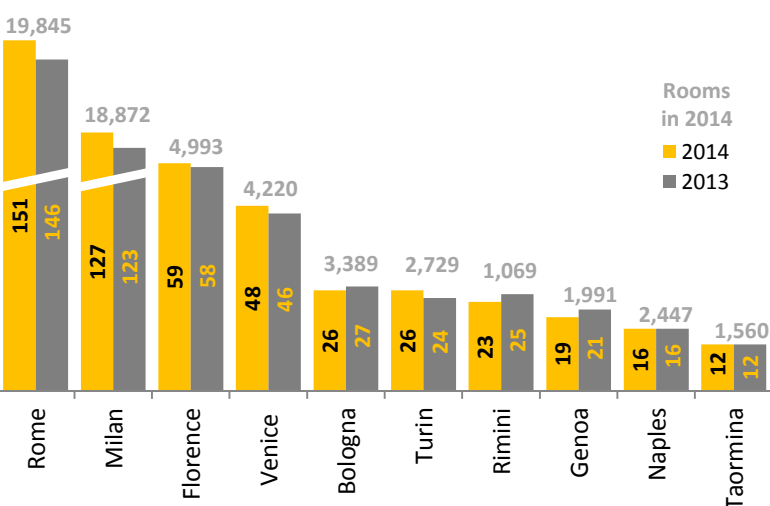
18. DISTRIBUTION OF CHAIN HOTELS BY REGIONS



19. DISTRIBUTION OF CHAIN ROOMS BY TYPE OF DESTINATION



20. TOP 10 DESTINATIONS FOR CHAIN HOTELS IN 2014 AND 2013



Where chains concentrate in the Country

In 2014 Rome and Milan still remain prime targets for both international and domestic chains. In general, these locations that can explain a stable business demand, besides leisure flows, are the most sought-after.

5 regions in northern and central Italy show a concentration of nearly 60% of overall chain presence.

Big and medium Arts & Business cities are the preferred location in terms of properties, although the size of S&B resorts makes these kind of locations more relevant in terms of rooms offering.

Besides Arts & Business locations, a very small presence is recorded in ski (7%) and thermal (2%) areas.

Other leisure destinations (small art towns, golf and countryside retreats, etc.) have increased their relative importance up to 14%, also thanks to some new luxury international brands entering into these destinations.

More evidently than in 2013, resorts on the coasts are managed predominantly by the domestic operators, through lease contracts.

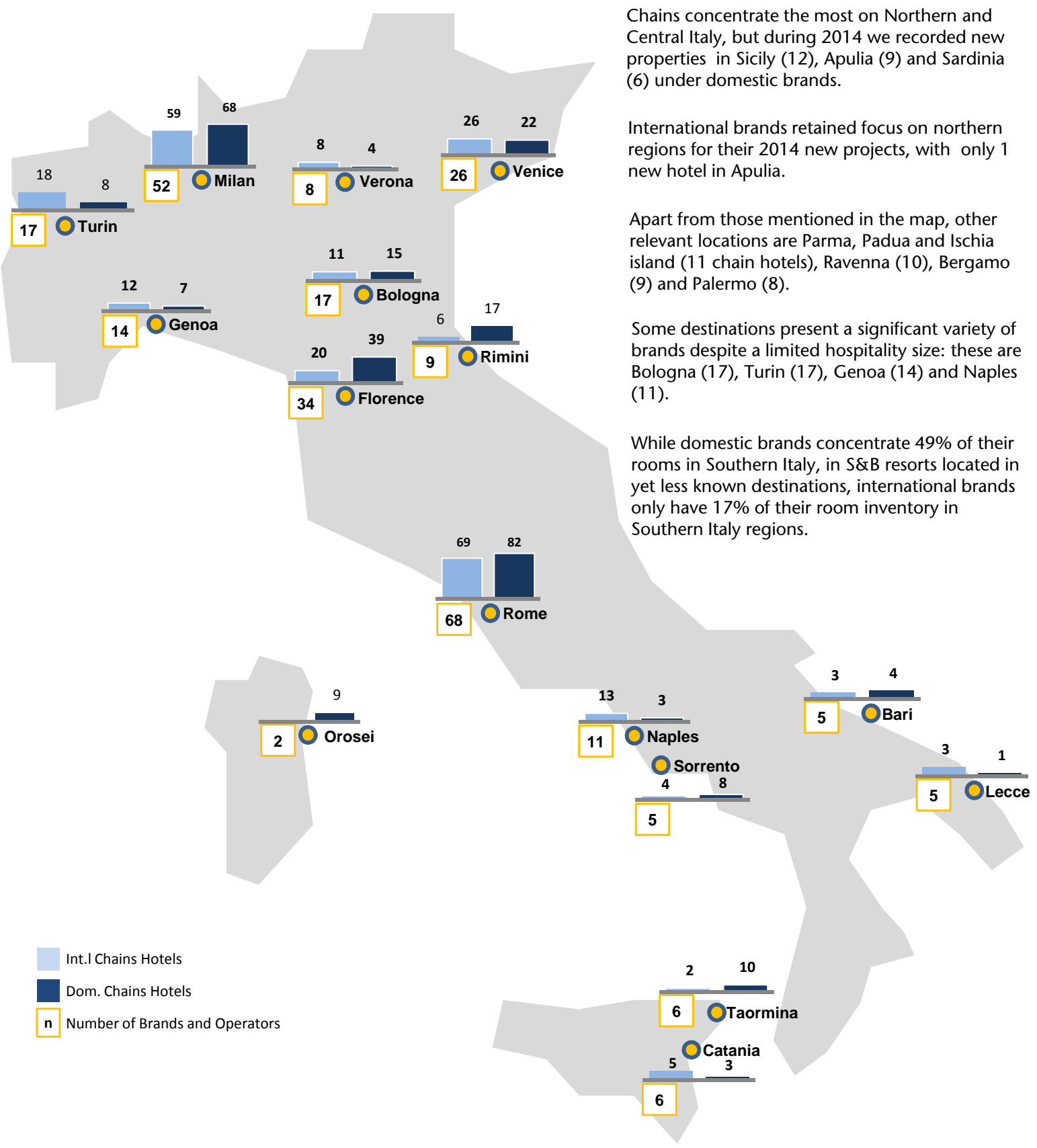
Top 10 destinations in 2014

The top 10 destinations ranking for chain hotels presence remain almost unchanged during the 2014, where only Taormina overtakes Sorrento, with 12 properties.

Indeed, Taormina and the close-by Giardini Naxos together (17 hotels and 2,067 rooms) lure a growing interest from international chains, as does, generally, the oriental Sicilian coast, with major pipeline projects in 2015 and 2016.

Within the top 10 destinations on 2014, chains have reduced their brand presence in Bologna, Rimini and Genoa.

Chain Hotels by location



Northern vs Southern destinations in 2014

Chains concentrate the most on Northern and Central Italy, but during 2014 we recorded new properties in Sicily (12), Apulia (9) and Sardinia (6) under domestic brands.

International brands retained focus on northern regions for their 2014 new projects, with only 1 new hotel in Apulia.

Apart from those mentioned in the map, other relevant locations are Parma, Padua and Ischia island (11 chain hotels), Ravenna (10), Bergamo (9) and Palermo (8).

Some destinations present a significant variety of brands despite a limited hospitality size: these are Bologna (17), Turin (17), Genoa (14) and Naples (11).

While domestic brands concentrate 49% of their rooms in Southern Italy, in S&B resorts located in yet less known destinations, international brands only have 17% of their room inventory in Southern Italy regions.

Chains growth in 2014

Most of chain growth occurred in the Upper Upscale and Luxury supply

A modest growth for domestic chains

International chains overall presence recorded a minor drop in the Country. Milan is the city which reported the highest momentum with around net 300 new chain keys and several new brands entering the market, even in the Budget & Economy scale (Moxy).

We recorded a net drop of -1,427 keys for international brands while domestic brands and operators overall increased their coverage with 1,901 additional keys.

For what we can record, second tier operators management activity decreased by the number of hotels, accounting for at least 53 properties in 2014. On the contrary, a couple of domestic brands gained momentum, demonstrating the greatest increase in the census.

Most of the net growth was recorded in the Upper Upscale and Luxury supply, where both international and domestic brands increased their presence, and in the unpredictable long stay segment, thanks to a renewed interest towards mixed projects with aparthotel, in some secondary business cities.

Albeit modest in size, an increase was also registered in the Budget & Economy segment which is, today, infrequently covered by chains (Ibis and Ibis Style are mostly associated to 3 star properties, as does Moxy).

21. CENSUS MAJOR CHANGES OCCURRED IN 2014, PER SCALE, BY HOTELS AND ROOMS

	2013			2014			Change (YoY)	
	Int.l	Dom.	of which 2°Tier Op.d	Int.l	Dom.	of which 2°Tier Op.d	Int.l	Dom.
Overall HOTELS	510	659	57	509	729	53	-1	17
Long Stay	1	31	0	1	39	0	0	8
Budget & Economy	1	4	0	2	6	0	1	2
Midscale	94	140	11	98	145	11	4	-6
Upscale	358	414	35	350	457	35	-8	8
Upper-Upscale & Lux	56	70	11	58	82	7	2	5
Overall ROOMS	63,369	75,326	7,305	61,942	77,227	7,007	-1,427	1,901
Long Stay	99	1,935	0	99	2,307	0	0	372
Budget & Economy	86	310	0	115	335	0	29	25
Midscale	9,114	11,655	1,213	9,663	10,875	1,213	549	-780
Upscale	46,646	53,328	4,771	44,116	55,573	4,825	-2,530	2,245
Upper-Upscale & Lux	7,424	8,098	1,321	7,949	8,137	969	525	39

2015: Pipelines and Re-branding

22. PIPELINE AND RE-BRANDING EXPECTED OPENING PER QUARTER (Q.)

Expected to open on	Hotels			Keys		
	Int.I	Dom.	Total	Int.I	Dom.	Total
1° Q. 2015	10	5	15	1,459	346	1,805
2° Q. 2015	1	0	1	104	-	104
4° Q. 2015 or 2016	8	0	7	1,537	-	1,537
Overall	19	5	24	3,100	346	3,446

23. PIPELINE AND RE-BRANDING HOTELS AND ROOMS PER SCALE

Scale	Hotels			Keys		
	Int.I	Dom.	Total	Int.I	Dom.	Total
Budget & Econ.	1		1	33		33
Midscale	1	1	2	121	110	231
Upscale	7		7	1,232		1,232
Upper Up. & Lux	10	4	14	1,714	236	1,950
Overall	19	5	24	3,100	346	3,446

24. PIPELINE AND RE-BRANDING HOTELS AND ROOMS PER LOCATIONS (AS OF NOV. 5TH - 2014)

Top 10 Locations	Hotels			Keys		
	Int.I	Dom.	Total	Int.I	Dom.	Total
Milan	5	1	6	693	110	803
Acireale	1		1	423		423
Rome	2		2	339		339
Venice	2		2	288		288
Giardini Naxos	1		1	288		288
Carlentini (Sirac.)	1		1	235		235
Turin	1		1	160		160
Pistoia	1		1	132		132
Jesolo	1		1	126		126
Bari		1	1		115	115
Monteriggioni	1		1	97		97
Milan Brera	1		1	76		76

Milan, Rome and Venice will add the most of new rooms

Several new projects are expected to start operations in 2015 and beginning of 2016.

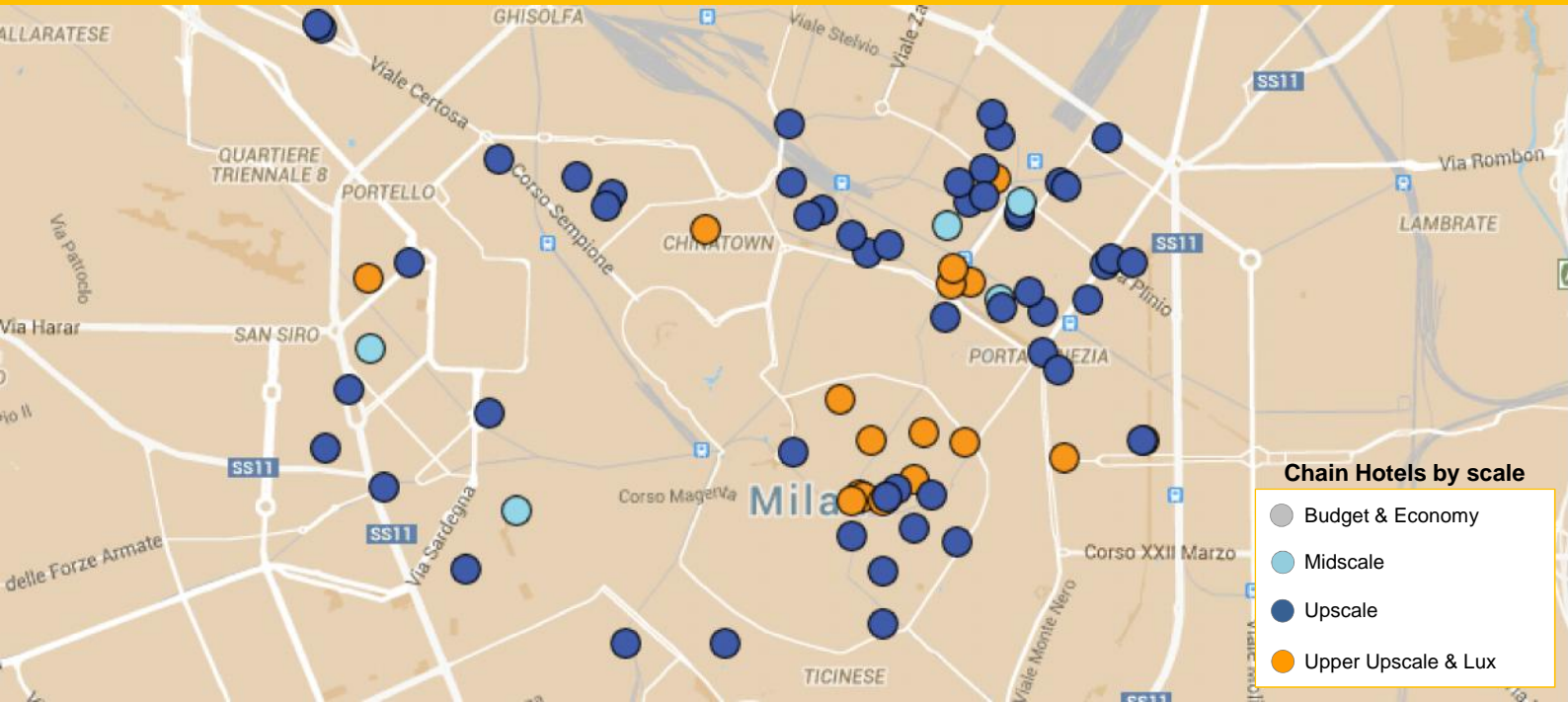
In the next 15 to 18 months chains will add around 3,500 new branded rooms to their portfolio in Italy.

Not too impressive, most of the pipeline stands in the Upscale and Luxury segments, although several additional Midscale and Budget & Economy projects may enter the market during beginning of 2016, as for the plan of several international brands already expanding in Italy.

Milan, Rome and Venice will add the most of new rooms, although the Ionian Coast of Sicily will introduce around 1,000 new chain rooms very likely within 2nd half of 2016.

The countryside and the coast of Tuscany, together with the Como Lake, are also targeted by international and domestic brands expansion plans.

Chains will add about 3,500 new branded rooms to their portfolio in Italy in the next 12 to 18 months



25. MILAN PIPELINE & RE-BRANDING 2015

Milan 2015 Pipelines & Re-Branding	Hotels	Keys	Scale
B&B	1	121	Midscale
HILTON GARDEN INN	1	193	Upscale
MGALLERY COLLECTION	1	141	Upper Up. & Lux
ME	1	134	Upper Up. & Lux
ALLEGROITALIA	1	110	Midscale
MANDARIN ORIENTAL	1	104	Upper Up. & Lux
Overall 2015	6	803	

26. MILAN TOP 20 BRANDS AND OP.S BY KEYS IN 2014

Top 20 BRANDS & OP.s in Milan	Hotels	Keys
ATAHOTELS	10	2,663
NH HOTELS	9	1,637
BEST WESTERN	14	1,429
STARHOTELS	6	1,154
IBIS	4	877
UNA HOTELS & RESORTS	7	791
ALLIANCE ALBERGHI	3	781
CROWNE PLAZA	3	678
IDEA HOTEL PLUS	5	674
NOVOTEL	3	586
SHERATON	2	539
MINIHOTEL	8	513
HOLIDAY INN	3	474
MARRIOTT HOTELS & RESORTS	1	321
HILTON	1	319
DORCHESTER COLLECTION	1	301
MELIA'	1	288
BARCELO' HOTELS	1	280
PLANETARIA	4	274
NH HOTELS COLLECTION	1	274

Market Focus: Milan

Milan will host the EXPO international exhibition for 6 months: a significant increase in demand is expected by March 2015.

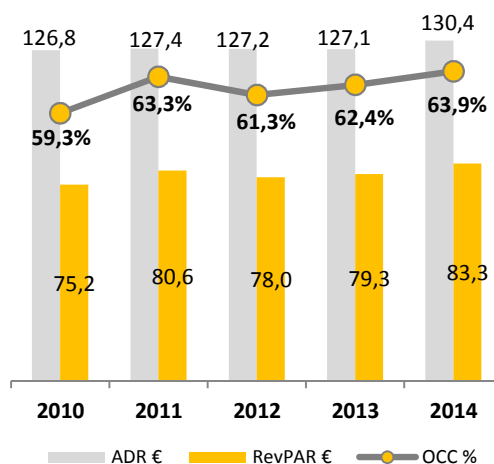
In the last 3 years supply has significantly grown: the census recorded 1,002 new chain rooms in 2014 (half of which were additional supply) in the city area alone (together with 728 chain keys outflow).

Pipelines & Re-branding projects will add about 800 chain rooms to branded supply.

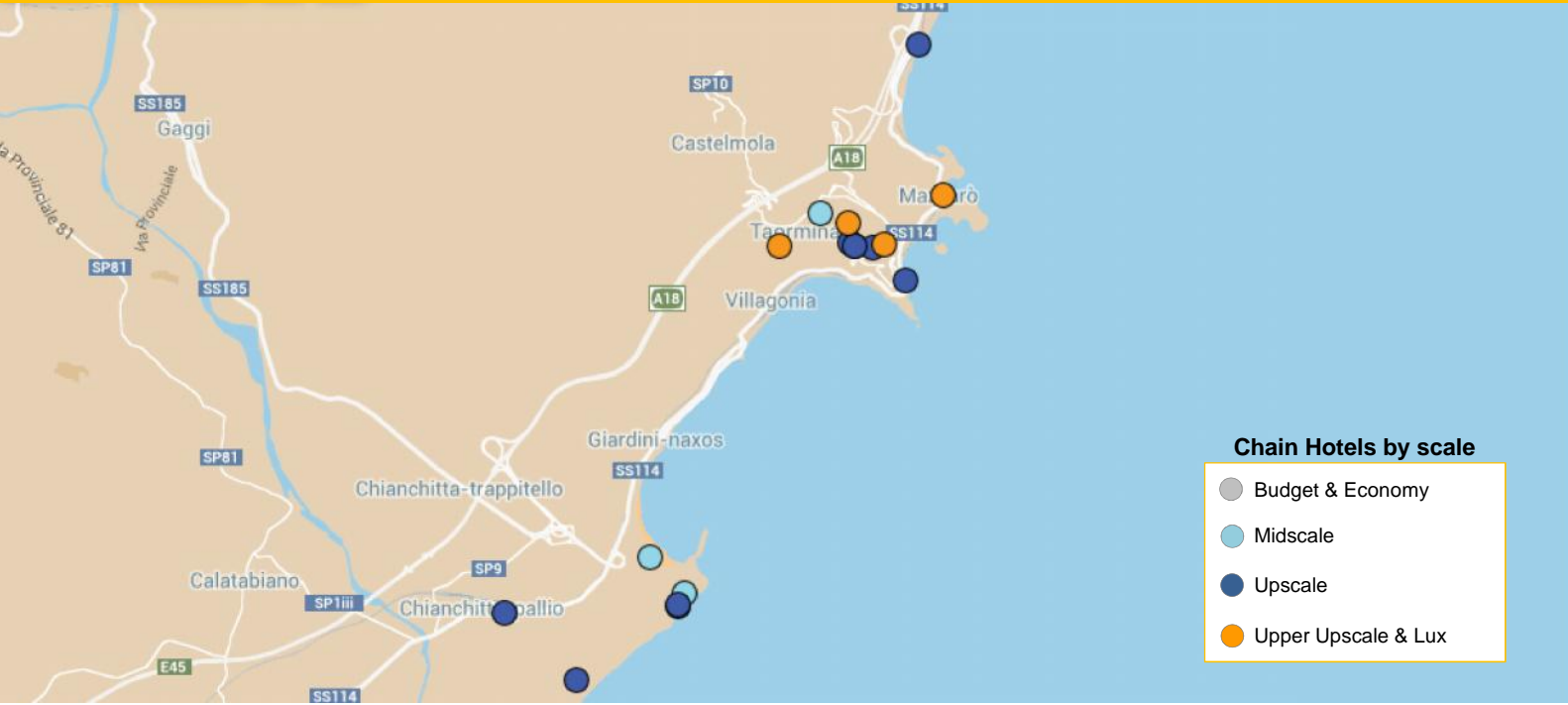
Upscale chains supply concentrates around the Central Railway Station, the financial district or the Linate airport. Luxury supply focuses on "Quadrilatero" or Duomo square quartier.

Trading performance records a very positive 5 year trend for RevPAR, moving from 75 to 83 Euros, against a very negative economic cycle trend.

27. 5-YEAR-TREND FOR MILAN. EACH YEAR NOV. TO OCT.



(SOURCE STR GLOBAL, LAST UPDATE NOV. 2014)



Market Focus: Taormina and Giardini Naxos

28. BRANDS AND OPERATORS IN TAORMINA AND G. NAXOS BY KEYS (2014)

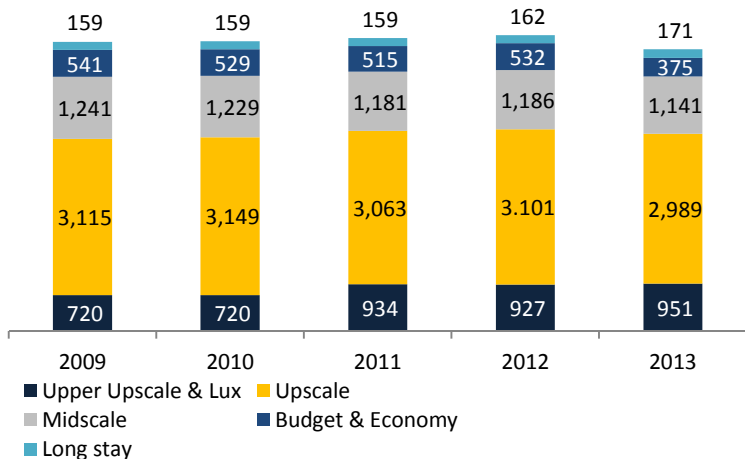
BRANDS & OP.s in Taormina and Giardini Naxos	Hotels	Keys	Scale
ATAHOTELS	2	832	Upscale
PARC HOTELS	2	366	Upscale
CHINCHERINI HOLIDAY GROU	5	345	Midscale, Upscale
GAIS HOTELS	5	292	Midscale, Upscale, Upper Up. & Lux
BELMOND	2	130	Upper Upscale & Lux
AMT HOTELS	1	102	Upper Upscale & Lux
Overall Brands & Operators	17	2,067	

Taormina, together with Giardini Naxos, and more generally, the Ionian Eastern coast of Sicily, is **gaining momentum thanks to both the growing international demand and a new focus from hospitality investors.**

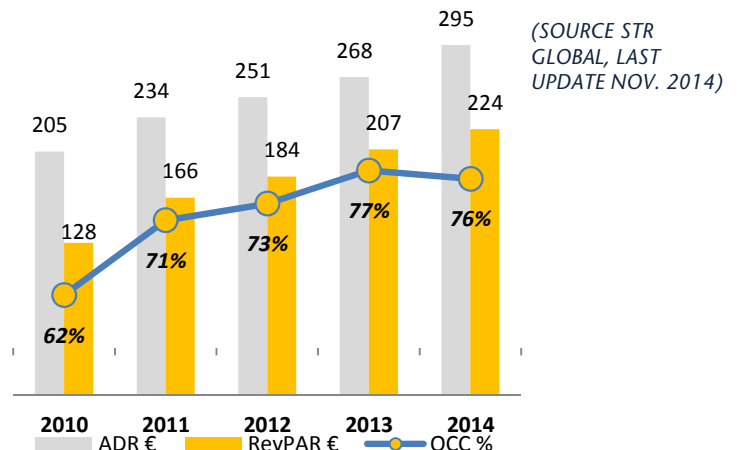
Currently these locations offer about 5,600 rooms, of which 53% are in the Upscale and 17% are in Upper Upscale & Lux. Chains supply in these two locations is limited to 17 properties and about 2,070 keys, with a predominant presence in the Upscale segment.

Seasonal trading performance for Taormina records a **significant increase of RevPAR, jumping from 128 to 224 Euros during the last 5 years**, mostly thanks to new pricing perspectives brought by the entry of international luxury operators.

29. SUPPLY TREND FOR TAORMINA AND G. NAXOS 2009-2013

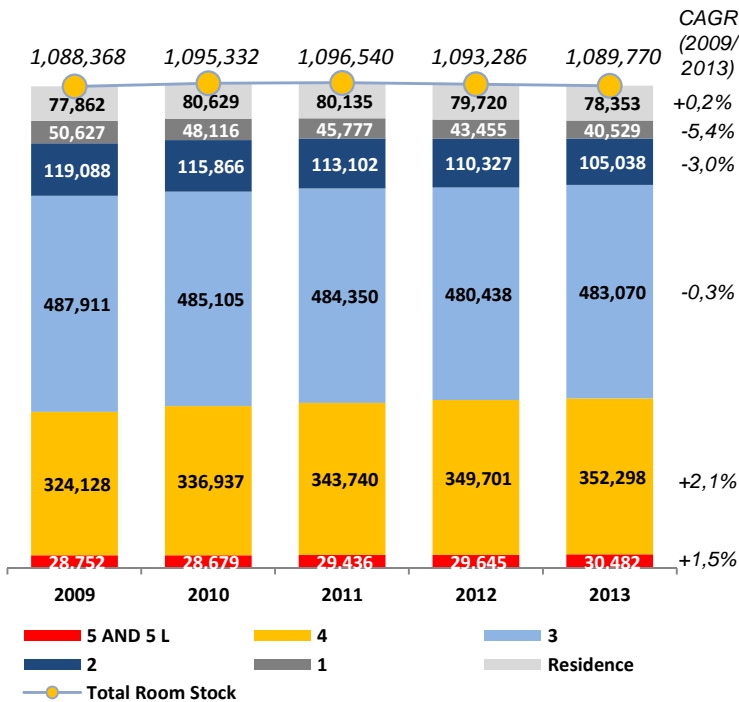


30. 5-YEAR-TREND FOR TAORMINA.EACH YEAR APR. TO SEPT.



Supply trends in brief

31. ROOMS SUPPLY GROWTH BY OFFICIAL "STARS" CLASSIFICATION (2009-2013)



Showing a decreasing room stock, in 2013 Italy accounted for about **1.09 mln keys in about 33,300 hotels and apart-hotels.**

The Italian portfolio is **decisively targeting a higher market positioning**, through new projects or renovation and branding of former family managed prestigious properties.

In the last 5 years Italian hospitality recorded an **accelerated drop of budget and economy supply, while Upscale and Luxury supply continued to rise.**

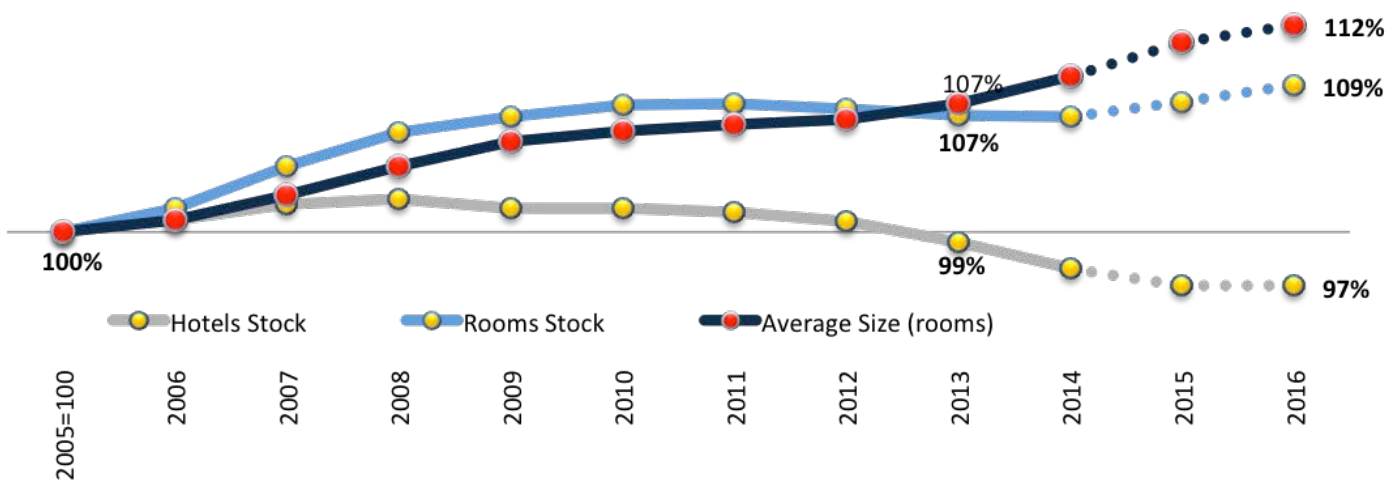
Hotels in mixed use developments, including apart-hotels, started to populate also in secondary locations. Nevertheless, the apart-hotel supply trend faces the hard time of the current real estate market.

Horwath HTL expects a **consistent growth in the average size of hotels** and a further decline of independent hotels in the budget and economy scale, under the pressure of bed & breakfast accommodations and private apartments offering.

In such an environment, international franchising brands of the Budget & Economy scale may increasingly find good conditions and market to expand. Nevertheless, they will need to invest further, in order to correctly position their value on the domestic budget demand (which is less used to Budget & Economy brands).

Overall, we expect hospitality room offering will continue to decline for the next years, parallel to a sensible increase of chains' penetration.

32. SUPPLY GROWTH TREND FOR HOTELS, ROOM STOCK AND AVG. SIZE (2005=100)



Source: 2005-2013 Istat; 2014-2016 Horwath HTL projections

For further investigation on Hotel Chains

The 2015 database of chain hotels records updated figures of over 220 brands, operators and “family groups” and is constantly updated to provide a detailed image of competition by:

- market scale (positioning)
- location
- business model
- pipelines
- key persons

We can provide excerpts from the database to measure competitive scenarios for any location in Italy (over 410 cities and towns) and to perform in-depth market analysis.

Horwath HTL welcomes contributions from Operators to improve the Report for next year.

If you plan to open a new chain hotel in Italy in 2015, please contact us.



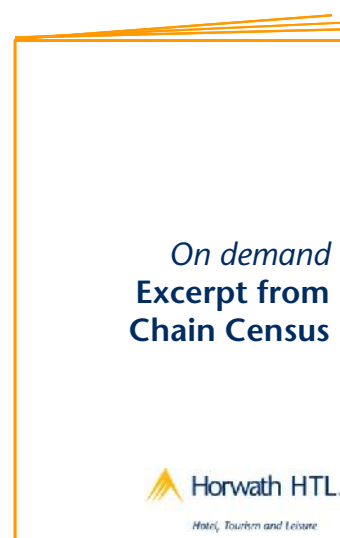
Select up to **10 direct competitors** to investigate:

- List of properties
- Current size and destinations coverage
- Business model (contracts)
- Last entries and exits
- Pipelines



Select up to **10 locations** to investigate:

- List of all chain hotels
- List of brands and second tier operators for each destination
- Details of available independent properties per scale
- Last entries and exits
- Pipelines



Ask us for any “*on demand*” excerpt to support your analysis on:

- Second tier operators
- Growing brands and new brands in Italy
- Market insights and focus
- Franchising/management opportunities
- Market insights on brands and destinations

Methodology

Horwath HTL - Italy

Horwath HTL Italy is a consulting firm with expertise in the field of management and marketing for the hospitality industry and is a member firm of Horwath HTL International Network.

Horwath HTL Italy has gained broad expertise in the different fields of public and private tourism.

We are specialized in:

- Hotel Business Recovery
- Hotel Planning & Development
- Tourism & Leisure
- Hotel Transactional Advice
- Hotel Valuations

STR Global

STR Global provides clients—including hotel operators, developers, financiers, analysts and suppliers to the hotel industry—access to hotel research with regular and custom reports covering Europe, the Middle East, Africa, Asia/Pacific, Central and South America. STR Global is the foremost provider of global hotel data covering daily and monthly performance data, forecasts, annual profitability, pipeline and census information.

STR Global is part of the STR family of companies and is proudly associated with STR, STR Analytics and Hotel News Now.

This report contains evidence from the Horwath HTL census of operating chain hotels in Italy in the year 2014, as of November 5th, 2014

For the purpose of this census:

- “Chains” and “brands” are assumed as equivalent nouns.
- 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 “voluntary 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 desk research covering several sources such as official websites, international and domestic chains directories, previous studies.
- Scales are based on the official classification of the hotels (Italian stars system) and do not represent the target positioning of the brand itself.
- 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.
- 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.
- “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

For any enquire on the census methodology please contact Giorgio Ribaudò at gribaudò@horwathhtl.com

About Horwath HTL

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.

About the Author



Giorgio Ribaldo started his career in hospitality operations in 1999 and joined Horwath HTL as project manager in 2011. Before Horwath HTL he served in the hospitality division of KPMG and other advisory firms. Giorgio owns an MBA from St. John's University and a master degree in Tourism Management.

He is adjunct professor of Tourism Management and Revenue Management at the University of Bologna and author of several articles in the field of hospitality and tourism.

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Zoran Bačić is a graduate in Economics from the University of Rijeka, and a Doctor in Economics and Business from the University of Trieste (Italy). Zoran was team leader in several research and development projects for the Port of Rijeka and was one of the company founders and VP for strategic development, planning, construction and operation of Adriatic Club Yugoslavia, the first system of nautical tourism in the World (20 ports with 8,000 water berths). Moving to Italy he was development department manager for construction Co. Costital SpA, and financial advisor for Lodigiani Group. In London, he was co-founder and partner of Infrastructure Capital Partners (ICP) and Managing Director for Italy and Mediterranean Countries for ICP. Beside his investment banker role with ICP, he is Senior Partner and Managing Director of Horwath HTL in Italy.

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