



ITALY HOTEL MARKET SENTIMENT SURVEY

February 2010

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 development 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 Hotel Managers that operate in 23 provinces and 26 cities.

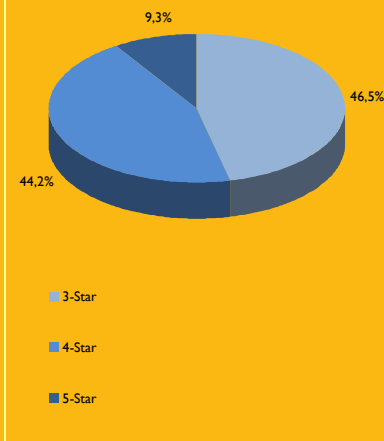
In regards to the star classification of the participating properties, the majority of the contribution were from 3-star hotels (46.5%), followed by 4-star hotels (44.2%), while the 5-star hotels represent a share of 9.3%.

According to the expectations of the Italian Hotel Managers, the hotel market should stabilize at the same positions as last year, although there are concerns, while at international mid-level the sentiment is somewhat more positive.

The following analysis provides some useful insight as to the expectations for the hotel market across Italy in 2010.

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



Horwath HTL

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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 -4.8 shows that Italian Hotel Managers expect an unchanged performance in 2010, with results slightly lower than the world average."



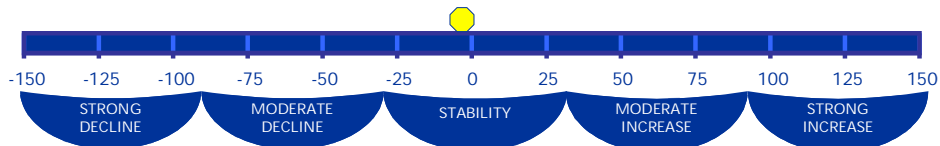
SENTIMENT RANKINGS

In order to measure and to compare national results, at the international level as well, 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 result 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.

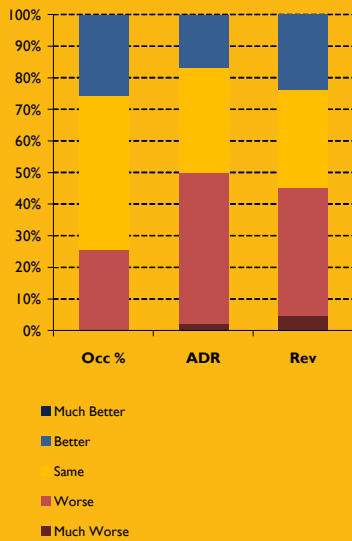
Such consolidated indices will also be useful to compare the variations of the Sentiment in the future surveys of Horwath HTL.

The Italian Hotel Managers' Sentiment is (-4.8) almost 22.3 points lower than the average score measured at the International level, equal to +27.1; that is stationary, positioning between the scores -25 and +25.



2010 MARKET OUTLOOK - WHAT IS YOUR ASSESSMENT OF THE HOTEL MARKET FOR 2010 VS. 2009?

RATIO OF RESPONSES



"74.4% of the respondents state that the market-wide occupancy performance will remain the same or it will be better than 2009. However 25.6% believe that it will get worse."



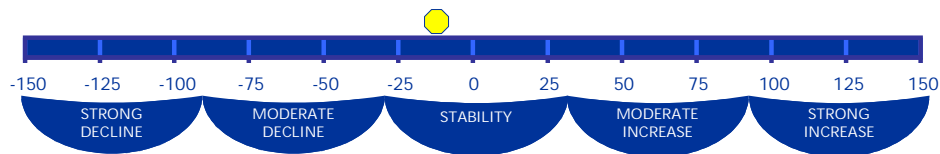
Italy

This section presents the contributors' outlook on the Italian market performance in 2010, as opposed to 2009.

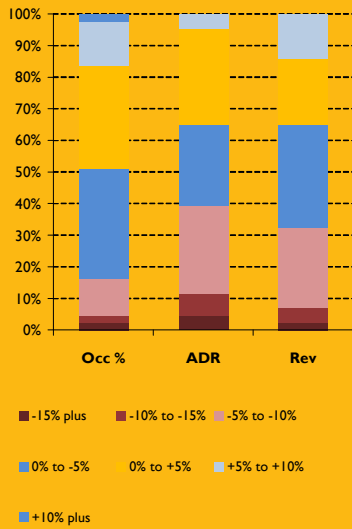
In response to expectations on market-wide occupancy performance in the Italian hotels for 2010, compared to 2009, 48.8% of the hoteliers believed that it would remain the same, 25.6% stated it would get better, while 25.6% replied that it would get worse.

In terms of ADR performance, half of the respondents (50%) state that this indicator will be worse than the previous year, 33.3% believe that it will follow last year's trend, and 16.7% are optimistic about 2010's performance, expecting better results than 2009.

Considering the Total Revenue for 2010, 45.2% of the interviewed Managers state that it will get worse, 31% believe that it will follow last year's trend and 23.8% are even optimistic about the outcomes for 2010.



RATIO OF RESPONSES



“53.5% of the Managers expect unchanged or better outcomes for their hotel, while 32.6% believe that ADR will go down between -5% and -15%.”

HOTEL PERFORMANCE RANKING

1. Occupancy Room	22.1
2. Total Revenue	3.5
3. Average Room Rate	-8.1



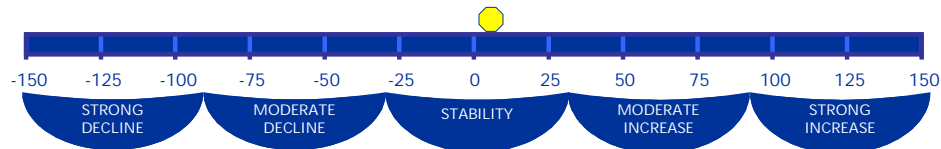
HOTEL PERFORMANCE EXPECTATION - FOR YOUR HOTEL, WHAT IS YOUR EXPECTATION FOR GROWTH/DECLINE FOR 2010 VS. 2009?

Considering Italian Hotel Managers’ outlook for their hotel, slightly less than half of them expect lower outcomes than the previous year, between -5% and more than -15%, both for Occupancy Room (16.3% of the Sample) and more for Average Room Rate (39.5%) and Total Revenue (32.6%).

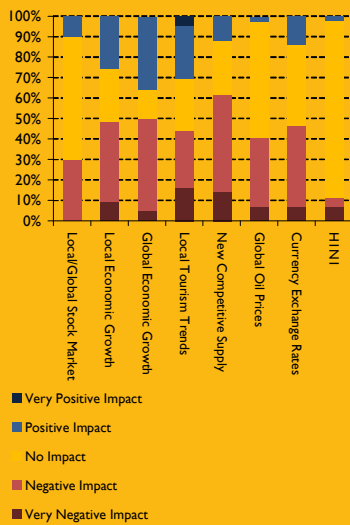
On the contrary, more than half of the Managers expect similar outcomes to the previous year, with variation from -5% to +5%, and variable indices with reference to Occupancy Room (67.4% of the Sample), Average Room Rate (55.8%) and Total Revenue (53.5%).

“Optimistic” Managers, who expect an increase between +5% and more than 10% of their hotel performance, are 16.3% for Occupancy Room, 4.7% for Average Room Rate and 14% for Total Revenue.

On the whole, the majority of Managers expect more positive results than the previous year, especially for the Occupancy Room, compared to expectations for the Average Room Rate, which are still slightly decreasing.



RATIO OF RESPONSES



"New Competitive Supply Additions and Global Oil Prices will have the strongest negative impact on the hotel market performance."

FACTORS AFFECTING PERFORMANCE RANKING

1. HINI	-12.2
2. Global Economic Growth Trends	-14.3
3. Local/Global Stock Market Performance	-15.0
4. Local Tourism Trends	-19.2
5. Local Economic Growth Trends	-24.4
6. Currency Exchange Rates	-29.7
7. Global Oil Prices	-33.9
8. New Competitive Supply Additions	-48.2



FACTORS AFFECTING PERFORMANCE - How EACH OF THE FACTORS BELOW ARE EXPECTED TO INFLUENCE HOTEL MARKET PERFORMANCE IN 2010?

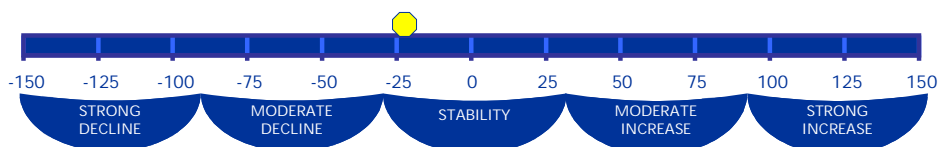
The Sample has also been asked to estimate how much the following key factors will, in a positive or a negative way, influence hotel market performance for 2010: (1) Local/Global Stock Market Performance, (2) Local Economic Growth Trends, (3) Global Economic Growth Trends, (4) Local Tourism Trends, (5) New Competitive Supply Additions, (6) Global Oil Prices, (7) Currency Exchange Rates and (8) HINI Virus.

Hotel Managers believe that "New Competitive Supply Additions" and "Global Economic Growth Trends" are the factors that will strongly influence in a negative way hotel performance for 2010, with quotes of respondents, for each item, equaling respectively to 61.9% and 50.0%.

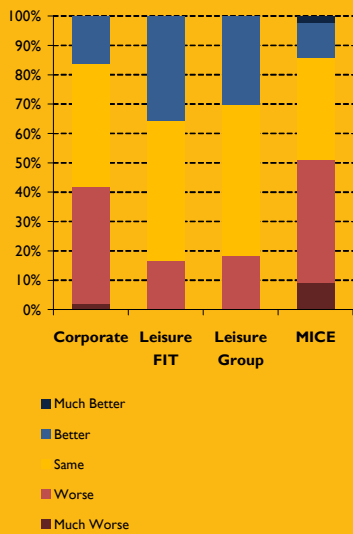
According to Hotel Managers, the factors "HINI Virus", "Local/Global Stock Market Performance" and "Global Oil Prices" will not influence hotel performance for 2010, with values equal respectively to 86%, 60% and 57.1%.

On the contrary, according to the Managers' responses, the factor which will have a very positive impact on the hotel performance in 2010 is the "Local Tourism Trends" (4.7%).

A comparative analysis by the summarizing Sentiment Index shows more uncertainty for New Competitive Supply Additions (-48.2) and Global Oil Prices (-33.9), whereas Global Economic Growth Trends (-14.3) and HINI Virus (-12.2) show less negative performance expectations.



RATIO OF RESPONSES



"About 68% of the Managers stated that the performance for all market segments would be better or would have the same results as 2009, but with greater intensity for those related to Leisure."

MARKET SEGMENT PERFORMANCE	
1. Leisure FIT	14.3
2. Leisure Group	8.7
3. Corporate	-20.9
4. MICE (Meeting and Congress)	-33.1



MARKET SEGMENT PERFORMANCE - HOW ARE EACH OF THE MAJOR DEMAND SEGMENTS EXPECTED TO PERFORM IN 2010 VS. 2009?

The last question was about Hotel Managers' outlook for the performance of four big market segments in 2010: (1) Corporate, (2) Leisure FIT, (3) Leisure Group, (4) MICE (Meeting and Congress).

On average, the Hotel Managers will expect similar results to the ones of 2009 for all market segments.

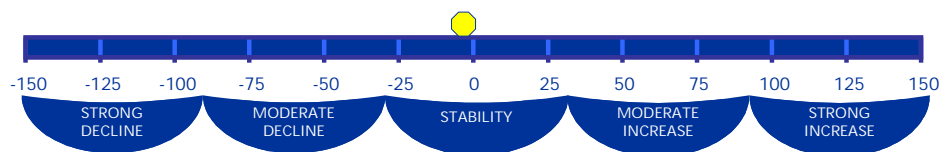
In particular, in terms of Corporate segment performance, 41.9% of the Managers believe that it will be worse in 2010, 41.8% think that this segment will hold its current position and 16.3% of the respondents expect an increase of the segment performance.

Considering Leisure FIT segment performance, 47.6% of the Hotel Managers think that it will not have any change, 35.7% of the interviewed believe that the segment will increase and 16.7% of them expect that it will be worse in 2010.

About Leisure Group, 51.2% of the Sample believe that it will hold its position, 30.2% expect that it will be better than 2009, while 18.6% expect a decrease of the segment in 2010.

With regard to MICE performance, 51.1% of the Managers state that it will be worse, against 34.9% of respondents that expect the same performance as 2009 and 14% of the Sample that foresees a better performance for 2010.

A comparative analysis by the summarizing Sentiment Index shows more uncertainty for MICE and Corporate segment performances, with indices equal respectively to -33.1 and -20.9 (in a fraction of the rating scale from "Same = 0" to "Worse = -75), whereas Leisure FIT and Leisure Group show positive but contained performance expectations.



CONCLUSIONS

Italian Hotel Managers expect similar or even better outcomes than 2009 with a percentage slightly less than 60%; however, the remaining part, slightly higher than 40%, has expressed a negative outlook for the National Hotel Market in 2010.

A more positive situation is expected for the Leisure segment (FIT and Group), while Business segment (Corporate and MICE) will be worse than 2009 and a Total Revenue decrease is expected to be stronger than that for Room Occupancy, implicitly anticipating the hotel rate policy of Italian Managers, that will be very low and more flexible in favour of customers.

“New Competitive Supply Additions” and “Global Oil Prices” have been considered by the Managers the factors with the strongest negative impact on the Italian Hotel Industry performance.

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