



# ITALY HOTEL MARKET SENTIMENT SURVEY

February 2009

## INTRODUCTION

The Horwath HTL's Survey – leading consulting company specialized in hotel, tourism and leisure industry with 50 cities and 30 countries – about the Global Hotel Market Sentiment, has been realized in order to collect Hotel Managers' outlook for the global hotel market trend in the next 12 months.

The Survey has looked at the expectations for Room Occupancy, Average Room Rate, Total Revenue and has collected the assessments of the impact of some key factors on the average stay and on the developing perspectives of the major demand segments.

This report, realized by Horwath HTL Italia, summarizes the outcome of the survey in our Country, gathered from a Sample of 163 Hotel Managers that operate in 50 provinces and 95 cities, of which 44.2 % in the North, 33.1 % in the Centre and 22.7 % in the South and Islands.

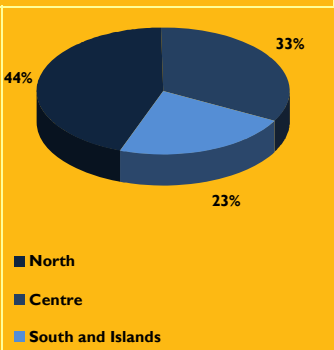
In regards to the star classification of the participating properties, the majority of the contribution were from 3-star hotels (55.2 %), followed by 4-star hotels (35.6 %), while the 5-star hotels and the 1-star/2-star have given a similar contribution, with respectively, 4.9 % and 4.3 %.

In the current situation of a financial worldwide crisis, the Italian Hotel Managers have expressed expectations that are similar to those of the Global Hotel Market Sentiment obtained by Horwath HTL, even if of a less negative level.

The following analysis provides some useful insight as to the expectations for the hotel market across Italy in 2009.

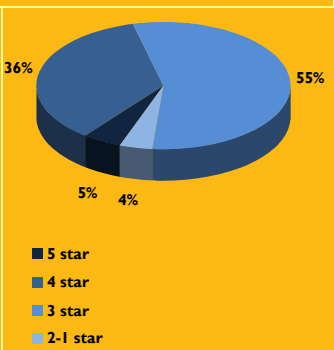
### SHARE OF RESPONDENTS

#### BY REGION



### SHARE OF RESPONDENTS

#### BY STAR CLASSIFICATION



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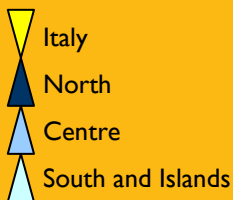
**RANKING SCORE KEY**

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

*"A Sentiment score equal to -37.3 shows that Italian Hotel Managers expect a performance decrease in 2009, but of a slight entity, especially in the Southern and Insular Italy."*

**SENTIMENT RANKING**

By Area	Score
3. Centre	-49.3
2. North	-33.5
1. South and Islands	-26.6



**SENTIMENT RANKINGS**

In order to measure and to compare, at the international level as well, national and area's results, a consolidated index to formulate an overall average sentiment score from all survey questions has been created.

The values of the answers for each question, elaborated on the basis of 100, have been weighted according to an index that uses a scale from -150 to +150, in which the score of -150 indicates a much worse results' expectation than the year before, a score equal to 0 indicates unchanged expectations, whereas the score of +150 expresses a much higher performance expectation than the previous year.

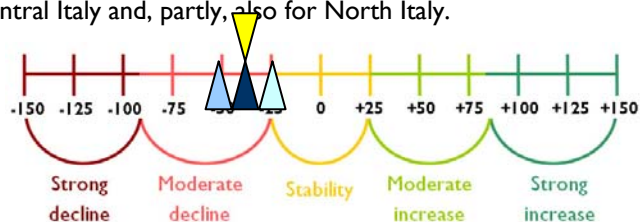
Such consolidated indices will also be useful to compare the variations of the Sentiment in the future surveys of Horwath HTL.

The Italian Hotel Managers' Sentiment, even if measured by a consolidated index strongly impacted by the global economic crisis, is (-37.3) almost 3 points higher than the average score measured at the international level, equal to -39.7; it means that the overall Italian Sentiment is slightly less negative, and is being positioned between the assessment "Same = 0" and "Worse = -75".

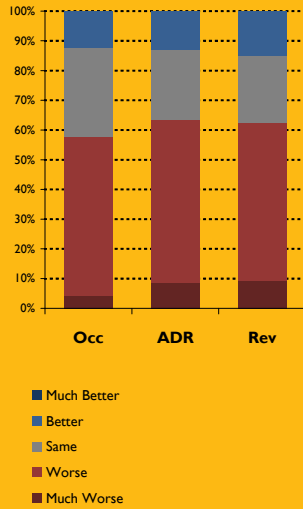
Beside this overall national index, the survey has shown clear differences among the assessments of the Italian Hotel Managers, depending on the area where they operate.

In the Central regions, the index of the Sentiment regarding the expected results for 2009 is relatively more negative (-49.3) than the index expressed in the Northern regions (-33.5), and even more negative when compared to the one expressed in the Southern and Insular regions (-26.6).

The fact that the outlook given by the respondents from the Centre gets closer to "Worse" can be justified by the apprehension of a subsequent decrease in the inbound of non-European markets (mainly United States and Japan) that are decisive for the destinations of Central Italy and, partly, also for North Italy.



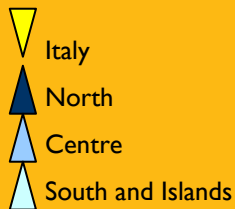
**RATIO OF RESPONSES**



*“57.7 % of the respondents state that the market-wide occupancy performance will get worse than 2008. However 42 % believe that it will remain the same or it will be better.”*

**MARKET PERFORMANCE RANKING**

	Occ.	ADR	Rev.
1. Centre	-51,4	-66,7	-65,3
2. North	-36,5	-35,4	-33,3
3. South and Islands	-18,2	-29,2	-27,1



**MARKET PERFORMANCE**

This section presents the contributors’ outlook on the Italian market performance in 2009, as opposed to 2008.

In response to expectations on market-wide occupancy performance in the Italian hotels for 2009, compared to 2008, 57.7 % of the hoteliers replied that it would get worse, 30.1 % believed that it would remain the same, while 12.3 % stated it would get better.

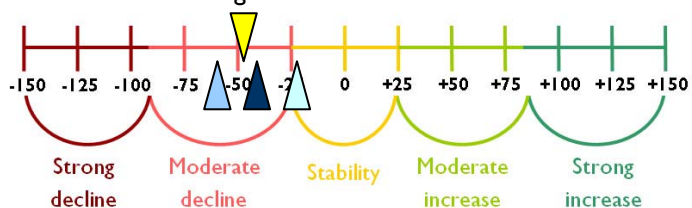
In terms of ADR performance, two thirds of the respondents (63.6 %, i.e. four additional points compared to the percentage for the occupancy performance) state that this indicator will be worse than the previous year, 23.5 % (seven points less than for the occupancy performance) believe that it will follow last year’s trend, and 13 % are optimistic about 2009’s performance, expecting better results than 2008.

Considering the Total Revenue for 2009, 62.3 % of the interviewed managers state that it will get worse, 22.8 % believe that it would follow last year’s trend and 14.8 % are even optimistic about the outcomes for 2009.

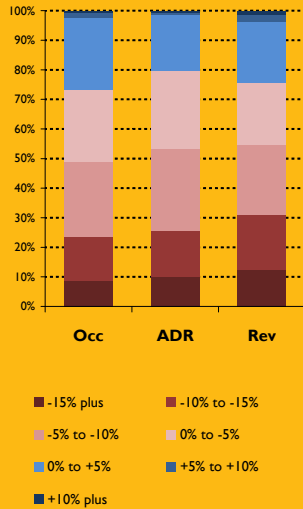
The consolidated comparative indices for the area’s level show strong differences.

In the Central regions the score is relatively more negative, equal to -61.1 (Room Occupancy -51.4, Average Room Rate -66.7 and Total Revenue -65.3), than Italian Northern regions that are less pessimistic (index -35) (Room Occupancy 36.5, Average Room Rate -35.4 and Total Revenue -33.3).

In the Southern regions and Islands, the index is equal to -24.8 (Room Occupancy -18.2, Average Room Rate -29.2 and Total Revenue -27.1), and Hotel Managers expect significantly less negative outcomes, measured by much more limited drops than in the Northern and Central regions.



**RATIO OF RESPONSES**



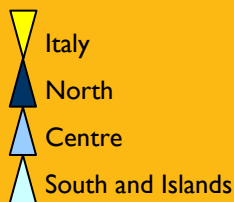
*"53.4% of the managers believe that their hotel's ADR will go down between -5% and -15%, while 46.6% expect unchanged or better outcomes."*

**HOTEL PERFORMANCE RANKING**

3. Centre	-45.7
2. North	-28.9
1. South and Islands	-13.9

**HOTEL PERFORMANCE RANKING**

	Occ.	ADR	Rev.
1. Centre	-36.1	-48.1	-52.8
2. North	-27.5	-27.5	-31.7
3. South and Islands	-6.9	-22.2	-12.5



**HOTEL PERFORMANCE**

Considering Italian Hotel Managers' outlook for their hotel, slightly more than half of them expects lower outcomes than the previous year, between -5 % and more than -15 %, both for Occupancy Room (49.4 % of the Sample) and more for Average Room Rate (53.4 %) and Total Revenue (54.6 %).

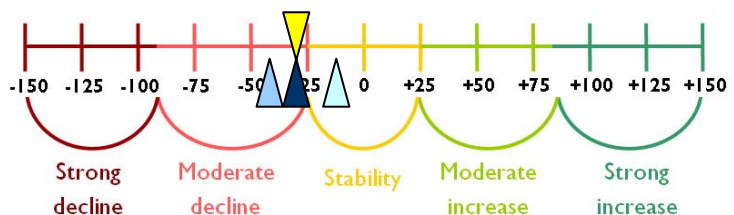
On the contrary, slightly less of half of the Managers expects similar outcomes to the previous year, with variation from -5 % to +5 %, and variable indices with reference to Occupancy Room (48.4 % of the Sample), Average Room Rate (45.4 %) and Total Revenue (41.6 %).

"Optimistic" Managers, who expect an increase between +5 % and more than 10 % of their hotel performance, are: 2.5 % for Occupancy Room, 1.2 % for Average Room Rate and 3.7 % for Total Revenue.

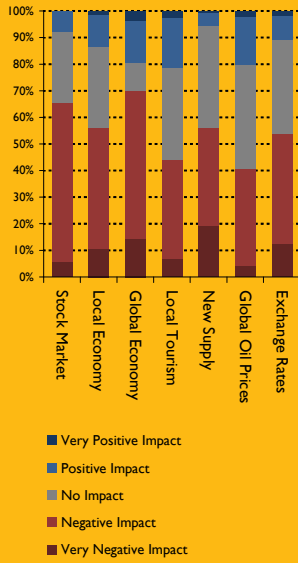
On the whole, there is a balance between managers who expect lower performances for their hotel and the ones that expect performances similar to the previous year or better, for their hotel.

The consolidated comparative indices used on the area basis show strong differences.

Southern and Islands' Managers, with a Sentiment index equal to -13.9 (Occupancy Room -6.9, Average Room Rate -22.2 and Total Revenue -12.5), (in a fraction of the rating scale from "Same = 0" to "Worse = -75"), believe that their hotel performance will be slightly worse for 2009, whereas Central regions' Managers, with an index equal to -45.7 (Occupancy Room -36.1, Average Room Rate -48.1 and Total Revenue -52.8), expect a stronger decrease in their hotel performance. "North" is in a middle position with an index equal to -28.9 (Occupancy Room and Average Room Rate -27.5 and Total Revenue -31.7).



**RATIO OF RESPONSES**



*“Global Economic Growth Trends and Local/Global Stock Market Performance will have the strongest negative impact on the hotel market performance.”*

**FACTORS AFFECTING PERFORMANCE RANKING**

1. New Competitive Supply Additions	-51.9
2. Local/Global Stock Market Performance	-47.8
3. Global Economic Growth Trends	-45.9
4. Currency Exchange Rates	-40.5
5. Local Economic Growth Trends	-38.7
6. Local Tourism Trends	-20.3
7. Global Oil Prices	-17.5

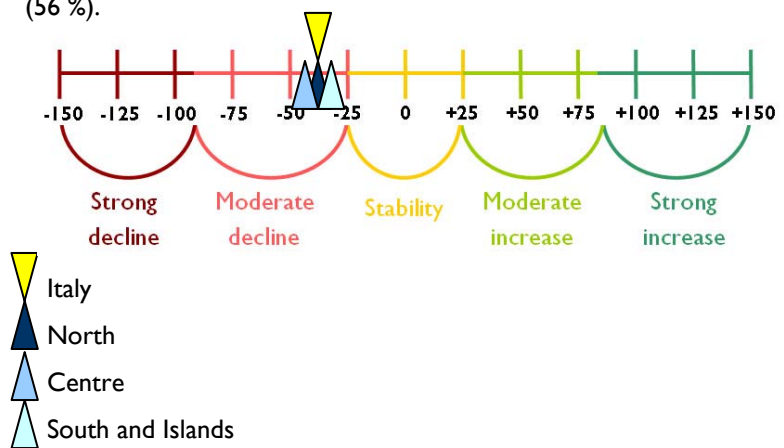
**FACTORS AFFECTING PERFORMANCE**

It has also been asked to the Sample to estimate how much the following key factors will, in positive or negative way, influence hotel market performance for 2009: (1) Local/Global Stock Market Performance, (2) Local Economic Growth Trends, (3) Global Economic Growth Trends, (4) Local Tourism Trends, (5) New Competitive Supply Additions, (6) Global Oil Prices and (7) Currency Exchange Rates.

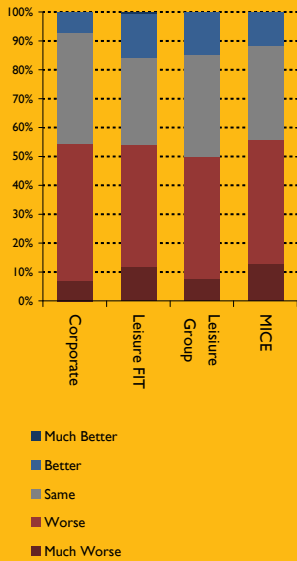
Hotel Managers believe that “Global Economic Growth Trends” and “Local/Global Stock Market Performance” are the factors that will strongly influence in a negative way hotel performance for 2009, with quotes of respondents, for each item, equaling respectively to 70 % and 65.6 %.

According to Hotel Managers, the factors “New Competitive Supply Additions”, “Local Economic Growth Trends” and “Currency Exchange Rates” will also influence negatively hotel performance for 2009, even if with less impact, with values equal respectively to 56.1 %, 55.9 % and 54 %.

On the contrary, according to the Managers’ responses, the factors which will have a positive impact on the hotel performance in 2009 are the “Global Oil Price” (60 %) and the “Local Tourism Trends” (56 %).



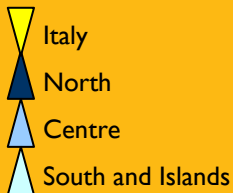
**RATIO OF RESPONSES**



*53 % stated that all the market segments' performance would be worse, but much worse for the Business ones.*

**MARKET SEGMENT PERFORMANCE**

1. MICE (Meeting and Congress)	-42.8
2. Corporate	-40.8
3. Leisure FIT	-37.3
4. Leisure Group	-32.3



**MARKET SEGMENT PERFORMANCE**

The last question was about Hotel Managers' outlook for the performance of four big market segments' in 2009: (1) Corporate, (2) Leisure FIT, (3) Leisure Group, (4) MICE (Meeting and Congress).

On average, the Hotel Managers' expectations are balanced between the ones that foresee a deterioration of the four market segments' performance and the others who expect similar to 2008 or better results for 2009, with a slight prevalence, however, of worsening outlook.

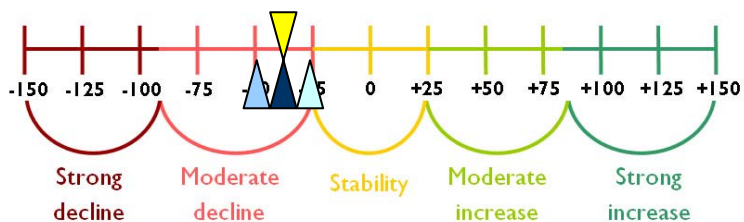
In particular, in terms of Corporate segment's performance, 54.5 % of the Managers believe that it will be worse in 2009, 38.6 % think that this segment will hold its current position and 7 % of the respondents expect an increase of the segment's performance.

Considering Leisure FIT segment's performance, 54 % of the Hotel Managers expect that it will be worse in 2009, 30.2 % of them think that it will not have any change and 15.1 % of the interviewed believe that the segment will increase.

About Leisure Group performance, 50 % of the Sample expects a decrease of the segment in 2009, 35.4 % believes that it will hold its position, while 14.6 % expects it will be better than 2008.

With regard to MICE performance, 55.7 % of the Managers state that it will be worse, against 32.7 % of respondents that expect the same performance of 2008 and 11.5 % of the sample that foresees a better performance for 2009.

A comparative analysis by the summarizing Sentiment Index shows more uncertainty for MICE and Corporate segments' performance, with indices equal respectively to -42,8 and -40,8 (in a fraction of the rating scale from "Same = 0" to "Worse = -75"), whereas Leisure FIT and Leisure Group show less negative performance expectations.



## CONCLUSIONS

Italian Hotel Managers have expressed a negative outlook for the national Hotel Market in 2009, with a percentage slightly higher than 50 %; however, it is important to point out that the remaining part, slightly less than 50 %, expects similar or even better outcomes than 2008, against the run of the Global Sentiment.

What comes out is a variegated picture, with lights and shades at a local level, where a relatively more pessimistic view is expressed by the Central Italy's managers, who are more afraid of further decrease of overseas markets, decisive for their yearly results.

The Sentiment of the Southern and Islands' managers is quite different, as these areas are more dependent on the domestic market and Leisure segment; consequently Hotel Managers from the South and the Islands only expect a slight decrease, whereas North Italian managers' Sentiment expresses an in-between position between the ones of the two previously mentioned areas.

A more critical situation is expected for the Business segment, with an expected Total Revenue' decrease stronger than for Occupancy Rates, implicitly anticipating the hotel rates' policy of Central and Southern Italy's managers, that will be very low and more flexible in favour of customers.

"Global Economic Growth Trends" and "Local/Global Stock Market Performance" have been considered by the managers the factors with the strongest negative impact on the Italian Hotel Industry performance.

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