



ITALY

Hotels & Chains

Report 2019



ASSOCIAZIONE ITALIANA
CONFINDUSTRIA ALBERGHI



Horwath HTL™

Hotel, Tourism and Leisure



cassa depositi e prestiti

Hotels & Chains in Italy 2019 – The Report

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Edited in January 2019 by Horwath HTL and Associazione Italiana Confindustria Alberghi in partnership with Cassa Depositi e Prestiti.

Printed on February 2019 in Rome by Associazione Italiana Confindustria Alberghi, Roma.

All data on hotel chains as of December 31st, 2018.

6th edition.

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This version of the Report is distributed for free.

We have tried our best to correctly report information and data on hotel chains and have directly contacted hotel chains responsible persons prior to distribution for data check, in order to improve accuracy. Nevertheless, omissions and minor errors may occur as methodologically accepted for any census.

The 2018 census was made even more accurate and reliable thanks to the gentle support provided by development analysts, managers and directors of:

25hours Hotels	DimHotels	Melia Hotels International
9 Hotel Collection	Dorchester Collection	Minihotel
A&O Hotels & Hostels	Duetorrihotels	Monrif Hotels
Acampora Hotels	Fabilia Hotels & Resorts	Mythos Hotels
AccorHotels	Fattal	NH Hotels
Adler Spa Resorts	Ferienverein	Piazza Hotels & Residences
Aeroviaggi	FMTG	Planetaria Hotels
Allegroitalia Hotel & Condo	Four Seasons	Plateno Group
Alliance Alberghi	Garda Hotels	Prim
Alpitour	Garibaldi Hotels	Radisson Hotel Group
Amapa Group	Gb Thermae Hotels	Residence Hotels
Ars Hotels	Generator Hostels	RH Hotel Group
Aurum Hotels	Greenblu Hotels & Resort	Rizzante Hotels
B&B Hotels	Gruppo Studio Vacanze	Rocco Forte Hotels
Barcelo' Hotels	H 10 Hotels	Rosewood Hotels & Resorts
Best Western Hotel International	Hilton	Royal Group Hotels & Resorts
Bianchi Hotels	HNH Hotels & Resorts	Shg (Salute Hospitality Group)
Bianconi	HRE	Sina Hotels
Blu Hotels	Hyatt	Starhotels
Bluserena	I Grandi Viaggi	Stayincortina
Boscolo	IH Hotels	Sunstar
C.P. Hotels Verona	INC Hotels Group	TH Resorts
Caroli Hotels	Italiana Hotels & Resorts	The Family Coppola Hiways
CDSHotels	ITI Hotels	The Student Hotel
Cerini Hotels	JSH Hotels & Resorts	Thomas Cook
Choice Hotels	LDC Hotel & Resorts	Trianon Group
Cimino Hotels	LHP Hotels	Tridente Collection
Club Esse	Louvre Hotels Group	TUI
Club Family Hotel	Lungarno Collection	Uvet Hotel Company
Color Holiday	Mandarin Oriental Hotel Group	Veratour
Compagnie Des Hotels	Marriott International	Vime Hotels
Continental Hotels & Residences	Meininger Hotels	Vip Hotels

Thank you All!



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Introducing the 6th Edition of *Hotels & Chains in Italy*

Dear Readers,

I am delighted to say that we are back, for the 6th year in a row, with our highly anticipated report: 'Hotels and Chains in Italy', made by Horwath HTL together with the Associazione Italiana Confindustria Alberghi and in partnership with CDP Investimenti SGR Spa.

The report is a huge undertaking, but the great interest shown by banks, investment funds, operators and all members of the financial community, shows us the information is more important than ever. Investment in hotel real estate is a growing trend across Italy, and the need for accurate data increases all the time. As the saying goes, what gets measured, gets done.

Thanks to the growing support from the hotel community and all participating hotel chains, the report has become more accurate over time and is constantly updated. This has meant the information is now recognized as a reliable and independent source of information, a 'who's who' of the industry, presenting market trends and perspectives.

Here are some of the key findings you will discover in the new edition:

- As of the beginning of 2019, there are one thousand and six hundred chain hotels in Italy. This represents a robust +6.5% increase on last year, which is reflected in the increased number of chain rooms (+4.7%);
- The penetration of chain hotels compared to the overall Italian market reached 4.8%, while the penetration of chain rooms we recorded was higher, at 15.8%;
- During 2018, a sustained period of consolidation saw many domestic operators go beyond the threshold of 4 hotels needed to be considered a chain, meaning the total number of brands and operators reached 240, up from 227 last year;
- The countries of origin for brands are very diverse: not only Italy (143 brands), USA (36), France (13) and Spain (13), UK (12), but also Germany (7), Austria (4), Belgium (2), Israel (2), Taiwan (1) and many other countries. In expanding their global footprint, international chains have succeeded in having at least one property in Italy, which has the highest number of hotels and rooms in Europe (Eurostat);
- Among the various business models, Leases rose to a close second at 37%, but the most common platform for chain expansion remains direct ownership at 38%;
- Franchising (20%) continues to expand, with net 16 more contracts than the year before, while management contracts remain rare at only 5% of the market;
- A new section of the Report highlights the concentration of the Leading 10 Italian Chains ranked on the base of operating revenues, today totalling 0.8 bn Euro, but ...

... there is much more data on hospitality and chains inside the report. Enjoy!

Lastly, we would like to thank the hotel chains who have partnered with us for their continued support. Their help allows us to continually improve the level of information about the Italian market.

We hope you will enjoy reading!



Zoran Bačić

Senior Partner & Managing Director Horwath HTL

A period of deep and rapid transformation

Tourism, and even more so the hospitality industry, is going through a period of deep and rapid transformation: demand continues to differentiate itself as it is originated from different markets but also as travelers are motivated by different reasons in choosing their destinations. Distribution has become more complex, online travel sales have gone through some innovation, social media have been spreading exponentially and therefore hotel operators are paying an ever-increasing attention to trends and novelties in the market, especially the international one.

The latest data released by UNWTO confirm that tourism industry is perfectly healthy: international arrivals grew by 6% in 2018 (that is, 74 million international tourists more than in 2017) reaching a total of 1.4 billion. The UNWTO long-term forecasts, published in 2010, indicated that the target of 1.4 billion would have been reached in 2020, but the strong growth in tourism registered in recent years has made it possible to reach the target well in advance. The growth in tourism-related demand in Europe (+ 5.7%) is in line with global trends, thanks to the contribution of the countries bordering the Mediterranean Sea: last year they saw an increase in international tourist arrivals by of 7%.

In this context, Italy is also growing but at a much slower pace: according to the latest ISTAT data, in the first 10 months of 2018 international arrivals grew by 0.9%, while overnight stays grew by 1.7%.

The high-end hotels continue to be the preferred type of accommodation by foreign tourists: in the period 2008-2017, the international demand for 4 and 5-star facilities grew at an average annual rate of 5.7% in terms of arrivals and 4.9% in terms of overnight stays. In addition, there is the demand by the domestic clientele that, following the crisis of 2012 and 2013, is returning to grow in this market segment at a sustained rate.


Conversely, hemorrhage continues for 1 and 2-star hotels: in the period 2008-2017, an average annual decrease in tourist demand was recorded both for Italian tourists (-3.3% in terms of arrivals and -5% in terms of overnight stays) and foreigners (-2.6% of arrivals and -4.2% of overnight stays).

Such an evolving demand underpins the repositioning of supply on more qualified segments: between 2008 and 2017, 4 and 5-star hotels grew by 1,400 units, for a total of 75.4 thousand rooms. By reason of its profitability, this segment is of greater appeal to investors (hotel operators, investment funds, institutional investors, etc.), especially as regards the facilities in the core cities of Rome, Milan, Venice and Florence.

On the other hand, the 2-star and 1-star hotels continued to shrink: between 2008 and 2017, the number of hotels fell by almost 3,000 units and the rooms went from 179,000 in 2008 to the current 131,000.

It is to be noted that since 2015 the average size of high-end hotels has been decreasing: rather than on the number of rooms, the new hotels are focused on common areas, open not only to clients staying there but also to the external public. These spaces are shared by hotel guests and local population to whom hotels are increasingly becoming reference and meeting points.

In such a context this report, now in its sixth edition, is a new element which contributes to compose and interpret the market dynamics currently underway.



Giorgio Palmucci
Presidente Associazione Italiana Confindustria Alberghi

Foreword by CDP

As confirmed by the 2018 data, the main positive trends of the tourism sector perceived in the recent years are still in place, fueling a virtuous circle that is driving upward the Italian hospitality market and its real estate component:

- An increasing hotel chains and brands penetration (national and international);
- Growing hotel transactions volume by professional investors (e.g. private equity funds and institutional investors);
- A visible consolidation process of the hotel management companies.

The hotel real estate market is increasingly developing, becoming a more liquid and more transparent asset class also in Italy. The sector is experiencing strong growth in the world and in Europe with transaction volume in recent years recovering the values recorded in the period before the economic crisis.

Transaction volume in Italy experienced a sharp growth in the period 2013-2017 from €700m to €1.6 billion (forecast 2018: €1.3 billion). More than 80% of the total transactions volume in Italy was performed by private equity funds and institutional investors, especially from international investors with USA as the first country of origin. Despite the strong growth the sector has wide growth margins considering that just 1% of the total Italian hotel real estate stock is owned by institutional operators as real estate companies, investment funds, insurance companies, pension funds, large hospitality groups and sovereign wealth funds.

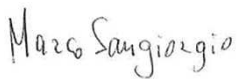
The attention of foreign and domestic operators is so far in the direction of the main Italian cities (i.e. Rome, Milan, Florence and Venice) but an increasing number of market players are seeking exposure to secondary and leisure destinations especially in Southern Italy that could offer interesting risk-adjusted returns and creating value for the local economy and communities. Moreover, the leisure sector from being a local and fragmented investment market is evolving into a more international and institutional field.



The prospects for the hospitality sector look even brighter thanks to the growth forecasts of the international demand for Italy and to the positive fundamentals of the Italian market that is historically perceived as a safe and solid tourist market with a wide range of different destinations and typologies of tourist attractions and leisure experiences. Furthermore, from an urban prospective the increasing supply of ancillary services not only for tourists but also for the local community (e.g. restaurants, bars, cafés, co-working desks, etc.) make hotels a perfect tool to deliver higher quality of life also for residents, differentiating hotels from the growing trend of alternative private accommodations focused exclusively on rooms.

As Cassa Depositi e Prestiti (CDP), we are promoting the consolidation process of the hotel management companies combined with the evolution of their business model towards an “asset-light strategy” through the separation of the real estate ownership from the hotel management operations. CDP, in its role of National Promotional Institution, recognizing the tourism industry as a key part of the national economy, has launched a real estate investment platform called “FIT - Fondo Investimenti per il Turismo”, managed by Cdp Investimenti SGR, with the mission to attract domestic and foreign investments for the renewal and upgrade of the Italian hospitality real estate infrastructure.

CDP is currently the main financial sponsor and anchor investor of the investment platform FIT with a financial commitment of €250 million. As of the end of 2018 the investment platform FIT has allocated more than €150 million for acquisitions of hotel properties and resorts on the market, also providing financial resources for the refurbishment and quality upgrade of the purchased assets along with the co-investment of the management companies as long-term tenants of the properties. CDP aims at increasing the total financial resources to be invested in the sector thanks to additional funds that will be raised from domestic and international institutional investors willing to strengthen the competitiveness of the Italian tourism sector and improving the quality of the national hospitality real estate infrastructure while supporting the growth of hotel chains and national operators.



Marco Sangiorgio
General Manager CDP Investimenti SGR



Data and KPIs empowering the Italian hospitality industry

When presenting an important annual report, the temptation is high to start describing and commenting facts and events which occurred and connoted the period and, also - in a second step – to go further in defining the future possible scenarios to anticipate trend dynamics.

Actually, such an approach has been not easy in the last few years characterized by uncertainty and market volatility. At international level, both macroeconomic indicators as well as sociopolitical drivers haven't helped describing the overall competitive environment, not even at the European ground.

However, focusing here the attention on the tourism and hospitality industry, our task is rather facilitated. It definitely allows to approach the study recognizing how better tourism and, in particular, the hospitality industry, performed in terms of continuous growth if compared to other business sectors. And it allows to appreciate how it, lately, showed interesting success indicators both at the Italian and the international level.

To be honest, Italy still remains below the frontier which defines its potential; however, the performance, investment and scale KPIs represent a true stimulus to progress on-the-right-foot and towards the right direction.

It is, therefore, with great interest that the insights emerging from this Horwath HTL Report have to be interpreted: as a sign to analyze the actual and growing potential of a key industry for the Italian economy, driven by an important and very dynamic range of players.

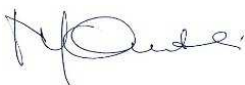
Supply has been further characterized by a good mix of destinations, segments and categories, all aimed at the development of experiential and multi-thematic products, where the use of the ICTs and the destination overall attractiveness, with its peculiar features, are two essential drivers, also in terms of relevant values, for tracing a complete picture of the actual scenario.

The report significantly highlights elements characterizing the specific Italian corporate structure and its business models, in the light of growth opportunities to catch for the next future, in a country, like Italy, where SMEs are very relevant.

The contribution given by the Report appropriate set of data is useful also to raise the hoteliers' awareness about the fact that every successful investment project in tourism should be addressed with both professionalism and competences. In this industry fixed capital requirements are massive and entail consequences in terms of profitability and expectations. A nose (or flair) for business and a superficial technical expertise are not enough: evolving processes are also affecting governance.

Therefore, in order to reach efficiency, knowledge and coherence have to be empowered; the same knowledge and coherence which are enforced by the figures here presented and which constitute a powerful tool for engaging a healthy competition between and among local SMEs and big international hotel chains.

Only a reciprocal growth shall advance the hospitality industry as a whole; breaking down sterile barriers and stereotypes helps everyone!



Prof. Magda Antonioli
Director ACME (Master Degree in Economics and Management in
Arts, Culture, Media and Entertainment), Bocconi University

More corporate than ever before

Hospitality in Italy is slowly consolidating its ownership and management corporate structure. Its competitive backbone is no longer constituted simply of family-run hotels, since the core of big assets in the Upscale and Luxury segments is progressively concentrating in the hands of a hundred of operators and owners

We could say 2018 was for Italy the year of confirmation and consolidation.

Performance confirmed the previous year good evidences, with hotels demand further growing (+2.3%) especially thanks to international flows. The hotel industry continued to consolidate in terms of both operating companies (16% of rooms) and owning structure, due to the expansion of domestic chains and the unrest in investment funds' interest.

But, overall, the last 3 years have been very vibrant for our industry: we have recorded the merger of the groups ATA and UNA started in 2016 and their consequent re-branding finalized in 2018; we have seen groups such as Starhotels acquiring other chains portfolio (Royal Demeure) in 2017; we followed Valtur hotels footprint in Italy while drastically reducing along 2017 and 2018, awaiting to be re-launched by new owners in 2019; also we recorded the spin-off of the hospitality branch of EDEN into Lindbergh hotels in mid-2018; the acquisition of Piazza di Spagna View by IH Hotels in early 2018; finally, the crumbling of Acqua Marcia Hotels, following the distribution of most of its assets to domestic investors and international brands (Rocco Forte) in late 2018. Moreover, new international operators recently entered our market (London + Regional, Thomas Cook, The Student Hotel, others), and much more.

Groups are actively seeking expansion, from the very small ones to ITI, Starhotels and TH.

But what is then branding and getting into a chain all about? How will this consolidation impact our hospitality industry?

It is often mentioned that, at industry level, service and facilities standards improvement are one of the key results of chains expansion in a country. With an internal perspective, for the staff of a chain, we could argue that also the enlarged working environment provides more opportunities to challenge abilities and knowledge and more variety during the year, whereas chains use to rotate personnel in their S&B and Mountain resorts. International chains also expose Italian hoteliers to a wider competition landscape and support the updating of competences. Domestic chains do the same at country level.

At destination level, it was demonstrated that hotel chains bring local competition to a higher stage. In small destinations affiliated hotels often become the leading player in terms of price setting and product review, thus supporting the destination repositioning and its higher visibility on the national and international market.

While the equivalence "*more chains = more standardization*" would work for certain countries in Europe which cannot rely on a vast and well-seasoned tradition of hoteliers, for Italy this is not that straight: most domestic hotel chains, which are prevailing in the country, are embedded with the halos of warm hospitality, customization of service, friendly customer care and delivery of the "Italian touch": all those distinctive features which are particularly appreciated by foreign guests in the Upscale and Luxury scales.

The consolidation trend is then expected to benefit our industry along these coming years.

For the next future, while the number of hotels in the Country will diminish (as recorded for the last 10 consecutive years) due to the "retirement" of those properties which cannot be appealing for independent operations nor affiliated, chains will continue to consolidate and get closer to one fifth of the overall room inventory.

For discerning chains, then, this is not a mature market at all, as one could think. Yet in 2019 opportunities are there to be explored, out of top tier cities, out of conventional development strategies.

10 things to know from the 6th Edition

15.8%

*2018 chain rooms
penetration*

In 2018 the total penetration rate of chain rooms got closer to 16%. This figure reaches 50% in the Upper Upscale & Luxury segment and 33% in the Upscale segment.

+276

*net growth in chain
hotels since 2013*

The net balance in chain hotels since 2013 is +276 units, equal to +21%. Rooms have grown in the same period for 27,900 units (+19%). During the same period Italy has reduced its hotels (overall) portfolio by -6,400 units.

+8%

*Luxury rooms growth
vs 2017*

The Upper Upscale and Luxury (here equivalent to the 5 star category) is the segment which has recorded the highest growth in 2018.

5%

*of chain hotels under
management contracts*

Management contracts in the Country remained rare. They were 5% of the overall distribution of business models in 2018. Franchising is set at 20%. Lease and management under direct ownership together total 74% of chain hotels.

20,800

Chain rooms in Rome

Rome accounted for 20,782 chain rooms as of December 31st 2018. It is followed by Milan with 15,061, Venice with 5,955, Florence with 4,967 and Bologna with 3,441. Chains are spread over 468 destinations in Italy.

Besides the big deal around branding and pipeline, during 2018 only 4 international brands succeeded in opening in Italy for their first time, namely Sentido by Thomas Cook, The Student Hotel, London+Regional and Radisson Collection. Many new brands have openings planned along 2019.

4

new international brands entered in 2018

Italian chains with at least 1 hotel owned, leased, managed or franchised abroad are 15, as many as they were last year. Their overall international portfolio sums up to 5,800 rooms for 52 hotels (NH portfolio in Europe, Spain excluded, accounts for 24,800 rooms in 150 hotels, in 2018).

15

Italian Chains have an international footprint

The current amount of pipeline rooms we have recorded in our last census for the coming years (2019-2022) is 15,651 belonging to 118 new hotels, the majority of which in the Midscale and Upscale segments, 60% of which branded by international operators.

15,700

New chain rooms expected for 2019-2022

According to official financial reports for last available fiscal year, in 2017 Starhotels generated the highest total operating revenues (from its Italian portfolio only) among the Italian operators, followed by Gruppo UNA and Aeroviaggi.

STARHOTELS

is the Italian chain reporting the highest operating revenues

Based on pipeline, growth pace and average TRRevPAR per each Chain, the Leading 10 Chains Cluster will move from current (2017) aggregated total operating revenues of 0.8 bn Euro to 1.0 bn Euro in 2020.

1.0 bn €

Projected total revenues for the first 10 Italian Chains in 2020

Hotel Industry in Europe and Italy

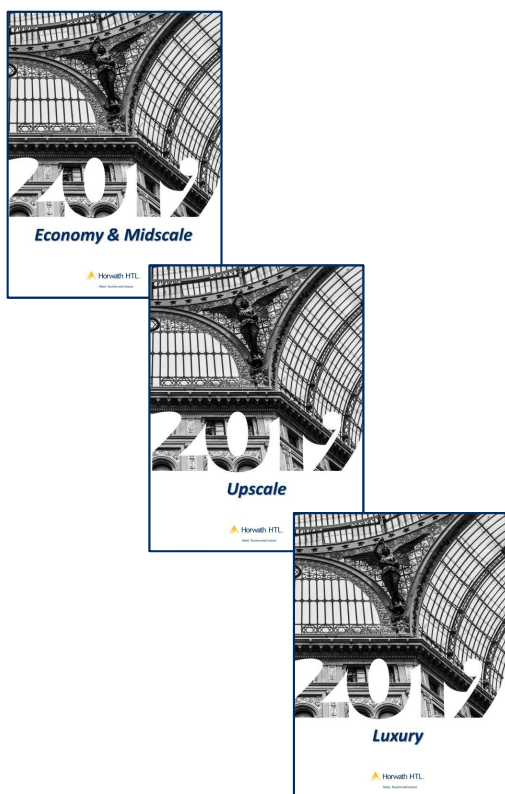
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Order the Hotels & Chains *Markets* 2019 Edition

After 6 years of running the census in Italy we structured the most complete database on hotel chains in the Country, built and updated by Italian analysts based in Italy, with corporate information on presence, pipeline and key features of all the chain hotels in Italy.

The *Markets* Edition is a segmented analysis of “who is who”, KPIs, dimensions and volumes for the world of Italian hospitality which provides an in-depth view on each segment of the market with unprecedented level of detail, accuracy and update.



3 different reports covering the

- **“Economy and Midscale”,**
- **“Upscale”**
- **“Luxury”**

markets, each providing:

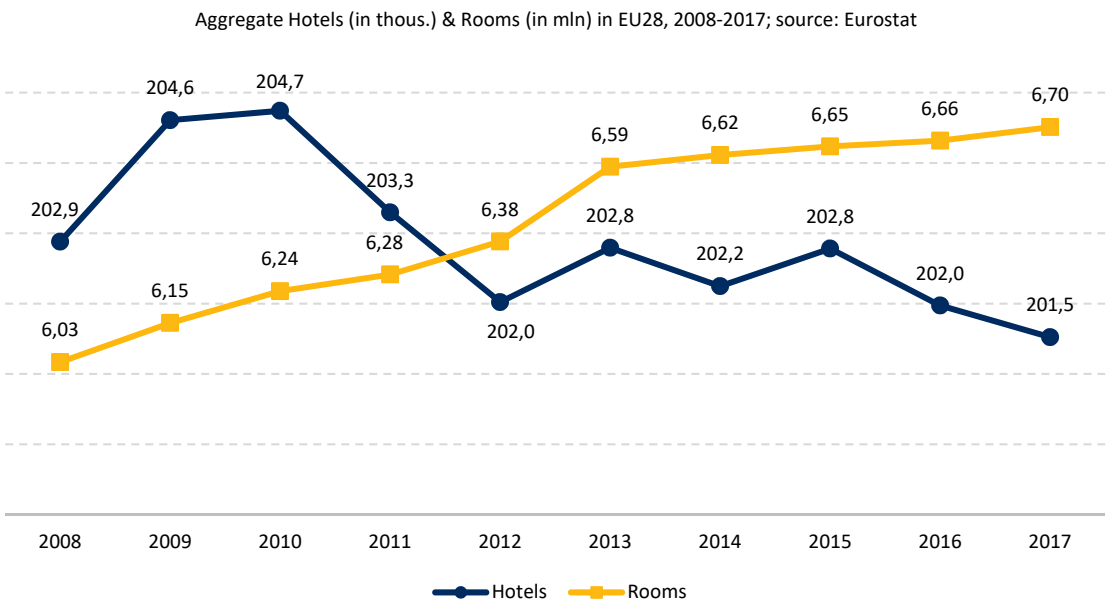
- **Key performance indicators** for a consistent panel of branded and independent hotels (TrevPAR)
- 10 year trend in **demand and supply**
- **Extended rankings** of operators in the segment, with details of size, business models, history of the last 5 years
- **Recently branded** and de-branded properties
- **Pipeline**
- **Relevant transactions**
- Top 20 destinations complete outlook, including geo-referencing of chain and independent hotels
- Interviews with **Italy and EMEA development directors** on hospitality business drivers for 2019 for the segment
- ...and much more.

The *Markets* Edition transfers business intelligence value to development analysts and directors.

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Hotels in Europe and Italy

*Italy, the first hotel portfolio in Europe, gets smaller over years
Yet more hotels leaving the competition than new ones built*



With 33 thousand hotels and 1.1 mln rooms, according to the last available data from Eurostat (2017), Italy accounts for the biggest hotel portfolio in Europe, followed by Germany (32.7 thousand hotels) and Spain (19.6 thousand hotels). This latter is the only country among the big markets of Europe who has experienced a growth in its hotel portfolio in the last year of available statistics.

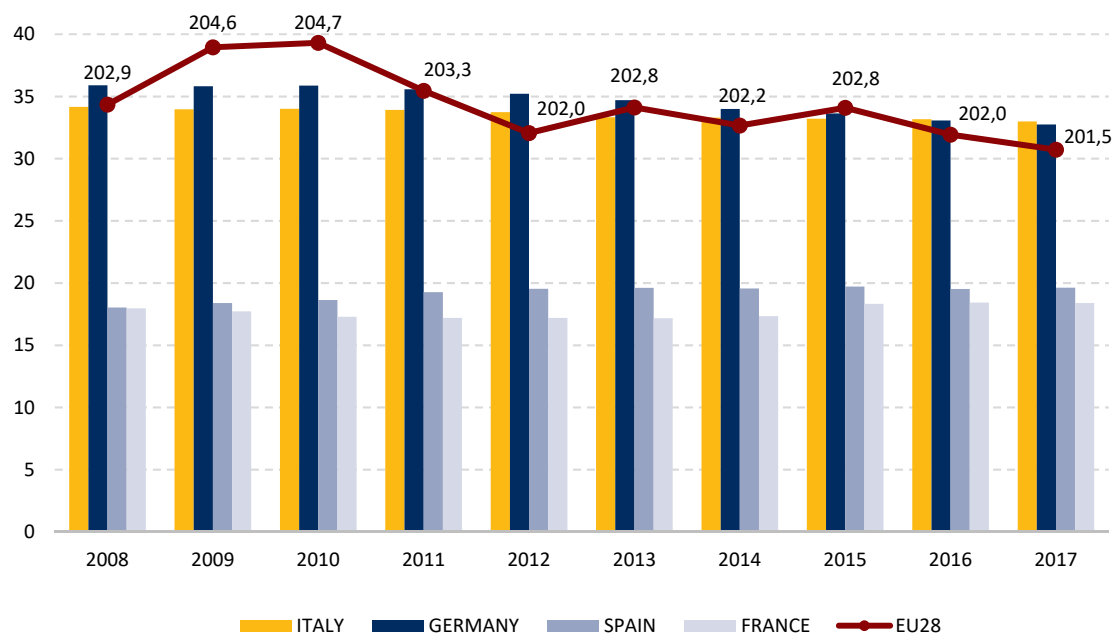
During 2008-2017, the very different paths followed by major markets' hotels portfolios summed up to a steady EU28 overall supply (CAGR -0.1%). The number of hotels in the EU28 is going slightly down, though, since 2010.

Due to reduced competing power of certain hotel categories and concentration over major destinations through new projects of bigger size, in the last 10 years Germany has reduced by approximately -3,140 hotels, Italy by -1,170 hotels, Austria by -1,600 hotels.

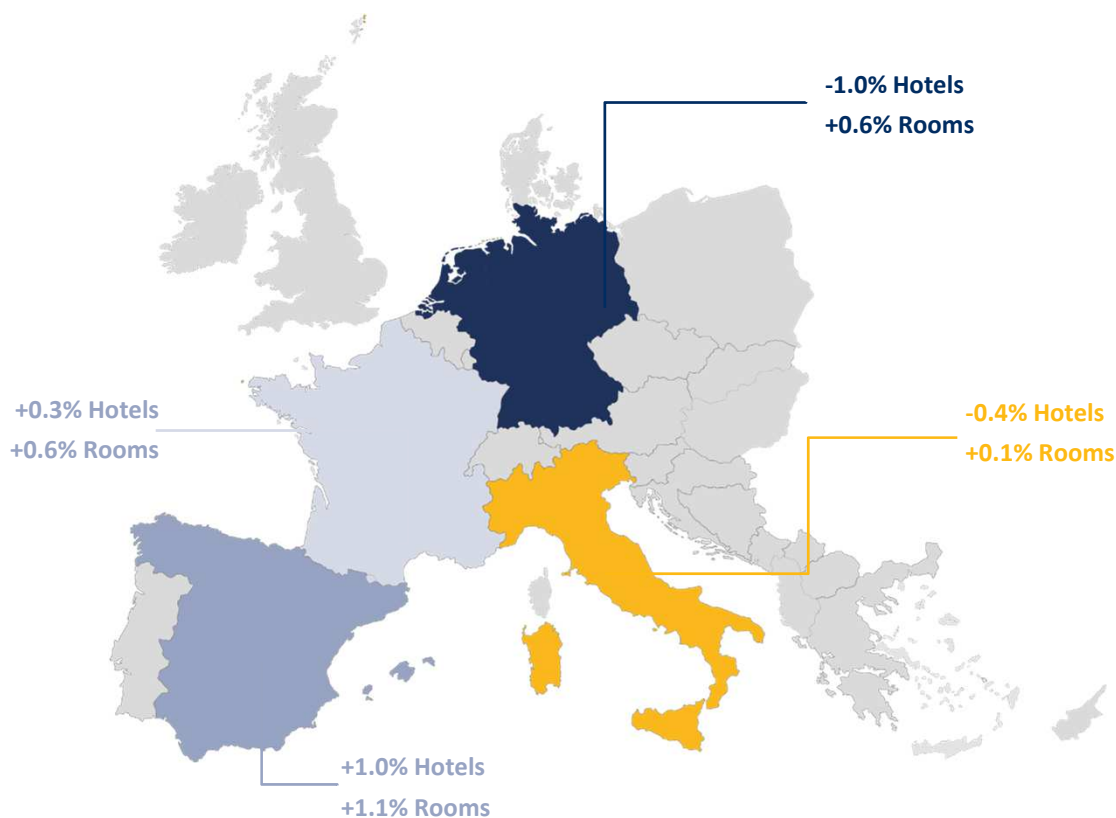
While this negative trend is quite common among big markets, with a relative exception for Spain and France, a common path is not evident for the whole Europe.

Indeed, Eurostat data confirm that, in the period considered, the rooms portfolio in Europe expanded (CAGR +1.2%), thus the average size per hotel is constantly growing (from 29.7 rooms in 2008 to 33.3 in 2017): whether hotel projects are the more and more greater in size or small hotels are possibly exiting the market, the combination of the two trends is the most likely explanation.

Hotels portfolio (in thous.) in Italy, Germany, Spain, France and EU28, 2008-2017; source: Eurostat



Hotels and rooms portfolio CAGR for Italy, Germany, Spain and France, 2008-2017; source: Eurostat



Hotel demand in Europe and Italy

The top 6 destinations are worth 65% of EU28 total arrivals in hotels. They are running since the financial crisis at +2.6%, (faster than Italy which grows at +2.2%) and even accelerated in 2017 at +4.7% on 2016. Portugal a confirmed star.

Demand for hotels in Europe is in very good health.

Considering just the top 7 markets in terms of arrivals – Germany, France, Spain, Italy, Austria and Netherlands – representing approx. 65% of EU28 volumes, in the last 10 years demand for hotels has grown at CAGR +2.6%. Domestic demand grows slowly (CAGR +1.9%) but steadily, while international demand, fueled by extra-European flows, grows twice as fast (CAGR +3.8%).

For these top 7 destinations most recent yearly data (2017) record a growth of total +4.7% on the previous year. In 2017 total arrivals to German hotels peaked at 140 mln, recording +3.7% on previous year, a significant growth for a mature market, but modest if compared to Portugal (+12.4%), Netherlands (+10.9%) and even France (+4.8%). Italy recorded a +3.9% growth, a trend which accelerates on the historic long term performance.

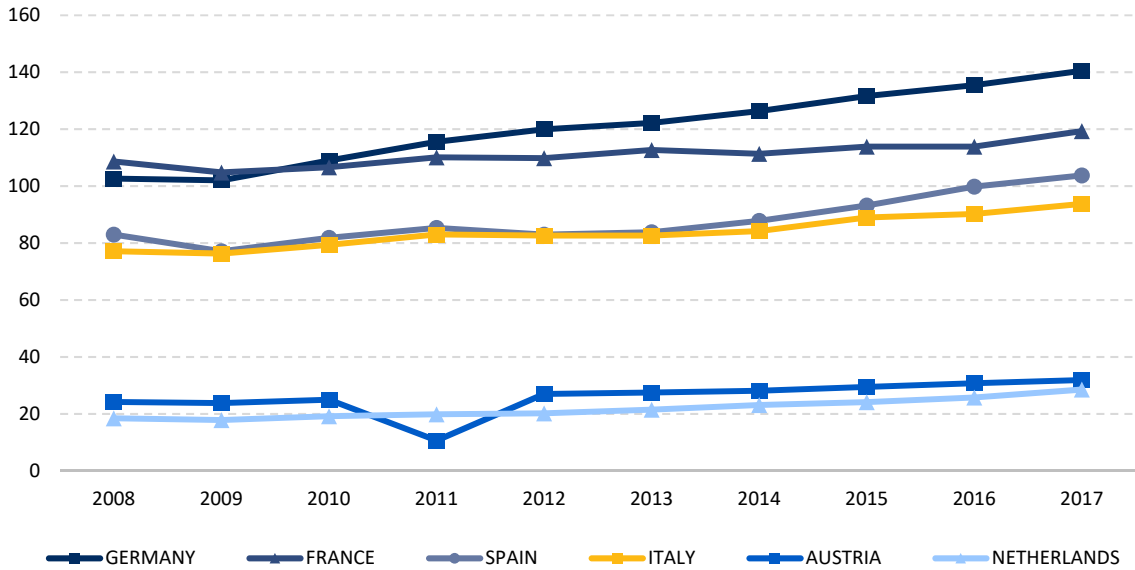
France, Italy and Spain are historically the countries accounting for the least growing internal demand. Their destinations are mature for domestic travelers and there are very few reasons for flows to grow, with the exceptions of new big events in the calendar.

International demand share has not changed that much along the last 10 years for Germany, France and Austria, where internal demand has grown in parallel to the international one. As opposite, across the financial crisis years and the recovery, Italy recorded a growth of +5 p.p. in its foreign market share (from 44% to 49%), while Spain did +8 p.p. and Portugal +9 p.p. Keeping this pace would lead Portugal in 2020 to literally double demand for its hotels since the financial crisis year.

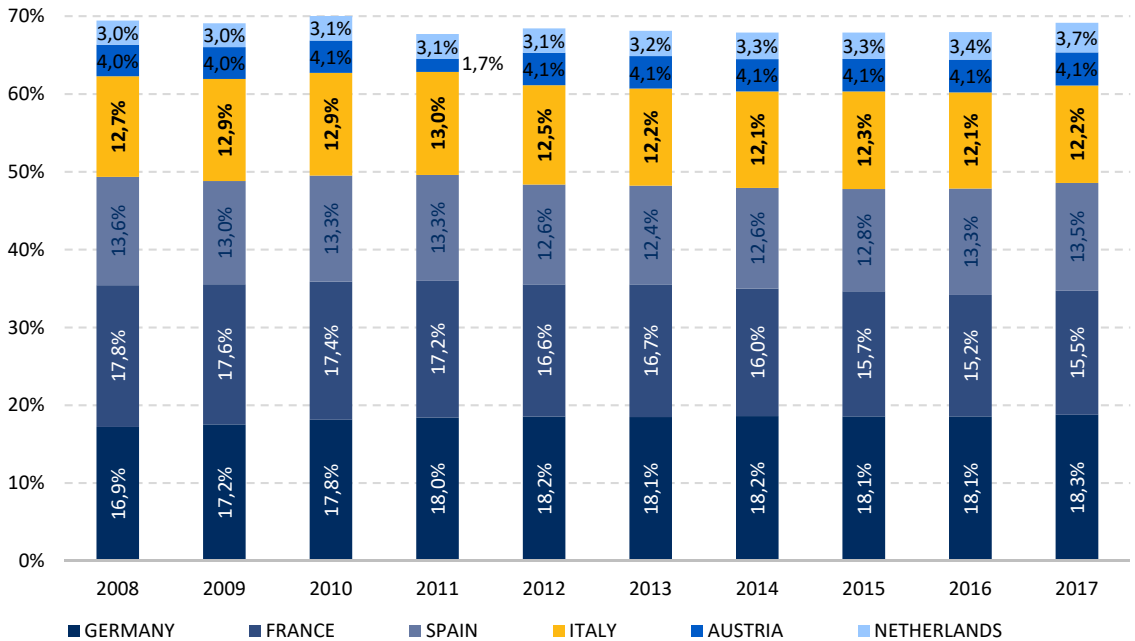


View of the façade of the Risorgimento Resort in Lecce, gentle concession of Vestas Hotels & Resorts

Total arrivals in Hotels for the top 6 destinations in Europe 2008-2017; source: Eurostat



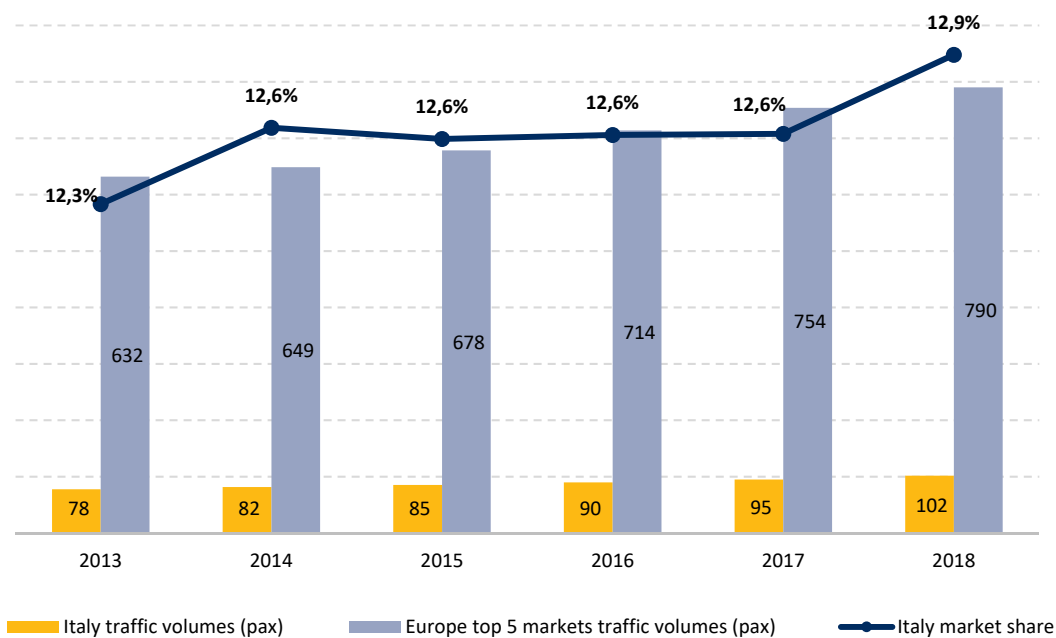
Market share on EU28 volumes of total arrivals to Hotels for the top 6 destinations in Europe 2008-2017; source: Eurostat



Airports in Europe and Italy

2018 was a great year for airports traffic in the top 5 markets of Europe: the average growth YoY was close to 5%. Spain has deployed its low-cost incoming strategy, recording an yearly growth rate of +7% in its top airports traffic along 2013-2018. Air pax in Italy grown at 6% in the last 5 years, while even faster in 2018 (+7.4%).

Passengers (Mln) in top 5 airports of Italy and of selected countries (Germany, France, Spain, UK); Italy top 5 airports market share, 2013-2018; source: Assoaeroporti and several international aviation authorities



Looking at airports traffic provides an interesting perspective on hotels business and confirms the very fast pace at which European top destinations have recovered since the financial crisis.

We have selected the top 5 markets in Europe (UK this time included, Germany, France, Spain and Italy) and chosen the top 5 airports per market, for the last 6 years covered by this Report, 2013-2018.

Passengers flows through all these top 25 airports have increased during the period, partially as a recovery from the years of the financial crisis (UK especially) or because of the boost in destinations appeal (Spain), the only exception being Manchester (CAGR -1% in the period). London Heathrow confirms its leadership in Europe, recording 80 mln pax in 2018.

Among the highest growth reported by this panel for the last 6 years, in UK, London Luton has grown at a +12% (CAGR), London Stansted at +9.5%, Catania in Italy over +9%, Malaga Costa del Sol in Spain at +8%, Orio al Serio (Bergamo-Milan) again in Italy at +8%.

More in general, top airports have all recorded a relevant compound average growth rates for the period, especially in Spain (+7.2%) and Italy (+5.6%). In particular, Italy recorded the highest increase for 2018, considering its top 5 airports, which recorded a unexpected +7.4% on 2017, boosted by Milan Malpensa (+11,4%) and Catania performance (+8.8%).

As a consequence, Italian top 5 airports market share on these 25 top airports has slightly increased during 2013-2018, moving from 12% to almost 13%.

These years have really seen a lot of evolution taking place in airport traffic. Spain has deployed a winning strategy made mainly of frequent low-cost flights reaching even major airports. Just to give an idea: in 2013 Spain (top 5 airports) recorded all together 43 mln pax over Italy top 5, while in 2018 the figure reached over 69 mln pax more. France and Spain (top 5 airports) started from the same passengers volumes in 2013: today Spain accounts for 40 mln pax more than France.

Interesting to note that UK concentrates top 5 airports flows to 2 destinations only (London 4 airports, all growing, and Manchester falling), which highlights the role of the capital city as the core of tourism attentions. As opposite, Spain, France and Italy spread flows over more destinations, with a less relevant role of the central hub airport. This gives the idea of the variety of tourism flows and might be a sign both of a different market mix (business vs leisure) and the differences in airport country networks.

Selected KPIs for top 5 airports (2018) in UK, France, Germany, Spain and Italy

Top 5 airports per key market		Traffic concentration	CAGR (2013-2018)	Growth 2018 vs 2017
UNITED KINGDOM	LONDON HEATHROW	40.4%	1.9%	2.7%
	LONDON GATWICK	23.6%	6.5%	1.1%
	MANCHESTER	14.4%	-1.7%	2.2%
	LONDON LUTON	8.2%	13.0%	6.3%
	LONDON STANSTED	13.4%	9.7%	8.5%
	TOTAL Top 5 Airports		4.0%	3.3%
FRANCE	PARIS CHARLES DE GAULLE	51.9%	2.9%	4.0%
	PARIS ORLY	23.9%	3.2%	3.4%
	NICE	9.9%	3.7%	3.8%
	LYON SAINT EXUPERY	7.5%	4.1%	10.0%
	MARSEILLE	6.7%	2.4%	4.4%
	TOTAL Top 5 Airports		3.1%	4.3%
GERMANY	FRANKFURT AM MAIN	37.6%	2.7%	7.8%
	MUNICH	25.9%	3.6%	4.0%
	DUESSELDORF	14.3%	3.8%	-1.2%
	BERLIN TEGEL	11.9%	1.1%	7.8%
	HAMBURG	10.3%	6.9%	-2.3%
	TOTAL Top 5 Airports		3.3%	4.5%
SPAIN	MADRID-BARAJAS	33.2%	7.7%	8.4%
	BARCELONA-EL PRAT	29.4%	7.6%	6.4%
	PALMA DE MALLORCA	17.4%	5.3%	4.3%
	MALAGA-COSTA DEL SOL	11.6%	9.6%	2.2%
	ALICANTE-ELCHE	8.5%	9.3%	2.2%
	TOTAL Top 5 Airports		7.6%	5.8%
ITALY	ROME FIUMICINO	43.0%	3.2%	5.1%
	MILAN MALPENSA	23.3%	5.5%	11.4%
	ORIO AL SERIO	12.9%	8.4%	5.7%
	VENICE MARCO POLO	10.8%	5.2%	8.7%
	CATANIA	10.0%	9.0%	8.8%
	TOTAL Top 5 Airports		4.3%	7.4%

Business events in Europe and Italy

Europe remains the world preferred location for big congresses worldwide. Italy stands within the Olympus of preferred destinations, but while Barcelona (1st world city for ICCA congresses in 2017) continues to attract business and association events, Rome (20th) struggles.

There are dates of the calendar when demand to hotels, for discerning revenue managers, is driven 99% by trade fairs, congresses and big meetings (ask Milan, Dusseldorf or Wien). Nevertheless, Barcelona, which is far from being a business centric destination, ranks the first (in 2017) for number of congress days, 195, followed by Paris and Wien at 190, Berlin at 185 and London at 177.






It takes 20 positions to find the first Italian destination in the ranking, Rome, with half the volumes of Barcelona (96 meetings). But, as a whole, Italy is doing better than ever before. Its volume of big meetings and congresses is increasing. During the last 5 years of ICCA statistics (2013-2017), Italy moved from 447 big meetings and congresses to 515, switching from the 5th position in Europe to the 4th.

The Country continues to be well-reputed as a location for international association meetings and congresses, being among the top 5 in the world (after USA, Germany, UK, Spain and ahead of France).

Looking at most recent data, 2017 vs 2016, while UK recorded a modest +2%, France a -7%, Germany a -1%, Spain and Italy significantly converted their international growing appeal into events, respectively at +6% and +10%.

The slow but steady development of CVB platforms in the Country, which came much delayed in respect to other European destinations, may lead to more success in the near future, thus supporting hotels business demand growth.

ICCA ranking of top 5 countries, based on number of events and meetings, 2017; source: ICCA

ICCA Europe Ranking 2017	Country	Trend (2016-2017)	# of ICCA events	ICCA World Ranking 2017
1st	Germany		682	2nd
2nd	UK		592	3rd
3rd	Spain		564	4th
4th	Italy		515	5th
5th	France		506	6th

Hotels contribution to Italian economy

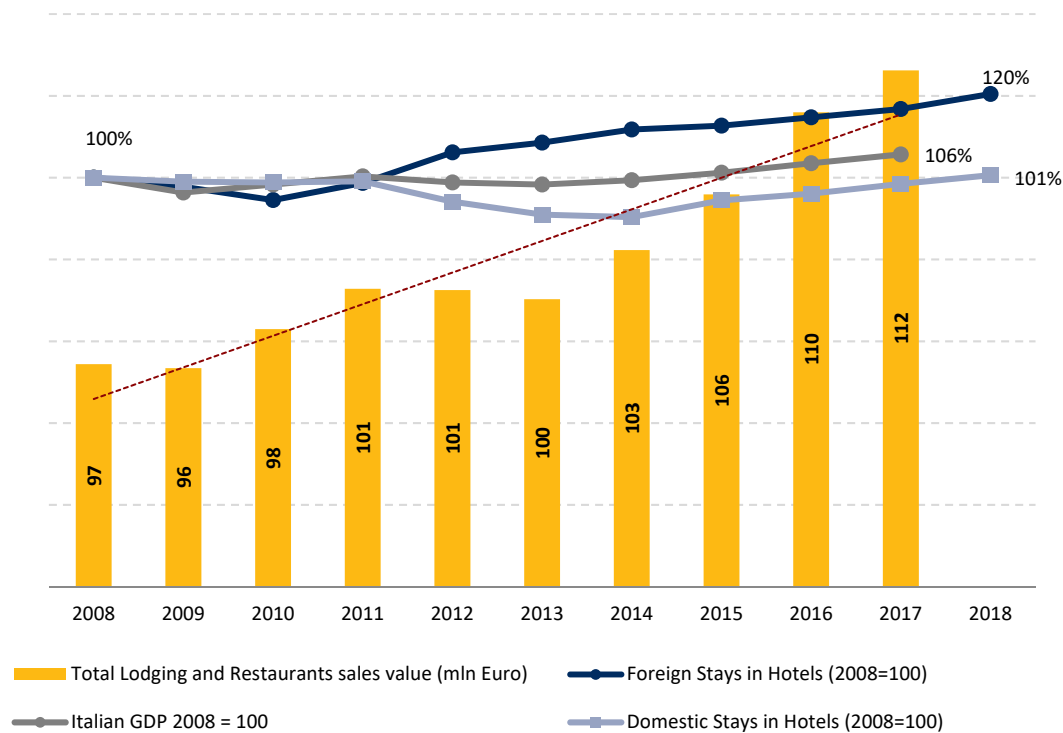
As recently announced, 2018 was a weak year for Italian GDP growth (somehow a recession). Does tourism offset the economic cycle?

In 2017 the contribution of international tourism demand to Italy was (under)estimated in 39.2¹ bn Euro, equivalent to 2.3% of the GDP. Does this measure correctly represent what the international demand means for our Country?

Compared to the rest of industries of the Country, hospitality and restaurants, totalling in 2017 approximately 112 billion Euro² (6.5% of Italy GDP), grown faster and vigorously since the financial crisis and have only partially followed the path of GDP growth.

The chart analysis clearly explains that the lodging and restaurants industry is strongly driven by foreign consumption that offset domestic demand, which would be more, of course, correlated to GDP trend. Indeed, domestic stays in hotels have recorded almost no change over the last 10 years (+1%), while foreign stays have grown by 20%. The lodging and restaurants industry is the more and more dependent on international demand, while Italian GDP is the more and more dependent on this industry performance.

Comparison of trends for the period 2008-2018: Lodging and restaurants total value produced (in Mln), Foreign overnight stays in hotels, Italian GDP (real values), domestic overnight stays in hotels; source: ISTAT



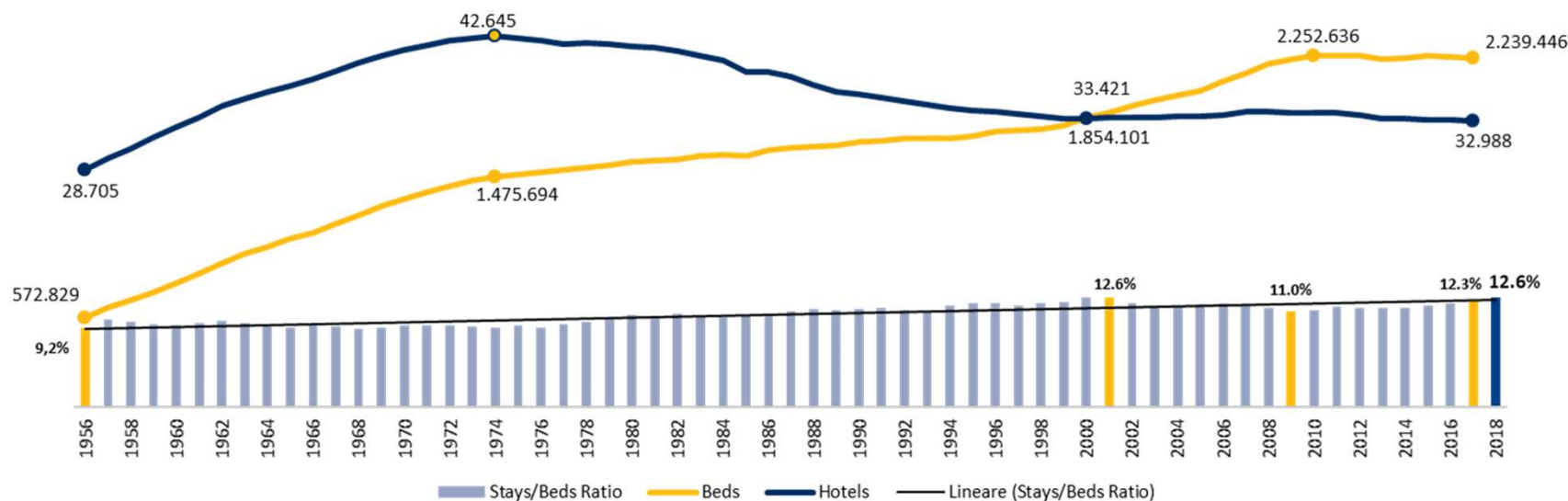
¹Source: Bank of Italy, estimate based on the monthly survey carried at Country borders, based on a panel of 150.000 interviews.
²Estimated: ISTAT data have been disclosed for 2017 as “added value” and not yet \as sales value, thus here we applied a proportional growth on 2016, equal to 2%.

Long-term trends for hospitality supply in Italy

3 major long- term trends make Italy a safe environment for hotel business, and even better for the time coming

- As aggregated, hotels will not grow in the next future, at least they will remain 33.000 and move from low segments to the Upscale and Luxury segment, reshaping the current segments mix.
- Beds supply, a good proxy for room supply, is not expected to grow neither. For the first time in over 50 years, in 2010 hotel beds supply ceased its growth and stabilized.
- The good news is that, in the long run, our industry is sustainable since the demand/supply ratio tendency is positive. Looking at over 60 years, hotel beds demand (CAGR +2.75%) is growing faster than hotel beds supply (+2.26). Knowing that the hotel supply has not grown in 2018, while overnight stays have accounted for a +2.3% growth on 2017, this gross beds occupancy ratio have peaked in 2018 its top level since 1956 (reached in 2001 only).

Hotels and beds supply and "overnight stays / beds ratio" in Italy, 1956-2018 (2018 projected); source of data: ISTAT



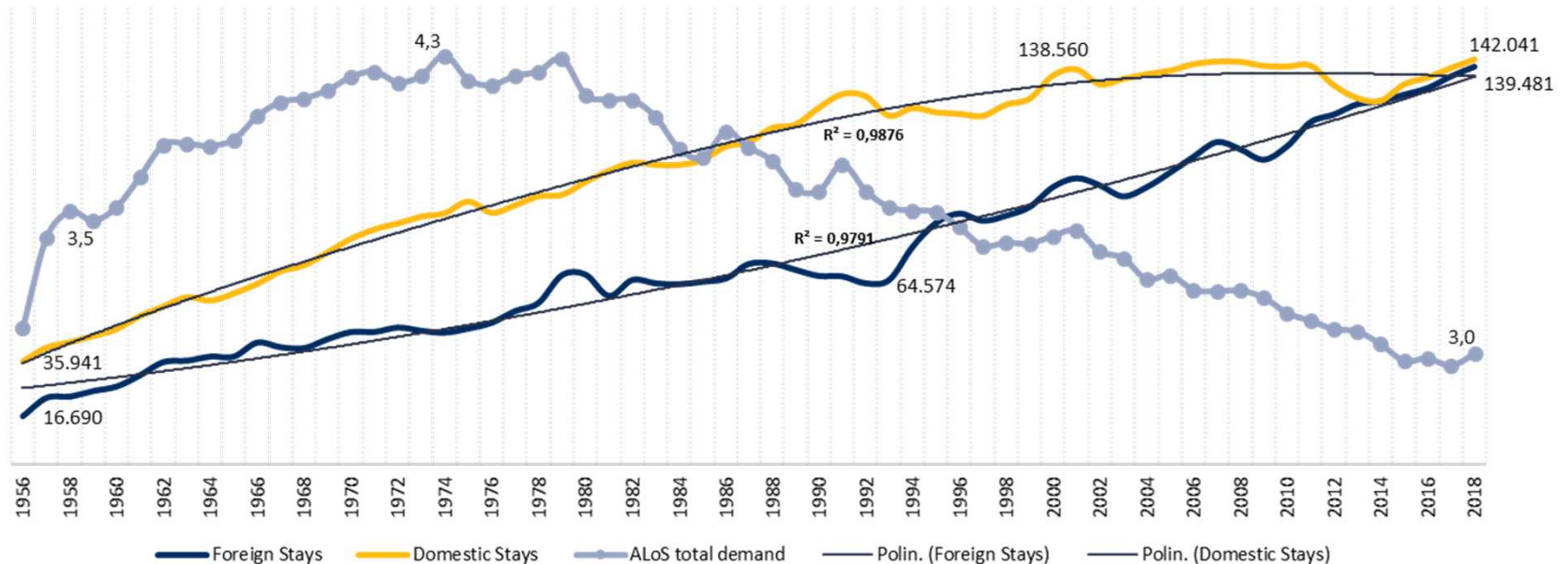
Long-term trends for hospitality demand in Italy

Through the eyes of the long term, domestic demand for hotels appears static and mature. New fuel is expected from international markets, demonstrating renewed interest to longer stays in 2018.

In 2018 hotel demand accounted for a net growth on 2017 of +0.6% of arrivals and +2.3% of overnight stays. It is a limited growth if compared to 2017 on 2016 (+2.8%), but yet positive. Stays have increased among foreign demand (+2.5%), with improvements in the average length of stay. Domestic demand has never been so high, higher than the top level reached in 2007, but it reports a decreasing growth rate and appears to be close to static in the long run.

The international demand will play a key role in the industry growth, especially through S&B and Mountain resorts (which can impact ALoS, otherwise destined to reduce). Looking at current economic cycle, we expect more growth generated by foreign markets for 2019 and 2020, while domestic market will stagnate to the volumes reported in 2018 or close to.

Domestic vs international overnight stays (in thous.) and total average length of stay in hotels in Italy: trend and polynomial regression curve, 1956 - 2018; source of data: ISTAT







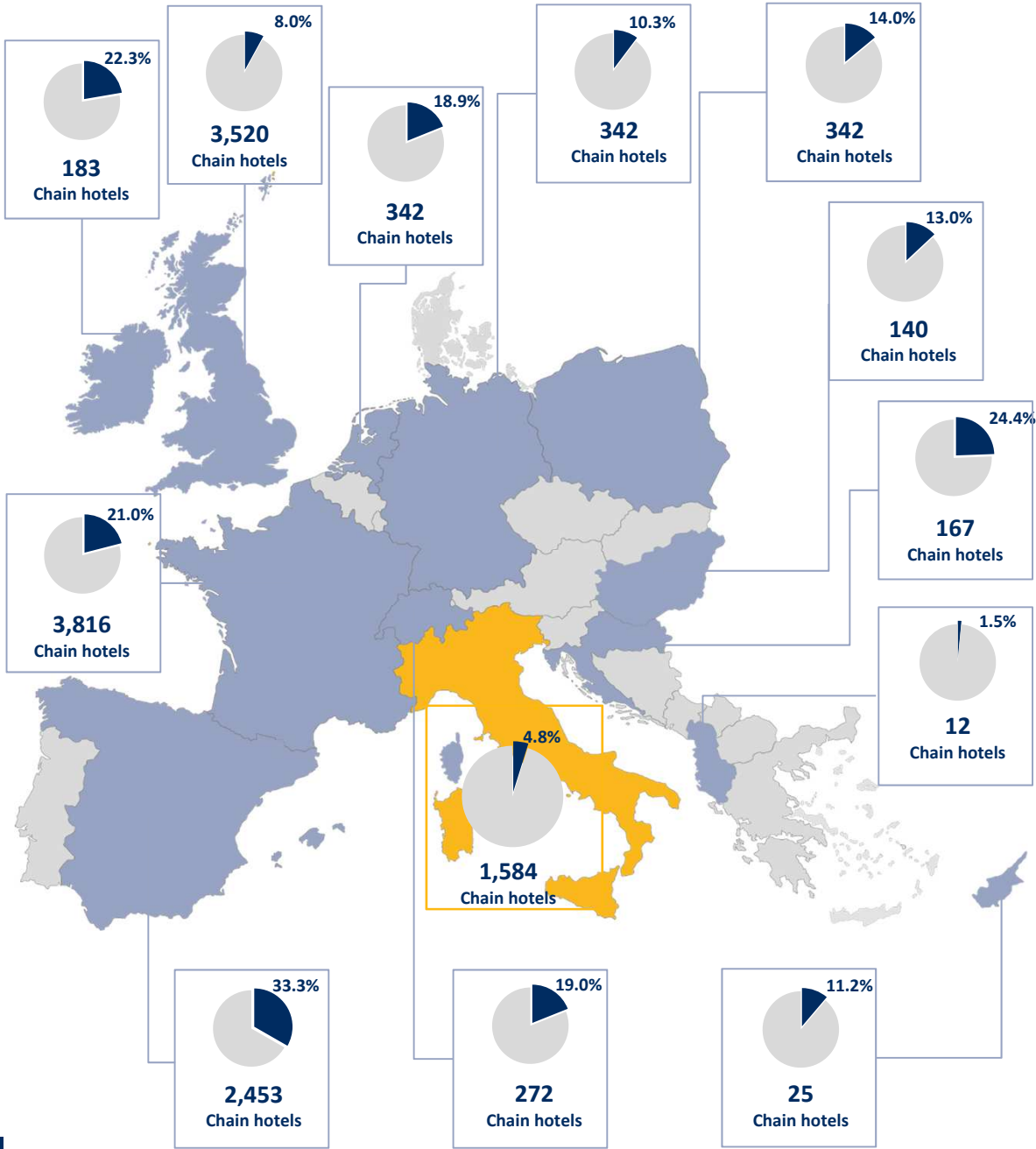
Hotel Chains in Italy

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Chains growth and Europe

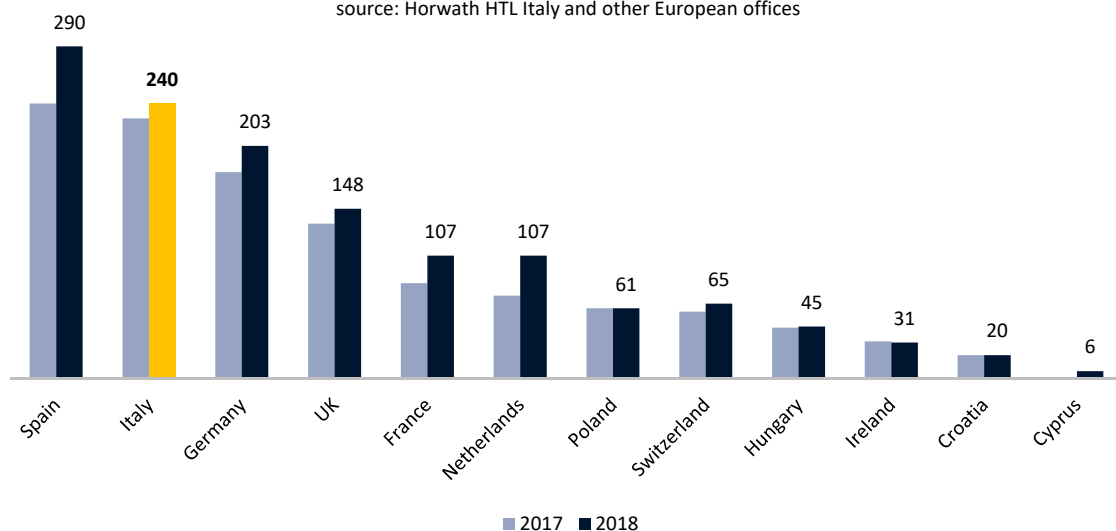
Horwath HTL has updated its yearly census of hotel chains in Europe. According to the last report (Oct. 2018), 1/3 of hotels in Spain operate under a chain, 1/5 in France and Austria, 1/10 in Germany. But consolidation is faster in the rest of Europe and major international groups expand at an accelerated pace especially in Germany and France.

Number of chains' hotels and chains penetration by hotel in selected European Countries (2018); source: Horwath HTL Italy and other European offices

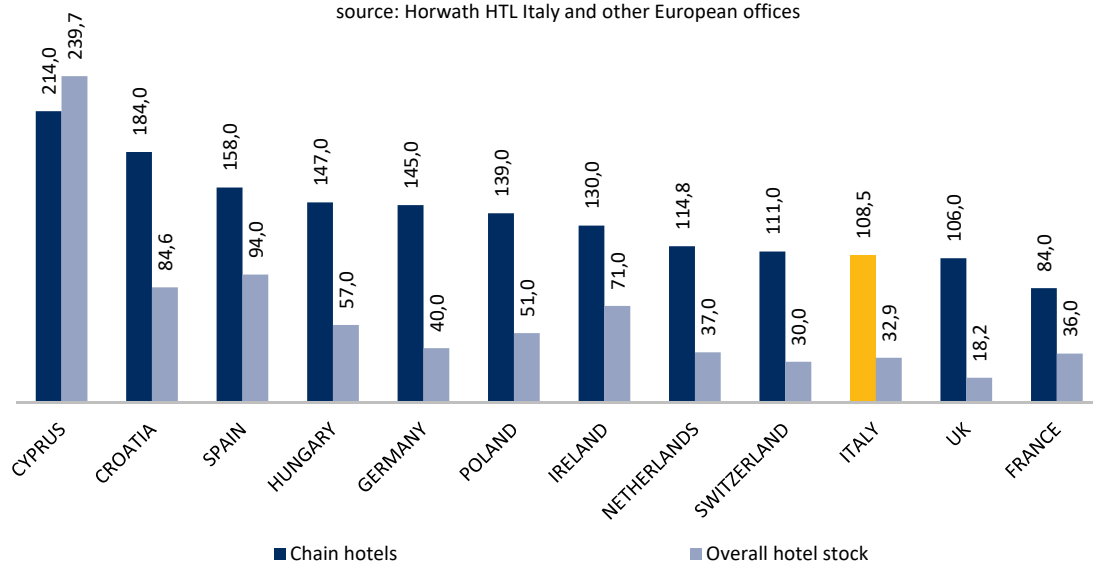


Not all country figures are updated to 2018.

Number of brands in selected European, 2017-2018;
source: Horwath HTL Italy and other European offices



Average size of chain hotels and overall hotel stock in selected European countries;
source: Horwath HTL Italy and other European offices



Italy accounts for one of the largest portfolio of brands concentrated in one country, together with Spain. The brands footprint has grown faster in Spain last year than what was recorded for Italy, though. Spain, Italy and Germany are much more prolific than France in terms of small domestic groups and very likely provide a fertile competitive environment for structuring new hospitality corporation as start-ups.

Meanwhile, France has seen Accor buying several well-established brands and small groups, some of which have then been re-branded under existing labels: a process which has fostered France consolidation of hospitality groups.

Key Evidences form 2018

The 6th Census confirms several interesting truths about hotel chains in Italy, among which the most clear is the unrested growth of their footprint

Key evidences of the last 6 years census (Horwath HTL Italy)	2013	2014	2015	2016	2017	2018	Growth % 2018 vs 2017	Growth % 2018 vs 2013
Chain hotels								
Chains Hotels	1,308	1,330	1,360	1,424	1,488	1,584	6.5%	21.1%
Italian Hotels Stock (overall supply)	33,728	33,316	33,290	33,199	33,166	32,988	-0.5%	-2.2%
Chain penetration % by Hotels	3.9%	4.0%	4.1%	4.3%	4.5%	4.8%	6.7%	23.1%
Chain rooms								
Chains Rooms	143,968	144,956	148,963	158,043	164,196	171,845	4.7%	19.4%
Italian Rooms Stock (overall supply)	1,093,286	1,089,770	1,090,300	1,091,569	1,091,061	1,086,910	-0.4%	-0.6%
Chain penetration % by Keys	13.2%	13.3%	13.7%	14.5%	15.0%	15.8%	5.4%	19.8%
Average size								
Average Size per Chain Hotel in Rooms	110.0	109.0	110.0	111.0	110.0	108.5	-1.4%	-1.4%
Average Size per Hotel in rooms	32.4	32.7	32.8	32.9	32.9	32.9	0.1%	1.7%
Brands								
Total number of brands	148	170	196	207	227	240	5.7%	62.2%
Domestic Brands	87	98	110	127	137	143	4.4%	64.4%
International Brands	61	72	86	80	90	97	7.8%	59.0%
Chains origin								
International Chains Hotels IDC	516	515	537	515	523	558	6.7%	8.1%
Domestic Chains Hotels IDC	860	882	890	974	1,034	1,102	6.6%	28.1%
International Chains Keys IDC	64,260	62,945	66,042	64,597	65,965	68,961	4.5%	7.3%
Domestic Chains Keys IDC	88,231	90,809	90,637	102,904	107,881	113,848	5.5%	29.0%
Top 10								
Top 10 Chain Groups (by Hotels) total Hotels	488	487	523	520	525	551	5.0%	12.9%
Top 10 Chain Groups (by Rooms) total Rooms	63,078	61,964	62,848	66,475	66,662	67,610	1.4%	7.2%
Business models								
Ownership share %	39%	42%	41%	40%	39%	38%	-2.6%	-2.6%
Franchising share %	25%	22%	24%	23%	20%	20%	0.0%	-20.0%

Among the key trends:

- the greatest growth ever recorded: a net growth of 96 chain hotels (a pace of 8 per month), reflecting faster deals and the growth of certain groups which, now reaching the threshold of 5 hotels, were included in the census;
- the highest number of brands ever recorded, 240, a figure which is much comparable to Spain and among the highest of Europe, indicating Italy is a fertile ground for starting up hospitality corporations and seizes the curiosity of international operators;
- the growth of top 10 groups (for hotels) in the last 6 years reaches +13%: the industry is further consolidating;
- ownership keeps its dominant role among the business models, followed by lease. Franchising relative importance has fall during the period.

Key Happenings of 2018

It has been a very prolific year for chains targeting big resorts.

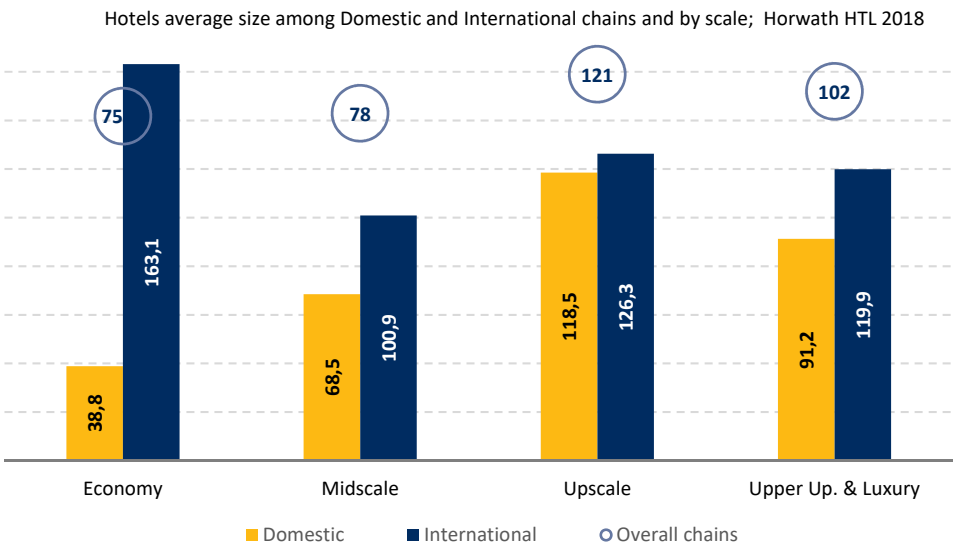
Assets among the biggest of the Country have changed their managing company and brand. Few greenfield developments though, as most big deals took place as re-branding and re-launch. TH has played the role of the protagonist during the year.

Hotels entered in the Census in 2018 with more than 200 keys

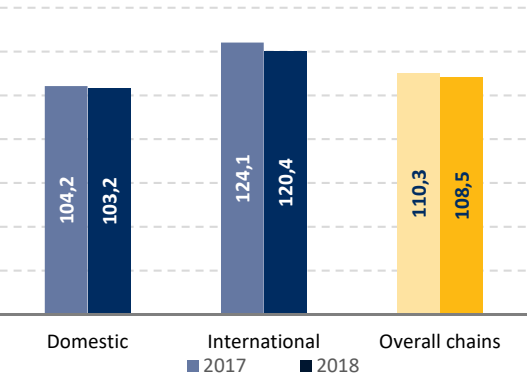
Hotel	Brand	Group	Scale	Keys	Location	Region	Project Type
Tanka Village	VOI	Alpitour	Upscale	903	Villasimius	SARDINIA	Re-branding
Ethra Reserve	Blu Serena	Blu Serena	Upper Up. and Upscale	556	Castellaneta	APULIA	Revamping and Branding
TH Ostuni	TH Resorts	TH Resorts	Upper Midscale	407	Carovigno	APULIA	Branding
The Student Hotel Firenze	The Student Hotel	The Student Hotel	Economy	390	Florence	TUSCANY	Brownfield (Conversion)
Club Med Cefalù	Club Med	Club Med	Upper Upscale	332	Cefalù	SICILY	Re-opening
Cala Gonone Beach Village	Club Esse	Club Esse	Upscale	304	Dorgali	SARDINIA	Re-branding
Torre Cintola	Greenblu Hotels & Resorts	Greenblu Hotels & Resorts	Upscale	283	Monopoli	APULIA	Relaunch and branding
Tower Genova Hotel	Idea Hotel	Idea Hotel	Upscale	283	Genoa	LIGURIA	Branding
Natural Village	Mira Hotels & Resorts	Mira Hotels & Resorts	Upper Midscale	275	Potenzia Picena	MARCHE	Branding
Club Simeri	TH Resorts	TH Resorts	Upscale	265	Simeri Cricchi	CALABRIA	Re-branding
Marilleva 1400	TH Resorts	TH Resorts	Midscale	252	Mezzana	TRENTINO	Re-branding
Villaggio Pila	TH Resorts	TH Resorts	Midscale	249	Gressan	VAL D'AOSTA	Re-branding
Hotel Shangri-La	Loan Hotels	Loan Hotels	Upscale	240	Rome	LATIUM	Acquisition & Branding
Chia Resort	Falkensteiner Hotels & Resorts	FMTG	Upscale	221	Domus de Maria	SARDINIA	Re-branding
San Teodoro Liscia Eldi	TH Resorts	TH Resorts	Upscale	220	San Teodoro	SARDINIA	Re-branding
Sikania Resort	Lindbergh Hotels	Lindbergh Hotels	Upscale	218	Butera	SICILY	Re-branding
Moxy Milan Linate	Moxy	Marriott International	Midscale	200	Segrate	LOMBARDY	Greenfield

Chain hotels by number and size

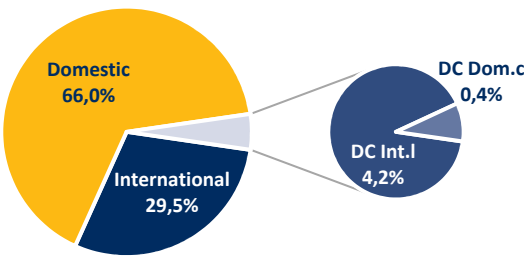
In 2018 the average dimension of chain hotels has slightly reduced to 108 rooms, from 110 in 2017. Is it just a primordial sign of the entrance of “life-style” concepts involving flexibility for assets of reduced size?



Hotels overall size among Domestic and International chains, 2017-2018; Horwath HTL 2018



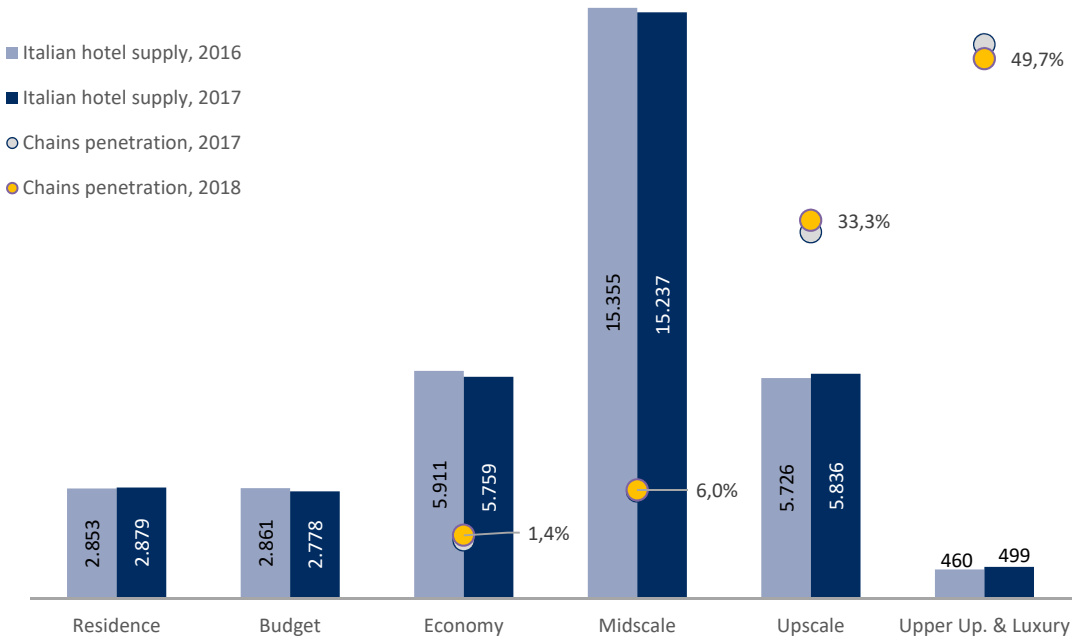
Chains’ hotels distribution among International, Domestic and Second Tiers (Int.I and Dom.c); Horwath HTL 2018



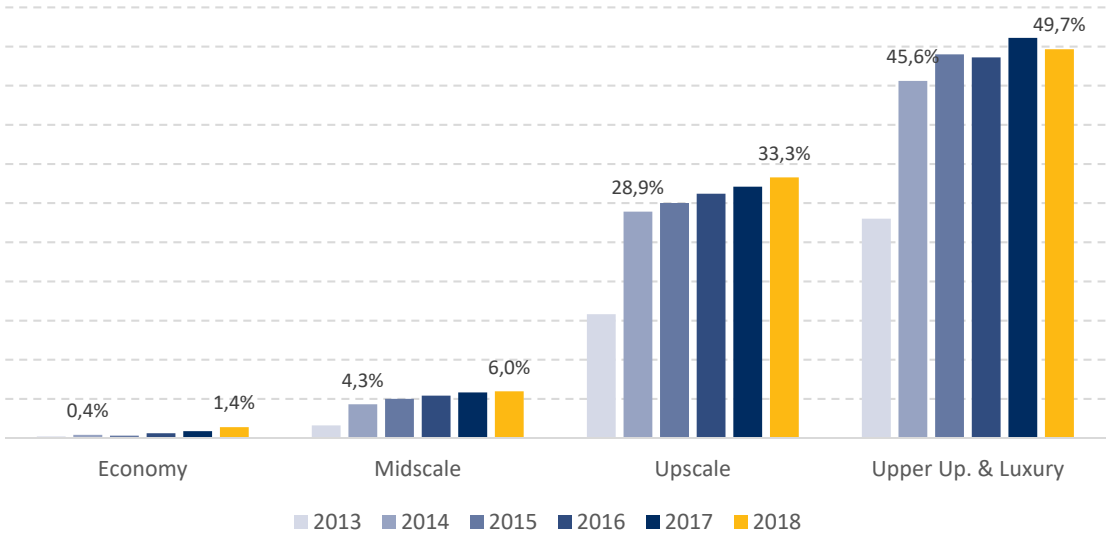
The overall average size of chain hotels in Italy is about 108 rooms. It has slightly changed over years, while maintained around 110 rooms. International chains hotels are bigger in all segments. The difference in size for the Economy of international vs domestic operators, clearly illustrates the antipodean point of view about how to compete in this segment. International operators have attacked the Economy segment through conversion or greenfield developments (never re-branding) of big assets over 160 keys on average. In the Upscale tier the size of hotels and resorts is generally the highest (121 rooms in 2018, 123 in 2017).

Domestic chains continue to prevail in the Italian market but the more and more they partner with international operators as franchisors. Indeed, the number of "white label" operated hotels has grown from approximately 50 to 76 this year. Today, 5% circa of chain hotels are operated by a white label and branded by an international (or very rarely domestic) brand. Thus we replicate what we argued about the 2017 census, saying that there is few new under the sun about the composition of corporate governance in the country environment of chain hotels: 2/3 of chain hotels portfolio belongs to domestic groups.

Italian hotels portfolio by scale in 2016-2017 and chains penetration rate by rooms; Horwath HTL 2018, ISTAT 2017



Chains penetration rate (by rooms) by scale in the last 6 years ; Horwath HTL 2013-2018

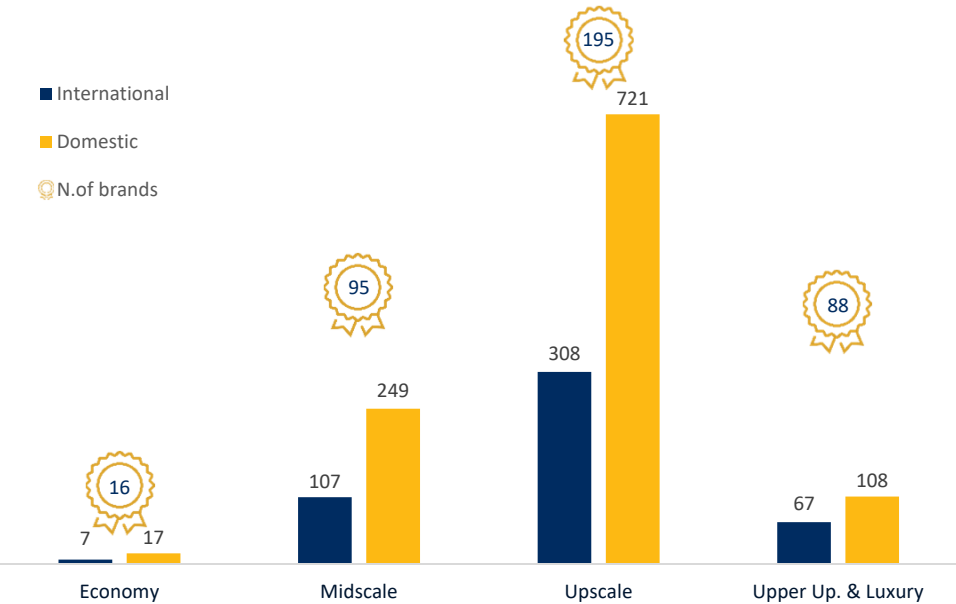


The Economy is still the unexplored segment which could demonstrate great potential for the future, given Italy is a destination with major international appeal for youngs, students and budget travellers, while the unbranded experience in this segment is yet weak. This segment requires especially greenfield, iper-efficient and lean developments: this is the major check to chains' penetration into the tier. As opposite, as it was in 2017, the Upper Upscale & Luxury market continues to concentrate a high percentage of chains. 1 each 2 hotels in this scale is branded. Penetration of chains in the Upscale segment even increased to 33% (since 32% last year).

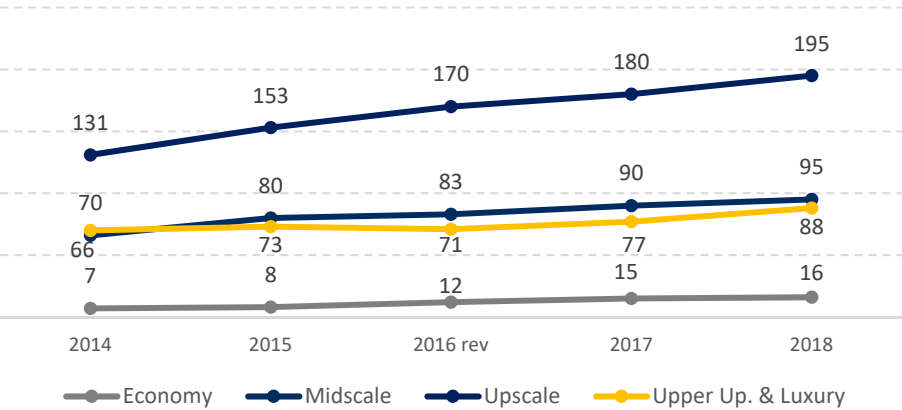
Chain hotels by scale

Close to 200 brands in the Upscale tier and 100 in the Midscale. The core of Italian hospitality is crowded with international brands and domestic competing side by side. 15 more brands since 2017 in the 4-star segment, while the number of players in the Economy remains almost unvaried.

Chains' hotels and brands distribution among Int.l and Dom.c chains and by scale; Horwath HTL 2018

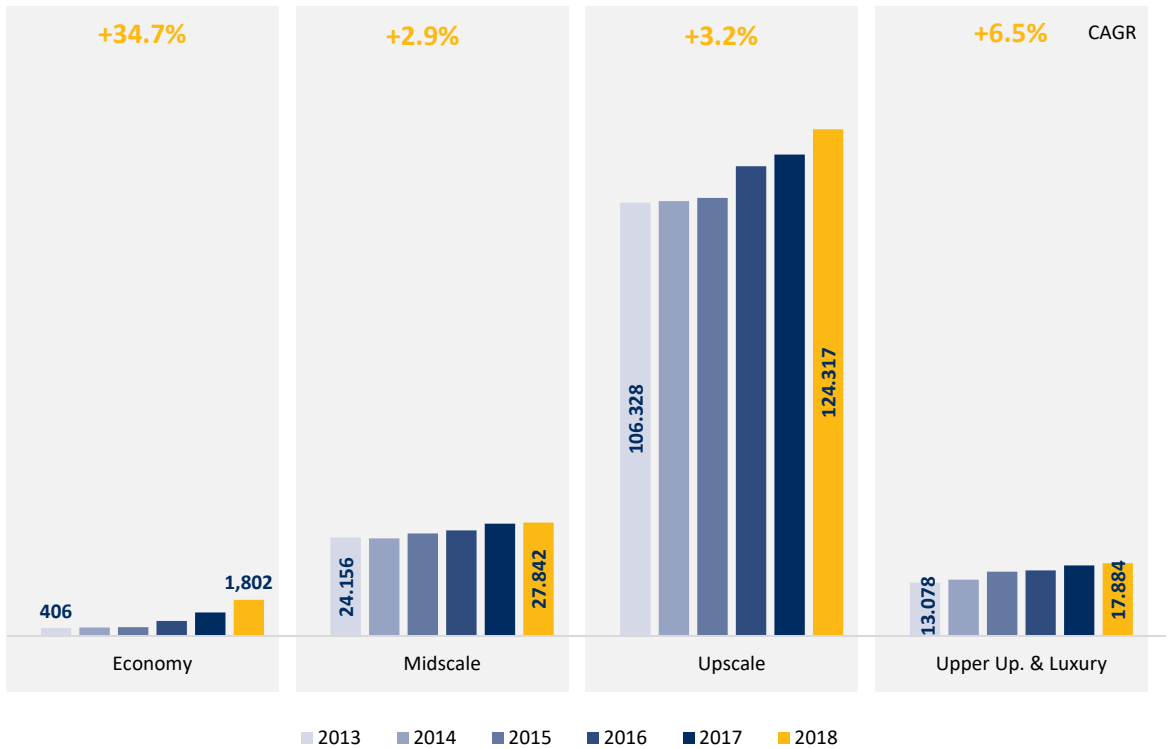


Number of brand by scale; Horwath HTL 2014-2018



International brands from all over the world look at Italy to have at least one flagship property, and this makes the Upscale and the Luxury scales particularly crowded. Close to 200 brands are today playing in the Upscale tier, while half of such in the Midscale (95). Only 16 brands/operators compete within Economy hotels.

Chains' rooms by scale and CAGR; Horwath HTL 2013-2018



The Upscale category continued its sustained growth during 2018: this is the scale where the most of competition is played by both domestic and international brands. In the Upscale opportunity for branding arise in greenfield (rare) and conversion developments, especially in re-branding of big resorts as well as in first branding of business/airport hotels.

While franchising is almost absent from the Luxury category and actionable in the Economy only when a white label operator leases the asset, Midscale and Upscale are more flexible to almost all business models. One of the key evidences for 2018 is clearly the unparalleled growth of the volume of rooms in the Economy, which besides demonstrating a very low penetration rate compared to the size of the Italian overall stock of hotels, accounted in 5 years for a growth of +6,900 rooms, equal to over 4 times its size in 2013.

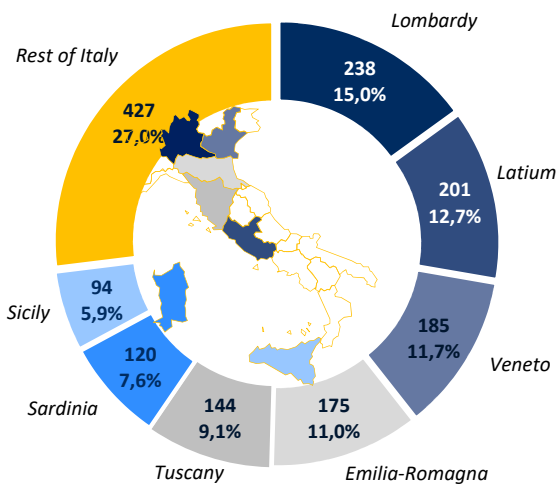
Chains by type of destination

Chains have been particularly active in Rome and Venice during the last 6 years: these two cities have recorded a net growth of 35 and 15 hotels respectively. As opposite, the net balance for Milan, Florence, Bologna and Turin is unchanged or even negative. Among destinations, the “airport” type, we have included this year, reveals interesting figures.

Top 10 destinations by chain rooms in 2018; Horwath HTL 2018

Rank	Destination	Rooms 2018	Hotels 2018	Hotels 2017	Hotels 2016	Hotels 2015	Hotels 2014	Hotels 2013
1	ROME	20,782	181	175	168	149	151	146
2	MILAN	15,061	116	115	108	116	127	123
3	VENICE	5,955	61	54	55	51	49	46
4	FLORENCE	4,967	59	60	58	62	59	58
5	BOLOGNA	3,441	25	24	23	23	26	27
6	TURIN	2,575	23	21	23	23	26	24
7	NAPLES	2,361	16	16	15	15	16	16
8	GENOA	2,314	20	19	19	20	19	21
9	CERVIA	2,228	31	29	26	24	24	24
10	BUDONI	2,154	14	11	12	6	6	6

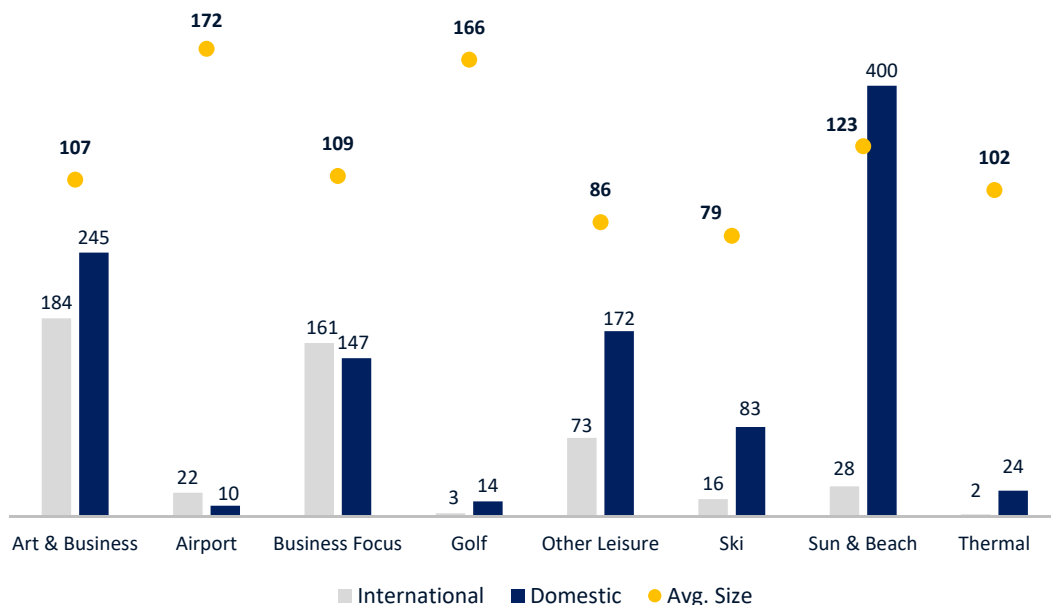
Distribution of chains’ hotels among regions; Horwath HTL 2018



Top 10 destinations for new chain rooms in 2018; Horwath HTL 2018

Rank		New Rooms	New Hotels
1	ROMA	1,482	10
2	MILANO	1,111	8
3	VILLASIMIUS	903	1
4	VENEZIA	842	8
5	CASTELLANETA	790	3
6	FIRENZE	554	4
7	GIARDINI NAXOS	550	2
8	CAROVIGNO	407	1
9	CEFALU'	332	1
10	DORGALI	304	1

Distribution of chains' hotels among Dom.c and Int.l by type of destination and average size; Horwath HTL 2018



Average size of chains' hotels by scale in the first 5 destinations in Italy ; Horwath HTL 2018

Destination	Economy	Midscale	Upscale	Upper Up. & Luxury	Avg. Destination
ROME	96.5	68.4	129.4	118.6	114.8
MILAN	78.7	105.3	135.8	133.8	129.8
VENICE	174.0	36.0	96.5	120.6	97.6
FLORENCE	390	60.9	91.5	65.2	84.2
BOLOGNA		125.3	141.6	109.0	137.6

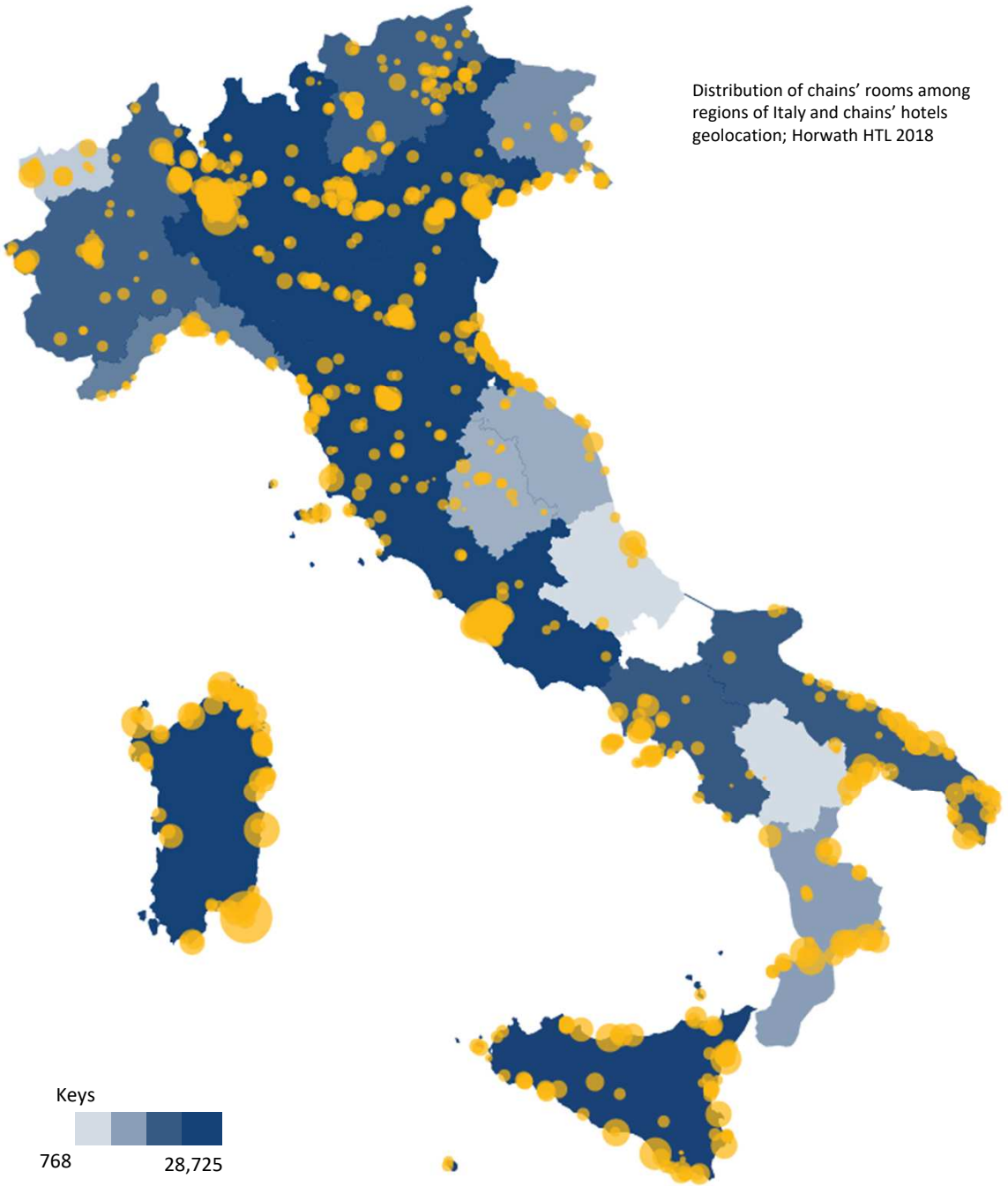
S&B resorts continue to lead the ranking of the most frequently chained type of hotels in Italy, but it seems this is a pretty domestic affair.

400 domestic hotels against 28 reveal that, strangely, foreign brands have been weak in interpreting opportunities linked to the Mediterranean revamped appeal of Italy and its coasts. The Spanish operators (the leading players in the segment) have lost a little of their market on the coasts, while they have continued their expansion in the cities.

Airport hotels, a type we have included this year, as opposite records a prevailing international flavour. This is the type of hotel which records the highest average size, approximately 172 rooms.

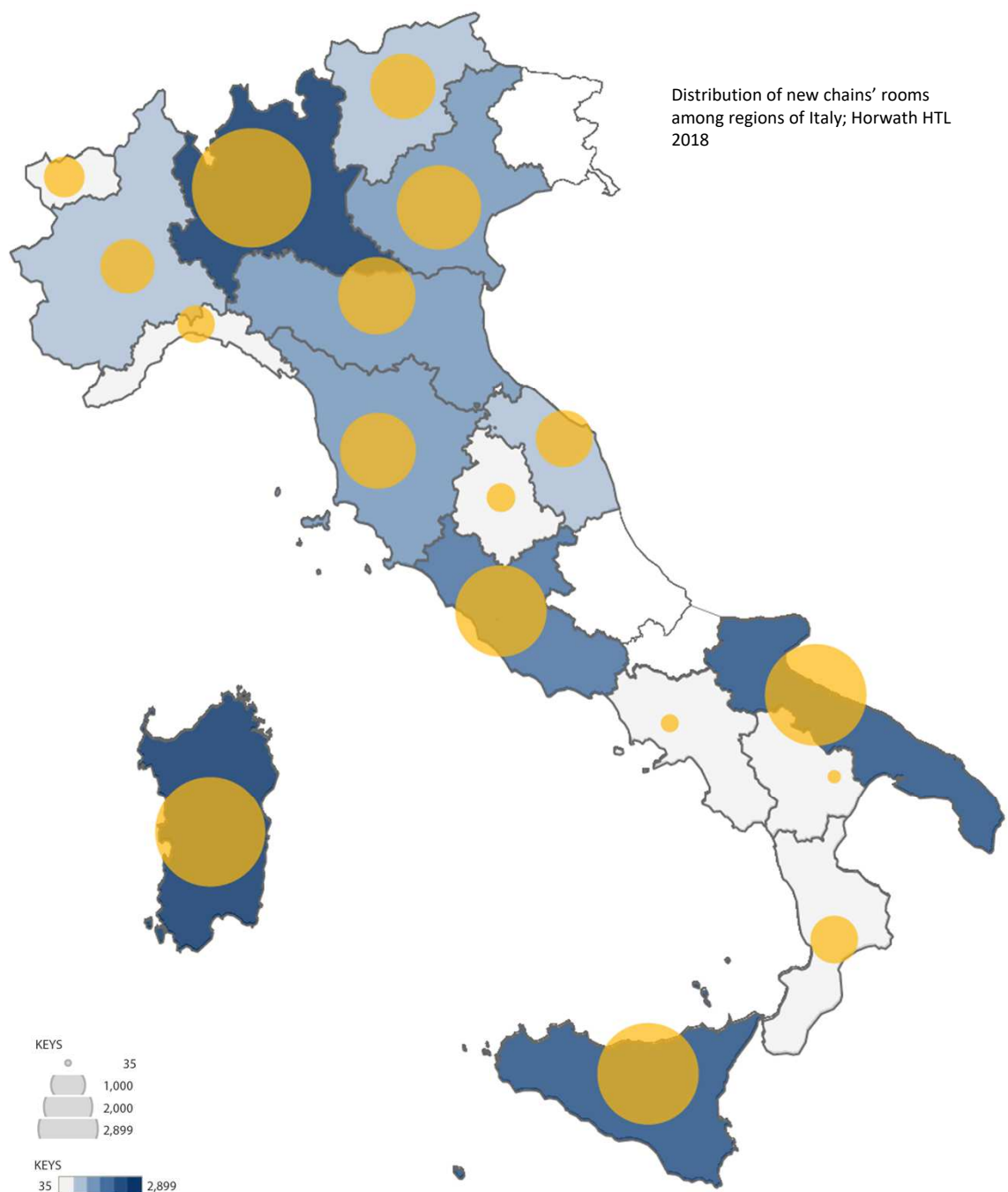
Chains' footprint

Art cities, industrial and business clusters and S&B destinations of Veneto, Emilia Romagna, Apulia, Sardinia and Sicily are the major poles of concentration for chains. Countryside retreats of Tuscany and Umbria are also a target. Nevertheless, with limited exceptions, in 2018 chains' footprint covered the overall provinces of Italy.



New rooms into 2018 census

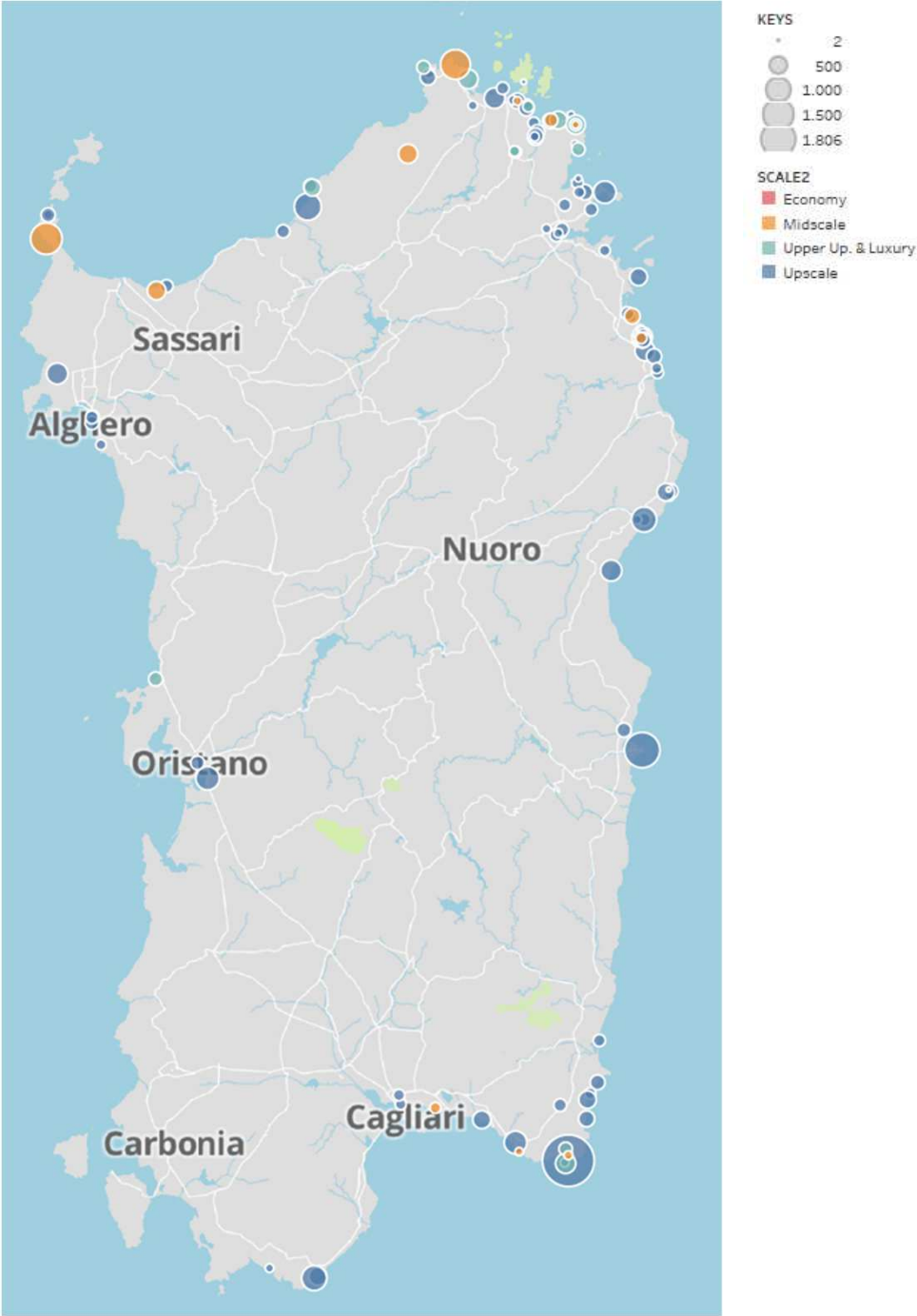
In 2018 several domestic groups were included in the census for the first time¹ and several major players expanded opening great hotels or resorts (Bluserena, TH Resorts, The Student Hotel, others). The map highlights where the net growth concentrated.



¹Since they grew over the threshold of 4 hotels for their first time in 2018.

Focus: Chains' footprint in Sardinia

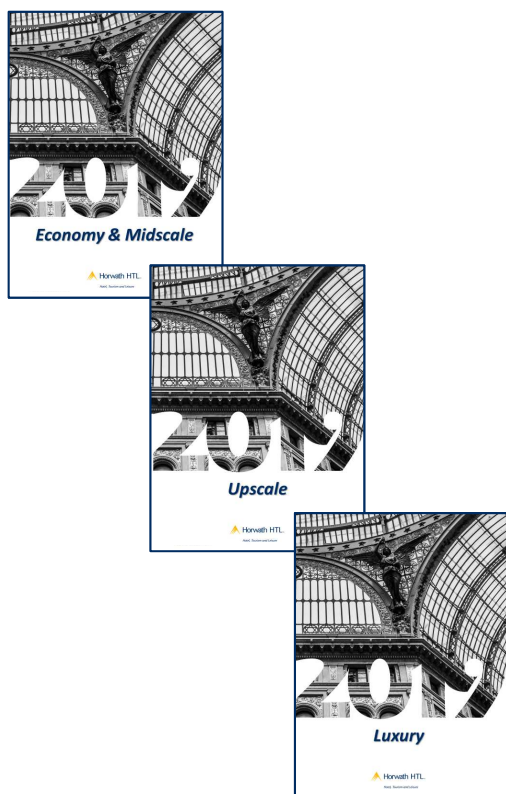
Sardinia is again under the spotlights. Even though the domestic players dominate the market, international brands are actively seeking S&B Upscale and Luxury resorts, among those available, since greenfield developments are very difficult to obtain. Chains footprint appears exclusively concentrated on the coast.



Order the Hotels & Chains *Markets* 2019 Edition

After 6 years of running the census in Italy we structured the most complete database on hotel chains in the Country, built and updated by Italian analysts based in Italy, with corporate information on presence, pipeline and key features of all the chain hotels in Italy.

The *Markets* Edition is a segmented analysis of “who is who”, KPIs, dimensions and volumes for the world of Italian hospitality which provides an in-depth view on each segment of the market with unprecedented level of detail, accuracy and update.



3 different reports covering the

- **“Economy and Midscale”,**
- **“Upscale”**
- **“Luxury”**

markets, each providing:

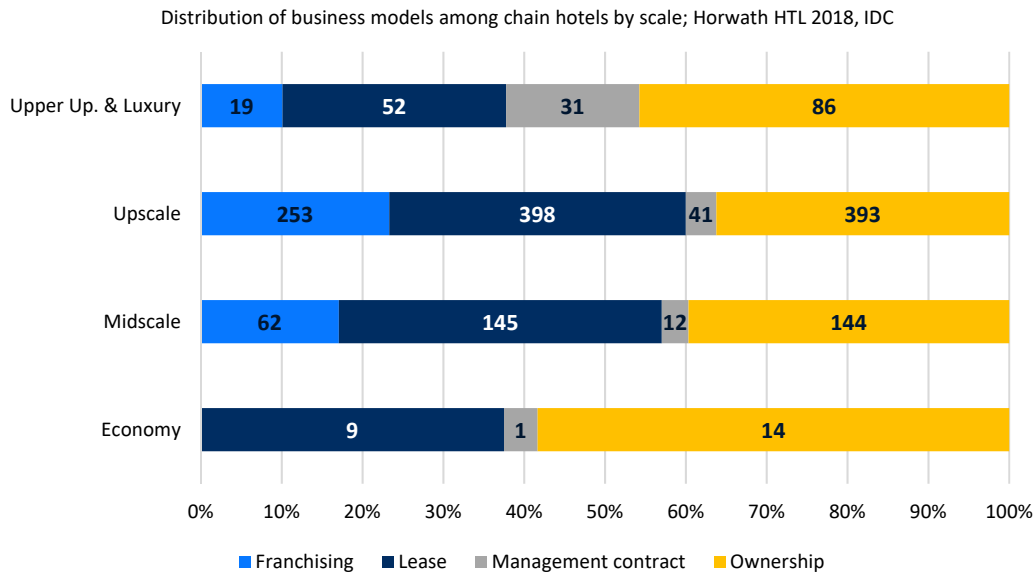
- **Key performance indicators** for a consistent panel of branded and independent hotels (TrevPAR)
- 10 year trend in **demand and supply**
- **Extended rankings** of operators in the segment, with details of size, business models, history of the last 5 years
- **Recently branded** and de-branded properties
- **Pipeline**
- **Relevant transactions**
- Top 20 destinations complete outlook, including geo-referencing of chain and independent hotels
- Interviews with **Italy and EMEA development directors** on hospitality business drivers for 2019 for the segment
- ...and much more.

The *Markets* Edition transfers business intelligence value to development analysts and directors.

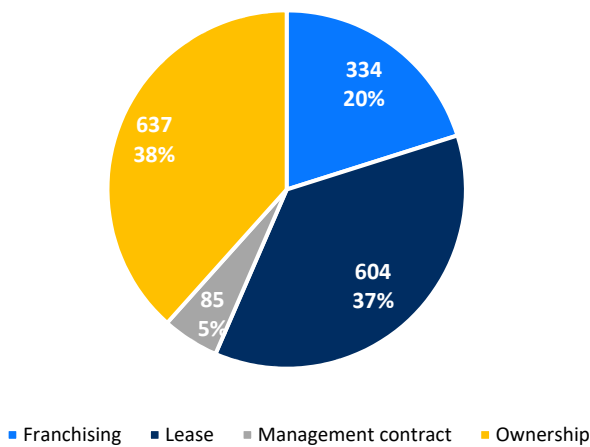
Request the table of contents and order the *Markets* Edition Report you need at Italy@horwathhtl.com

Business models

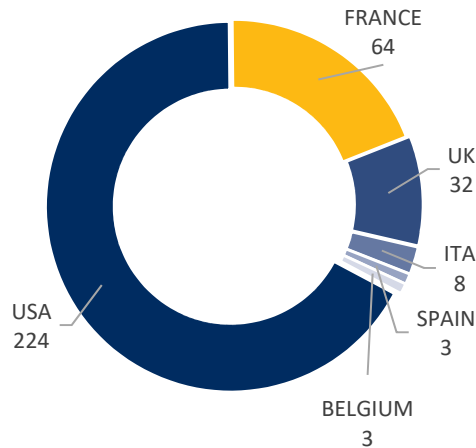
While ownership still prevails in terms of hotels, due to domestic operators core base, lease got ahead for rooms stock in 2017 and 2018, pushed by white label operated rooms and investment funds appetite for this model.



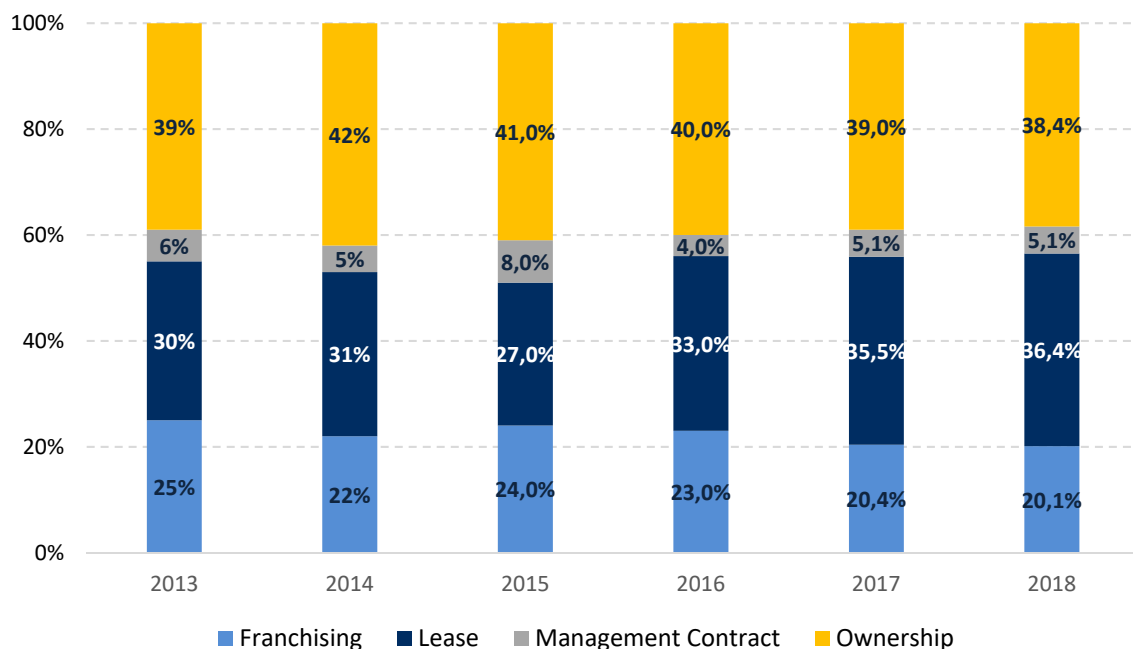
Percentage distribution of business models by hotels; Horwath HTL 2018, IDC



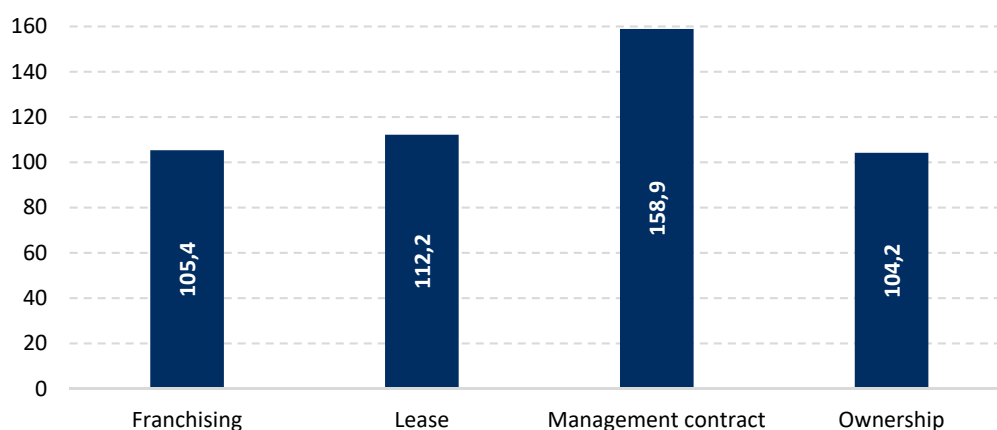
Distribution of hotels under franchising by chain country of origin; Horwath HTL 2018, IDC



Evolution of percentage distribution of business models by hotels ; Horwath HTL 2013-2018



Chains' hotels average size by business model ; Horwath HTL 2018



The situation of operating business models in Italy hasn't changed that much during the last year. The Country portfolio is still characterized by a vast number of hotelier families, each owning 5 to 7-8 hotels, who have expanded mostly through continued assets acquisition and only recently further grown also through lease. Unexpectedly, franchising relative importance have diminished most recently, while, as opposite, the relative importance of Lease continues to grow. Management contracts have modestly increased in number (85 in 2018 against 80 in 2017). Hotels associated to management contracts are bigger (160 rooms) than the average size associated to other business models. The lack of deals of new big hotels of such size might be also one of the reasons impeding a faster growth for this model.

Top 30 Chains ad Brands in 2018

Rooms ranking has confirmed BW, Accor and Marriott as the first 3 biggest chains in Italy in 2018. Their size has little changed during the last year, though. Within the first 10 chains TH Resorts has moved much ahead, as it was 13th in 2017. Brands ranking has recorded more vitality: BW and NH continued to lead, but TH Resorts has taken the place of Valtur and Bluserena the place of Blu Hotels.

Top 30 Hotel Chains by rooms in Italy in 2018 and % market share by rooms over the total; Horwath HTL 2018

Top 30 Brands by rooms in Italy in 2018 and % market share by rooms over the total; Horwath HTL 2018

Rank	Chain	Hotels	Rooms	Market share
1	Best Western Hotels &	154	11,676	6.39%
2	AccorHotels	84	10,529	5.76%
3	Marriott International	62	10,093	5.52%
4	NH Hotels	51	7,825	4.28%
5	Gruppo Una	39	5,034	2.75%
6	IHG	30	4,678	2.56%
7	TH Resorts	22	4,645	2.54%
8	Hilton	22	4,606	2.52%
9	ITI Hotels	39	4,604	2.52%
10	Bluserena	11	3,920	2.14%
11	Starhotels	24	3,669	2.01%
12	Blu Hotels	30	3,372	1.84%
13	B&B Hotels	34	3,270	1.79%
14	Aeroviaggi	14	3,183	1.74%
15	IH Hotels	28	2,927	1.60%
16	Alpitour	10	2,739	1.50%
17	JSH Hotels & Resorts	13	2,671	1.46%
18	Gruppo Studio Vacan.	13	2,056	1.12%
19	Aurum Hotels	15	2,041	1.12%
20	Club Esse	16	2,028	1.11%
21	Club Med	5	2,016	1.10%
22	Parc Hotels	13	2,004	1.10%
23	Geturhotels	14	2,004	1.10%
24	Chincherini Holiday G.	21	1,969	1.08%
25	Russotti	6	1,728	0.95%
26	Apogia Hotels Group	26	1,700	0.93%
27	Delphina	8	1,527	0.84%
28	Giorgio Mazzella Gr.	5	1,510	0.83%
29	Loan Hotels	11	1,497	0.82%
30	Uappala Hotels	18	1,457	0.80%

Rank	Brand	Hotels	Rooms	Market share
1	Best Western	101	7,423	4.1%
2	Nh Hotels	38	5,877	3.2%
3	Th Resorts	22	4,645	2.5%
4	Bluserena	11	3,920	2.1%
5	Mercure	34	3,702	2.0%
6	Unahotels	23	3,607	2.0%
7	Blu Hotels	30	3,372	1.8%
8	B&B Hotels	34	3,270	1.8%
9	Aeroviaggi	14	3,183	1.7%
10	Iti Hotels-Marina H&R	24	2,870	1.6%
11	Ih Hotels	27	2,864	1.6%
12	Starhotels Premium	17	2,772	1.5%
13	Voi Hotels	10	2,739	1.5%
14	Jsh	13	2,671	1.5%
15	Best Western Plus	29	2,622	1.4%
16	Holiday Inn	14	2,313	1.3%
17	Sheraton	6	2,211	1.2%
18	Novotel	13	2,200	1.2%
19	Studio Vacanze	13	2,056	1.1%
20	Aurum Hotels	15	2,041	1.1%
21	Club Esse	16	2,028	1.1%
22	Club Med	5	2,016	1.1%
23	Geturhotels	14	2,004	1.1%
24	Parc Hotels	13	2,004	1.1%
25	Chincherini Holiday G.	21	1,969	1.1%
26	Hilton	6	1,939	1.1%
27	Russotti	6	1,728	0.9%
28	Nh Collection	12	1,702	0.9%
29	Apogia Hotels Group	26	1,700	0.9%
30	Ibis	9	1,625	0.9%

Top 20 Domestic & International Chains

The merge of ATA and UNA made UNA Group the first largest hotel operator in Italy based on rooms already in 2017, now followed by TH Resorts and ITI Hotels. BW, Accor and Marriott lead the international ranking. International chains leading their ranking are more than twice as big as domestic operators in terms of rooms in Italy.

Top 20 Domestic Hotel Chains by rooms in Italy in 2018 and % market share by rooms over the total; Horwath HTL 2018

Rank	Domestic	Hotels	Rooms	Market share
1	Gruppo Una	39	5,034	4.42%
2	TH Resorts	22	4,645	4.08%
3	ITIHOTELS	39	4,604	4.04%
4	Bluserena	11	3,920	3.44%
5	Starhotels	24	3,669	3.22%
6	Blu Hotels	30	3,372	2.96%
7	Aeroviaggi	14	3,183	2.80%
8	IH Hotels	28	2,927	2.57%
9	Alpitour	10	2,739	2.41%
10	JSH Hotels & Resorts	13	2,671	2.35%
11	Gruppo Studio Vacanze	13	2,056	1.81%
12	Aurum Hotels	15	2,041	1.79%
13	Club Esse	16	2,028	1.78%
14	Parc Hotels	13	2,004	1.76%
15	Geturhotels	14	2,004	1.76%
16	Chincherini Holiday Gr.	21	1,969	1.73%
17	Russotti	6	1,728	1.52%
18	Apogia Hotels Group	26	1,700	1.49%
19	Delphina	8	1,527	1.34%
20	Giorgio Mazzella Group	5	1,510	1.33%

Top 20 International Hotel Chains by rooms in Italy in 2018 and % market share by rooms over the total; Horwath HTL 2018

Rank	International	Hotels	Rooms	Market share
1	Best Western Hotels & R	154	11,676	16.93%
2	AccorHotels	84	10,529	15.27%
3	Marriott International	61	10,035	14.55%
4	NH Hotels	51	7,825	11.35%
5	IHG	30	4,678	6.78%
6	Hilton	22	4,606	6.68%
7	B&b Hotels	34	3,270	4.74%
8	Club Med	5	2,016	2.92%
9	Louvre Hotels Group	7	1,139	1.65%
10	Grupo Hotusa	11	1,103	1.60%
11	Choice Hotels	12	1,024	1.48%
12	Barcelo' Hotels	4	1,012	1.47%
13	Tui	4	921	1.34%
14	Radisson Hotel Group	4	848	1.23%
15	FMTG	8	813	1.18%
16	Melia Hotels Internation	6	697	1.01%
17	Palladium Hotel Group	1	529	0.77%
18	Belmond	7	453	0.66%
19	Fattal	2	430	0.62%
20	Wyndham Hotel Group	3	408	0.59%

Top 20 Brands by business model in 2018

Top 20 Brands by room market share in Italy under Ownership in 2018; Horwath HTL 2018

Rank	Ownership	Share
1	Iti Hotels-Marina H&R	4.2%
2	Aeroviaggi	4.2%
3	Bluserena	4.0%
4	Starhotels Premium	3.8%
5	Aurum Hotels	3.1%
6	Parc Hotels	3.0%
7	Russotti	2.6%
8	Giorgio Mazzella Group	2.3%
9	Loan Hotels	2.3%
10	Apogia Hotels Group	2.1%
11	I Grandi Viaggi	2.1%
12	Nh Hotels	2.0%
13	Alliance Alberghi	1.8%
14	Studio Vacanze	1.6%
15	Chincherini Holiday Group	1.6%
16	Select	1.6%
17	Zacchera Hotels	1.4%
18	Starhotels Collezione	1.4%
19	Gb Thermae Hotels	1.3%
20	Iti Hotels- Colonna Luxury	1.2%

Top 20 Brands by room market share in Italy under Lease in 2018; Horwath HTL 2018

Rank	Lease	Share
1	Th Resorts	6.9%
2	Nh Hotels	6.2%
3	Unahotels	4.5%
4	B&B Hotels	4.3%
5	Ih Hotels	4.2%
6	Blu Hotels	3.9%
7	Voi Hotels	3.8%
8	Jsh	3.6%
9	Club Esse	2.7%
10	Geturhotels	2.6%
11	Club Med	2.5%
12	Delphina	2.3%
13	Nh Collection	2.0%
14	Bluserena	1.8%
15	Sunflower	1.5%
16	Studio Vacanze	1.5%
17	Uappala Hotels	1.4%
18	Chincherini Holiday Group	1.4%
19	Amapa Group	1.3%
20	Greenblu Hotels & Resort	1.2%

Among brands covering directly owned hotels, ITI Hotels-Marina H&R, Aeroviaggi, Bluserena, Starhotels Premium and Aurum are the biggest players in Italy in 2018, with a market share of approx. 20%.

TH Resorts becomes the first lease brand (and operator) in the Country, overtaking NH Hotels.

Top 20 Brands by room market share in Italy under Franchising in 2018; Horwath HTL 2018

Rank	Franchising	Share
1	Best Western	21.1%
2	Mercure	9.0%
3	Best Western Plus	7.5%
4	Holiday Inn	6.6%
5	Crowne Plaza	4.2%
6	Ibis Styles	3.8%
7	Ac Hotels Marriott	3.5%
8	Four Points By Sheraton	3.2%
9	Marriott	3.1%
10	Mgallery By Sofitel	2.9%
11	Sheraton	2.7%
12	Novotel	2.6%
13	Quality	2.3%
14	Hilton Garden Inn	2.2%
15	Holiday Inn Express	2.1%
16	Golden Tulip	2.0%
17	Autograph Marriott	1.8%
18	Radisson Blu	1.5%
19	Best Western Premier	1.4%
20	Doubletree By Hilton	1.3%

Top 20 Brands by room market share in Italy under Management Contract in 2018; Horwath HTL 2018

Rank	Management contract	Share
1	Ibis	10.1%
2	Novotel	9.6%
3	Hilton	9.5%
4	Sheraton	8.5%
5	Luxury Collection	6.0%
6	Westin	5.3%
7	Veratour	4.5%
8	Mercure	4.1%
9	Hilton Garden Inn	3.0%
10	Waldorf Astoria	2.7%
11	Nh Hotels	2.4%
12	Pullman	2.0%
13	Jw Marriott	2.0%
14	St Regis	1.9%
15	Unaway	1.8%
16	Doubletree By Hilton	1.8%
17	Four Seasons	1.7%
18	Blu Hotels	1.7%
19	Jsh	1.7%
20	Unahotels	1.6%

With regards to franchising, again for this year, Best Western brands (BW and Plus) are heading the podium together with Mercure, the three totalling 38% of all rooms under this business model. Holiday Inn follows.

While top 10 positions in ownership and lease account for 31% and 42% respectively, Franchising is much concentrated: the first 10 brands are worth 65% of the overall market for this model. The same is true for management contracts: 63%.

Top 20 Brands by scale in 2018

Top 16 Brands by rooms in the Economy scale in 2018;
Horwath HTL 2018

Rank	Economy	Hotels	Rooms	Market share
1	The Student Hotel	1	390	21.6%
2	Meininger	3	329	18.3%
3	A&O Hotels & Hostels	1	319	17.7%
4	Parc Hotels	2	220	12.2%
5	Generator	2	104	5.8%
6	Autosole	2	93	5.2%
7	Piazza Hotels & Resid.	4	86	4.8%
8	Residence Hotels	1	60	3.3%
9	Acampora Hotels	1	50	2.8%
10	Apogia Hotels Group	1	40	2.2%
11	Garibaldi Hotels	1	35	1.9%
12	Mencarelli Hotels	1	26	1.4%
13	Gallerini Hotels	1	19	1.1%
14	Raffaelli	1	16	0.9%
15	Severi Hotels	1	10	0.6%
16	Caroli Hotels	1	5	0.3%

Top 20 Brands by rooms in the Midscale segment in
2018; Horwath HTL 2018

Rank	Midscale	Hotels	Rooms	Market share
1	B&B Hotels	33	3,193	11.2%
2	Ibis	9	1,625	5.7%
3	Th Resorts	7	1,600	5.6%
4	Best Western	25	1,491	5.2%
5	Club Med	3	1,450	5.1%
6	Geturhotels	7	1,330	4.7%
7	Chincherini Holiday G.	10	1,170	4.1%
8	Ibis Styles	11	949	3.3%
9	Aeroviaggi	2	772	2.7%
10	Holiday Inn Express	6	664	2.3%
11	Bianchi Hotels	10	641	2.2%
12	Aurum Hotels	3	599	2.1%
13	Apogia Hotels Group	11	578	2.0%
14	Azzurro Club Vacanze	10	516	1.8%
15	Club Esse	5	499	1.8%
16	Meditur	10	484	1.7%
17	Piazza Hotels & Resid.	15	482	1.7%
18	Fabilia Hotels & Res.	5	451	1.6%
19	Tulip Inn	4	445	1.6%
20	Viva Hotels	4	392	1.4%

Yet for 2018, players in the Economy scale have a very limited number of hotels, but the top ones concentrate most of the market. The first five (The Student Hotel, Meininger, A&O Hotels & Hostels, Parc Hotels, Generator) hold 76% of the rooms in the segment. The Midscale and Upscale are more fragmented and include some brands which operate in both segments (according to the Italian star rating system).

Top 20 Brands by rooms in the Upscale segment in 2018; Horwath HTL 2018

Rank	Upscale	Hotels	Rooms	Market share
1	Best Western	76	5,932	4.5%
2	Nh Hotels	38	5,877	4.4%
3	Bluserena	9	3,686	2.8%
4	Unahotels	23	3,607	2.7%
5	Mercure	32	3,492	2.6%
6	Blu Hotels	25	3,136	2.4%
7	Th Resorts	15	3,045	2.3%
8	Starhotels Premium	17	2,772	2.1%
9	Ih Hotels	26	2,749	2.1%
10	Voi Hotels	8	2,568	1.9%
11	Iti Hotels-Marina H&R	20	2,553	1.9%
12	Best Western Plus	26	2,487	1.9%
13	Aeroviaggi	12	2,411	1.8%
14	Holiday Inn	14	2,313	1.7%
15	Jsh	11	2,266	1.7%
16	Novotel	13	2,200	1.7%
17	Sheraton	5	2,131	1.6%
18	Studio Vacanze	13	2,056	1.5%
19	Russotti	5	1,653	1.2%
20	Parc Hotels	10	1,626	1.2%

Top 20 Brands by rooms in the Upper Upscale & Luxury segment in 2018; Horwath HTL 2018

Rank	Upper Up. & Luxury	Hotels	Rooms	Market share
1	Luxury Collection	8	940	4.8%
2	Westin	3	714	3.6%
3	Autograph Marriott	5	636	3.2%
4	Nh Collection	4	567	2.9%
5	Gb Thermae Hotels	3	542	2.8%
6	Delphina	3	541	2.8%
7	Iti Hotels- Colonna Lux	3	477	2.4%
8	The Dedic Anthology	3	458	2.3%
9	Belmond	7	453	2.3%
10	Select	3	451	2.3%
11	Melia'	4	449	2.3%
12	Mgallery By Sofitel	4	418	2.1%
13	Jsh	2	405	2.1%
14	Rocco Forte	3	405	2.1%
15	Dorchester Collection	2	399	2.0%
16	Baglioni Hotels	6	398	2.0%
17	Giorgio Mazzella Gr	2	397	2.0%
18	Sina	5	391	2.0%
19	Allegroitalia	5	389	2.0%
20	Hilton	1	379	1.9%

10 brands in the Upscale make 28% of rooms in the segment. The competing structure is similar in the Luxury tier: 29% of rooms are split over the first 10 brands. The Student Hotel (2018 and also for 2019) for the Economy and B&B Hotels for the Midscale are the key leading players by market share: but it takes 1 hotel only in the Economy as opposite to 33 in the Midscale!

Top 5 Brands by destination type

Top 5 Brands by rooms in Art & Business destinations in 2018; Horwath HTL 2018

Rank	Art & Business	Hotels	Rooms	Market share
1	Nh Hotels	18	2,554	5.1%
2	Best Western	31	2,381	4.7%
3	Mercure	13	1,809	3.6%
4	B&B Hotels	16	1,514	3.0%
5	Loan Hotels	11	1,497	3.0%

Top 5 Brands by rooms in Business Focus destinations in 2018; Horwath HTL 2018

Rank	Business Focus	Hotels	Rooms	Market share
1	Best Western	49	3,527	10.0%
2	Nh Hotels	15	2,497	7.0%
3	Unahotels	10	1,587	4.5%
4	B&B Hotels	14	1,416	4.0%
5	Starhotels Premium	8	1,334	3.8%

Top 5 Brands by rooms in Other Leisure destinations in 2018; Horwath HTL 2018

Rank	Other Leisure	Hotels	Rooms	Market share
1	Chincherini Holiday Gr	14	1,567	7.2%
2	Parc Hotels	6	935	4.3%
3	Unahotels	4	917	4.2%
4	Zacchera Hotels	5	908	4.2%
5	Hilton	3	890	4.1%

Top 5 Brands by rooms in Sun & Beach destinations in 2018; Horwath HTL 2018

Rank	Sun & Beach	Hotels	Rooms	Market share
1	Bluserena	10	3,770	6.9%
2	Aeroviaggi	13	3,133	5.8%
3	Iti Hotels-Marina H&R	23	2,810	5.2%
4	Th Resorts	10	2,602	4.8%
5	Studio Vacanze	13	2,056	3.8%

Few brands demonstrate a sort of specialization based on the destination/product type. The presence of chains is by far lower in Golf resorts and Thermal destinations. Blu Serena, Aeroviaggi, ITI Hotels and Delphina demonstrate a clear S&B specialization. In arts & business cities NH Hotels, Best Western and Mercure are the brands which have the widest presence. When it comes to destinations with predominance of business flows, logistic hubs, gateway cities Best Western, NH Hotels and Unahotels are the brands accounting for the most consistent rooms portfolio.

Top 5 Brands by rooms in Ski destinations in 2018;
Horwath HTL 2018

Rank	Ski	Hotels	Rooms	Market share
1	Th Resorts	10	1,879	23.4%
2	Blu Hotels	8	746	9.3%
3	Club Med	2	450	5.6%
4	Geturhotels	4	400	5.0%
5	Residence Hotels	7	392	4.9%

Top 5 Brands by rooms in Golf destinations in 2018;
Horwath HTL 2018

Rank	Golf	Hotels	Rooms	Market share
1	Voi Hotels	1	903	30.9%
2	Jsh	5	725	24.8%
3	Golden Tulip	1	270	9.2%
4	Rocco Forte	1	203	6.9%
5	Veratour	1	150	5.1%

Top 5 Brands by rooms Thermal destinations in 2018;
Horwath HTL 2018

Rank	Thermal	Hotels	Rooms	Market share
1	Gb Thermae Hotels	5	855	29.2%
2	Dimhotels	8	775	26.5%
3	Aurum Hotels	2	290	9.9%
4	Radisson Blu	1	284	9.7%
5	Adler Spa Resorts	4	268	9.2%

Top 5 Brands by rooms in Airport destinations in 2018;
Horwath HTL 2018

Rank	Airport	Hotels	Rooms	Market share (by rooms)
1	Novotel	3	594	8.6%
2	Alliance Alberghi	2	578	8.4%
3	Crowne Plaza	2	569	8.3%
4	Hilton	1	517	7.5%
5	Hilton Garden Inn	2	489	7.1%

TH Resorts for ski destinations and GB Thermae together with Adler SPA Resorts for thermal, demonstrate also a certain product specialization. The airport destination type has been distinguished in the census this year for the first time. Brands with a consistent presence into such kind of development are Novotel, Alliance Alberghi, Crowne Plaza, Hilton and Hilton Garden Inn. In terms of market segmentation, most recently chains like Fabilia Hotels & Resorts, Club Family Hotel and few others have significantly grown into the family with children all-inclusive market.

Hotel Chains growing in 2018

Albeit having left over 300 rooms in 2018, TH Resorts is the operator who has encountered the biggest growth during last year, with a net gain of approx. 1,200 rooms in its portfolio. Alpitour and Bluserena have also reported a major increase added to their 2017 confirmed portfolio. Among the international operators, Marriott and The Student Hotel gained the highest impact on their portfolio.

Top 20 Chains for net¹ rooms growth in 2018; Horwath HTL 2018

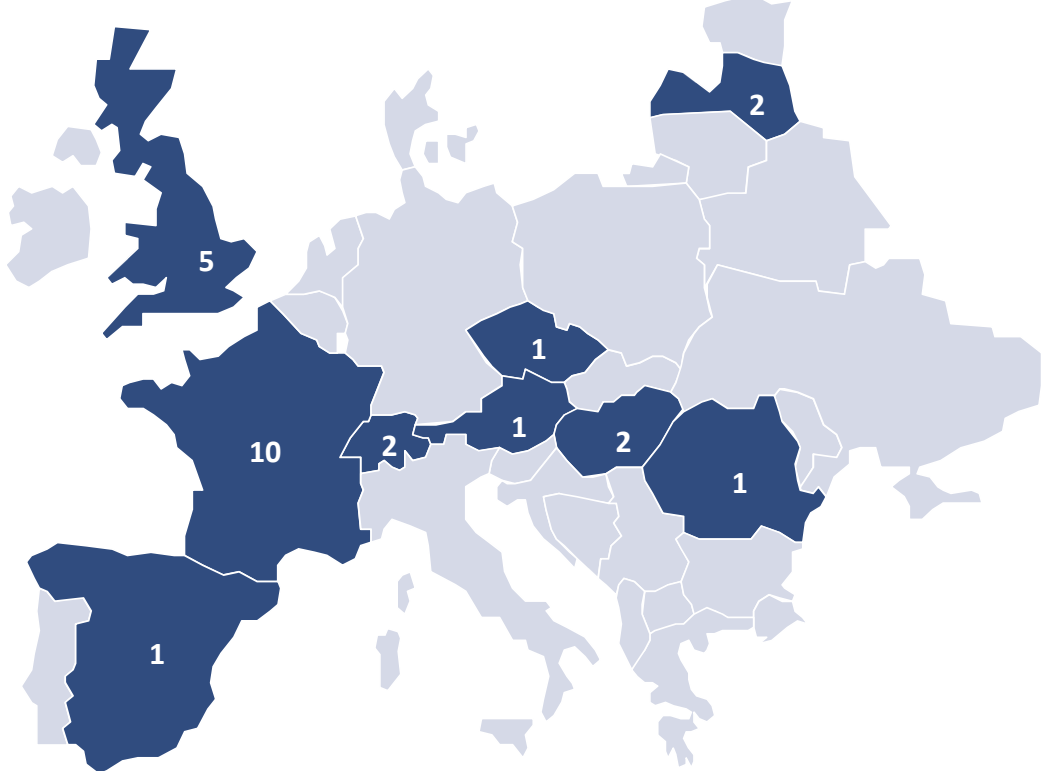
Rank	Top 20 most growing Groups in 2018	Entry Rooms in 2018	Exit Rooms in 2018	Rooms increase in 2018
1	TH Resorts	1,524	332	1.192
2	Alpitour	903	0	903
3	Bluserena	790	0	790
4	Marriott International	846	387	459
5	The Student Hotel	390	0	390
6	Idea Hotel	370	0	370
7	Club Esse	351	0	351
8	B&B Hotels	345	0	345
9	Club Med	332	0	332
10	Greenblu Hotels & Resort	318	0	318
11	IH Hotels	498	223	275
12	Meininger Hotels	249	0	249
13	Best Western Hotels & Resorts	1,048	807	241
14	Loan Hotels	240	0	240
15	ITI Hotels	230	0	230
16	FMTG	221	0	221
17	Garibaldi Hotels	196	0	196
18	Tridente Collection	150	0	150
19	NH Hotels	244	100	144
20	Veratour	120	0	120

¹Net: difference between rooms entering the census and rooms exiting the census in a certain period.

Italian chains’ international footprint

Italian chains added 600 rooms to their international portfolio during 2018, but have lost approximately 300 rooms. The resulting net growth is modest and demonstrates the residual focus Italian chains put on their international expansion.

European footprint of Italian chains by hotels; Horwath HTL 2018

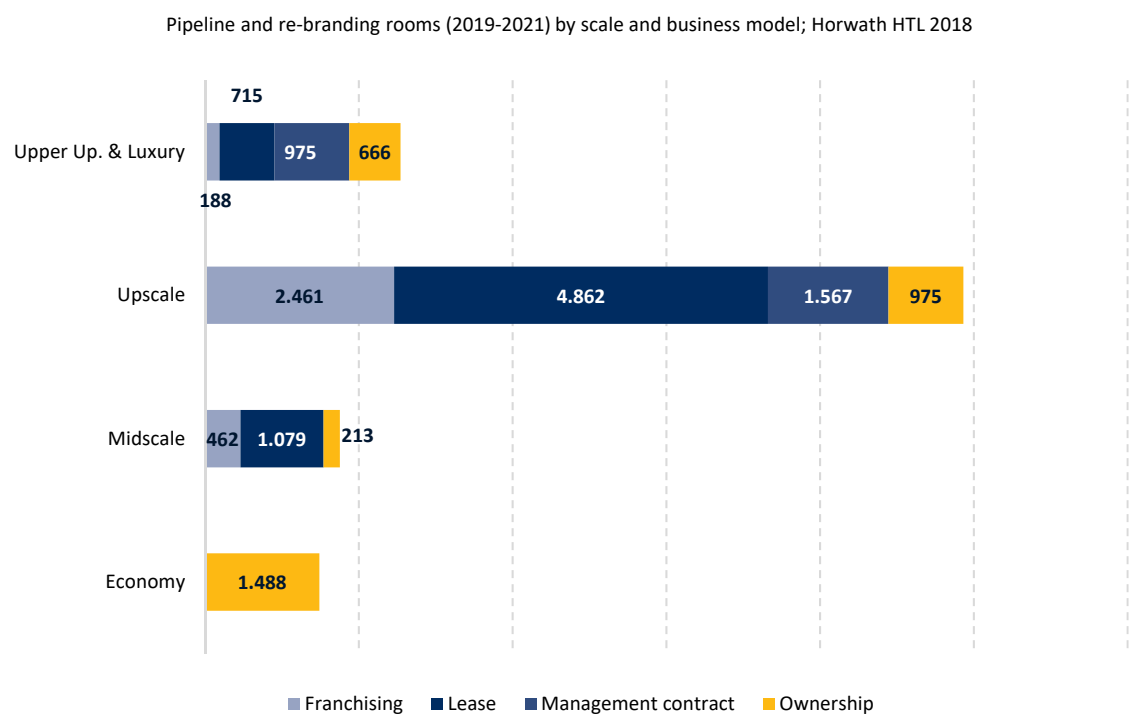


Top 15 Italian chains for international footprint, by rooms; Horwath HTL 2017

Rank	Chains	Hotels	Rooms
1	Iti Hotels	11	1,837
2	Boscolo	7	1,003
3	Alpitour	4	700
4	Veratour	4	448
5	Starhotels	5	412
6	I Grandi Viaggi	4	247
7	Baglioni	4	204
8	Apogia Hotels Group	2	191
9	Select	1	187
10	Trianon Group	2	169
11	Jsh	1	141
12	Roberto Naldi Collection	2	106
13	Allegroitalia	1	83
14	Autosole Hotel Group	3	71
15	Sd Hotels	1	17

Pipeline by scale

The current amount of pipeline rooms we have recorded in our last census for the coming years (2019-2022) is 15,651 belonging to 118 new hotels, the majority of which in the Midscale and Upscale segments, 60% of which branded by international operators.



In the plans of most operators targeting future expansion in Italy, the Upscale tier is clearly a focus. Circa 10 thousand new rooms are planned for this scale in the period 2019-2022, an equivalent of 2/3 of all projected rooms, most of which under lease and franchising. For the very first time, we also record a consistent disclosed number of new rooms planned in the Economy scale (1,500).

Rome will polarize most of future developments with around 2,600 rooms already planned in the period, followed by Milan, Venice and Florence, as was expected.

The map of future hotels and resorts, though, may vary even significantly due to the fact that international operators are used to disclose their plans with relevant advance, while domestic are more reluctant to pipeline disclosure and they sign deals (especially in S&B resorts) with limited advance to opening. As a consequence, we expect much more deals taking place on the coasts besides those anticipated by the census.

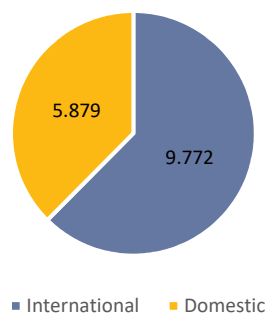
Pipeline, re-branding and destinations

The map of future hotels and resorts may vary even significantly due to the fact that international operators are used to disclose their plans with relevant advance, while domestic are more reluctant to pipeline disclosure.

Pipeline and re-branding rooms (2019-2021) by scale in the top 10 destinations, by rooms; Horwath HTL 2018

Rank	Top 10 Destinations by pipeline rooms	Economy	Midscale	Upscale	Upper Up. & Luxury	Total pipeline rooms per destination
1	ROME	475	413	1,332	368	2,588
2	MILAN		72	1,492	372	1,936
3	VENICE		458	667	699	1,824
4	FLORENCE	652		282	19	953
5	PIZZO			618		618
6	BOLOGNA	361		200		561
7	FIUMICINO		150	289		439
8	ACIREALE			374		374
9	BADESI			350		350
10	CARLENTINI			225		225

Pipeline and re-branding rooms (2019-2021) by origin of chains; Horwath HTL 2018



Pipeline and re-branding hotels and rooms (2019-2021) by region of Italy; Horwath HTL 2018

Rank	Top 5 Regions by pipeline rooms	Hotels	Rooms
1	LATIUM	23	3,224
2	VENETO	18	2,401
3	LOMBARDY	18	2,361
4	TUSCANY	11	1,301
5	EMILIA-ROMAGNA	9	1,177

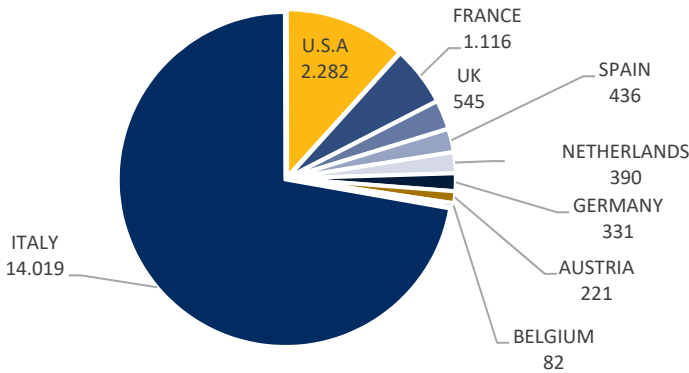
Brands' Country of origin

USA brands expanded the first in Italy and today firmly hold the first place in the ranking of most diffused in Italy. French, Spanish, UK and Austrian brands are also very popular. Most recently, Middle East brands have entered the census, while German operators are growing very fast since the time they have decided to partially shift their focus from Maghreb destinations to Sicily, Sardinia and Apulia.

Hotels and rooms by country of origin of chains; Horwath HTL 2018

Rank	Country Headquarter	Hotels	Rooms
1	ITA	1,101	113,790
2	USA	257	28,135
3	FRANCE	131	17,001
4	SPAIN	77	11,507
5	UK	49	6,610
6	GERMANY	9	1,651
7	AUSTRIA	14	1,119
8	BELGIUM	4	848
9	ISRAEL	2	430
10	NETHERLANDS	1	390
11	TAIWAN	5	379
12	SWITZERLAND	2	349
13	CANADA	2	234
14	TUR	2	181
15	HONG KONG	2	133
16	RUSSIA	1	28
17	SINGAPORE	1	24

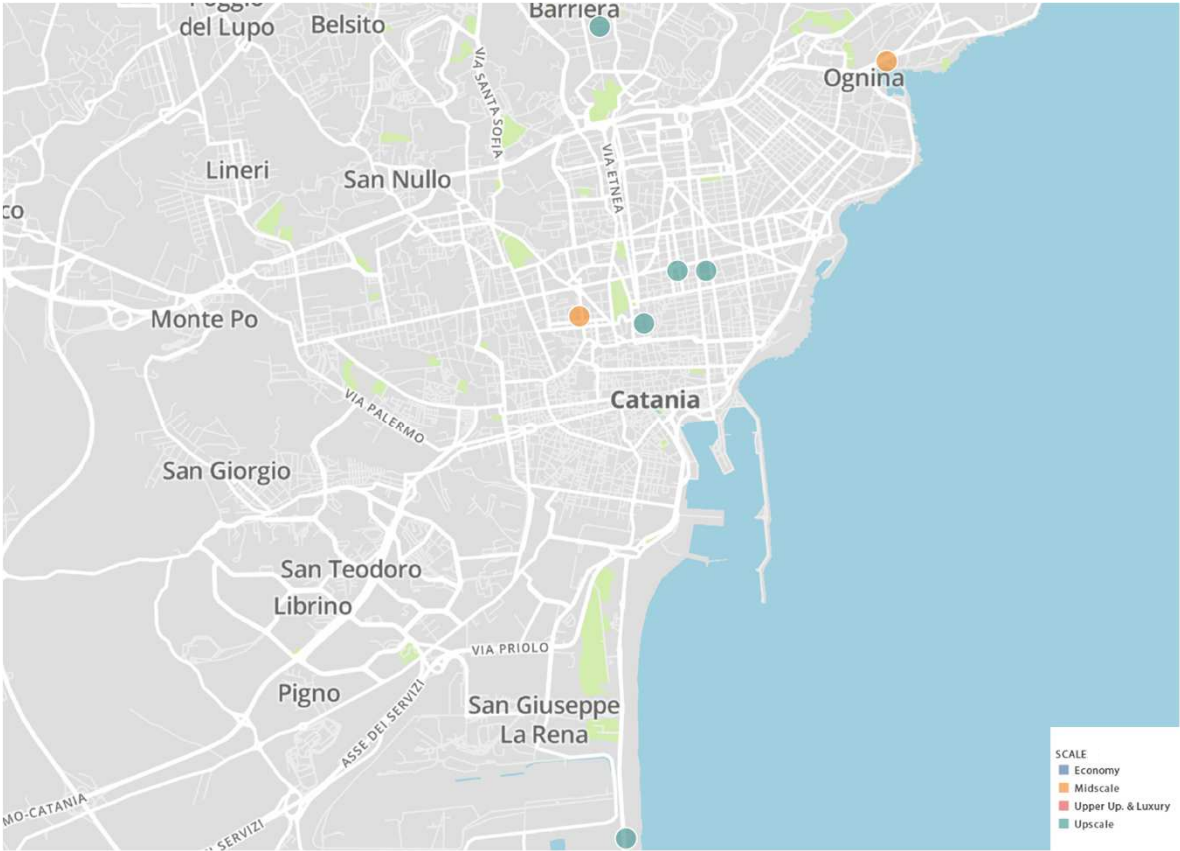
Rooms entering the census in 2018 by country of origin of their brand; Horwath HTL 2018







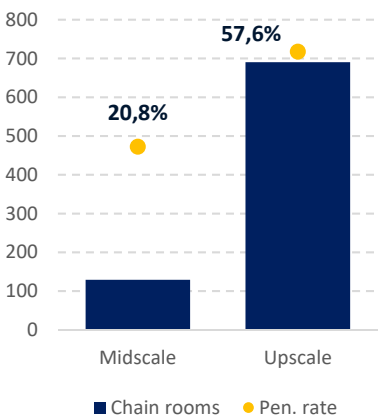
Hotels & Chains in Catania



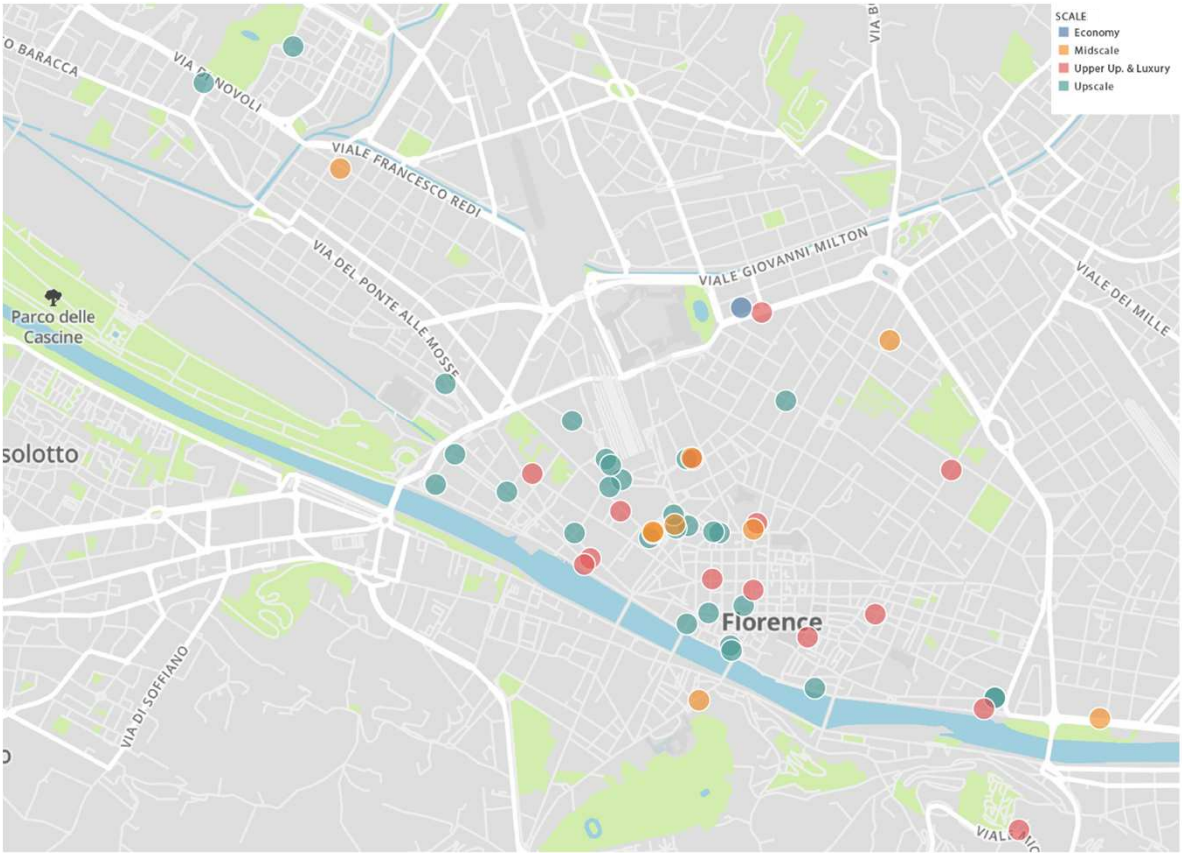
Top 5 Group in Catania by rooms; Horwath HTL 2018

Rank	Top 5 Groups in Catania	Hotels	Rooms
1	Nh Hotels	2	254
2	Accorhotels	1	176
3	Amt Hotels	1	176
4	Marriott Int.	1	166
5	Gruppo Una	1	94

Chain Rooms by scale and chains’ penetration rate; Horwath HTL 2018



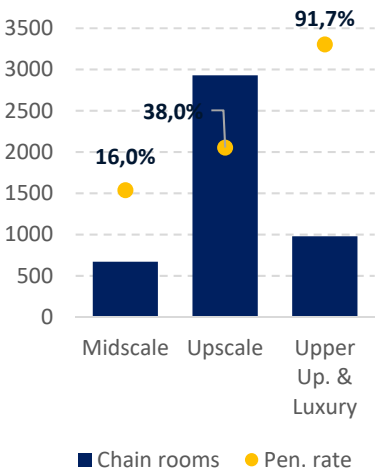
Hotels & Chains in Florence



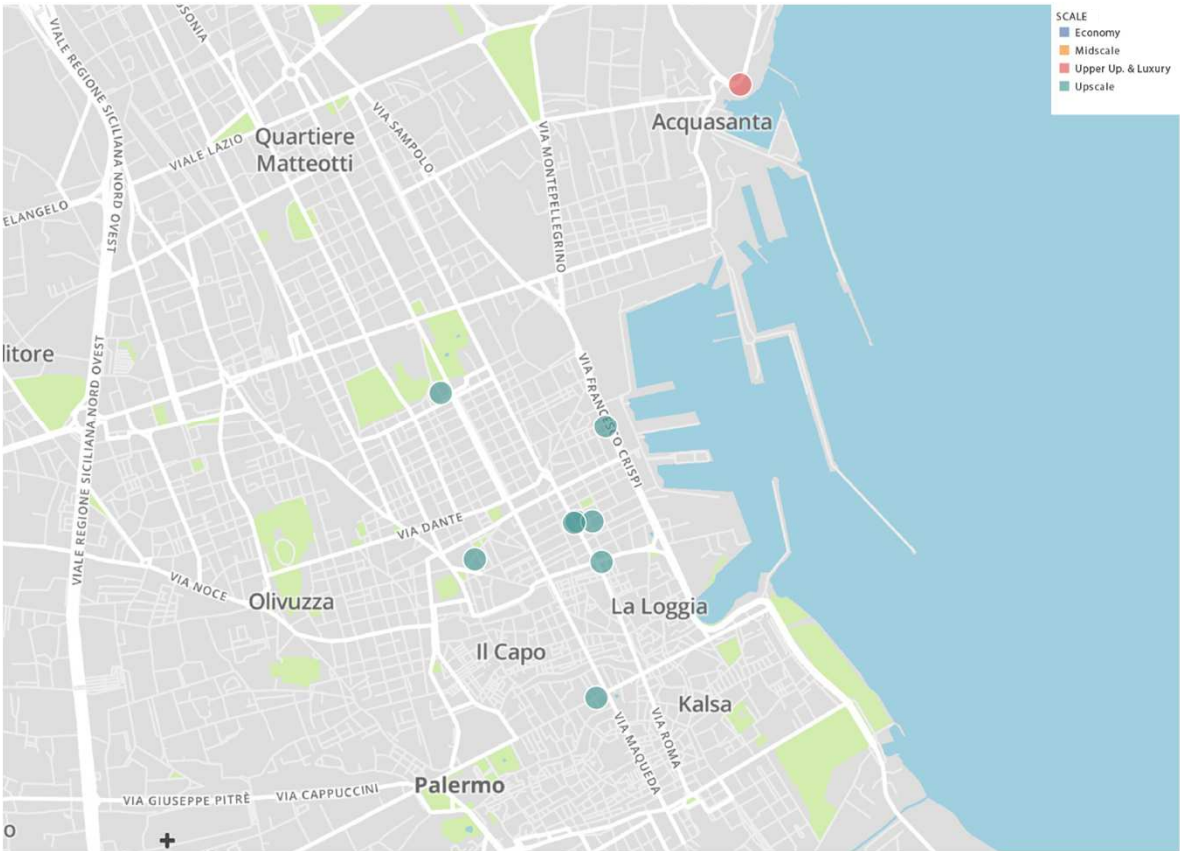
Top 5 Group in Florence by rooms; Horwath HTL 2018

Rank	Top 5 Groups in Florence	Hotels	Rooms
1	Marriott International	4	488
2	C-Hotels	4	454
3	Viva Hotels	5	442
4	The Student Hotel	1	390
5	Starhotels	4	367

Chain Rooms by scale and chains' penetration rate; Horwath HTL 2018



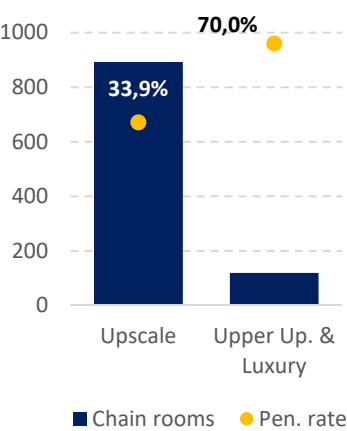
Hotels & Chains in Palermo



Top 5 Group in Palermo by rooms; Horwath HTL 2018

Rank	Top 5 Groups in Palermo	Hotels	Rooms
1	Accorhotels	5	544
2	Amt Hotels	3	409
3	Nh Hotels	1	157
4	Grupo Hotusa	1	104
5	Best Western Hotels & Resorts	1	39

Chain Rooms by scale and chains’ penetration rate; Horwath HTL 2018



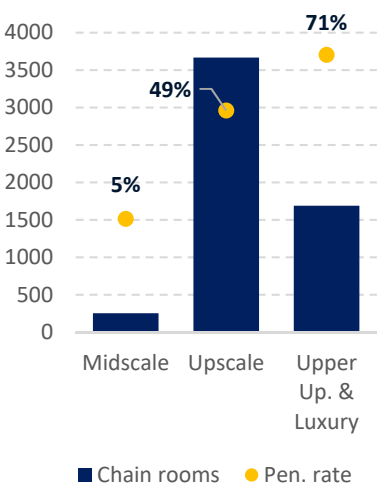
Hotels & Chains in Venice



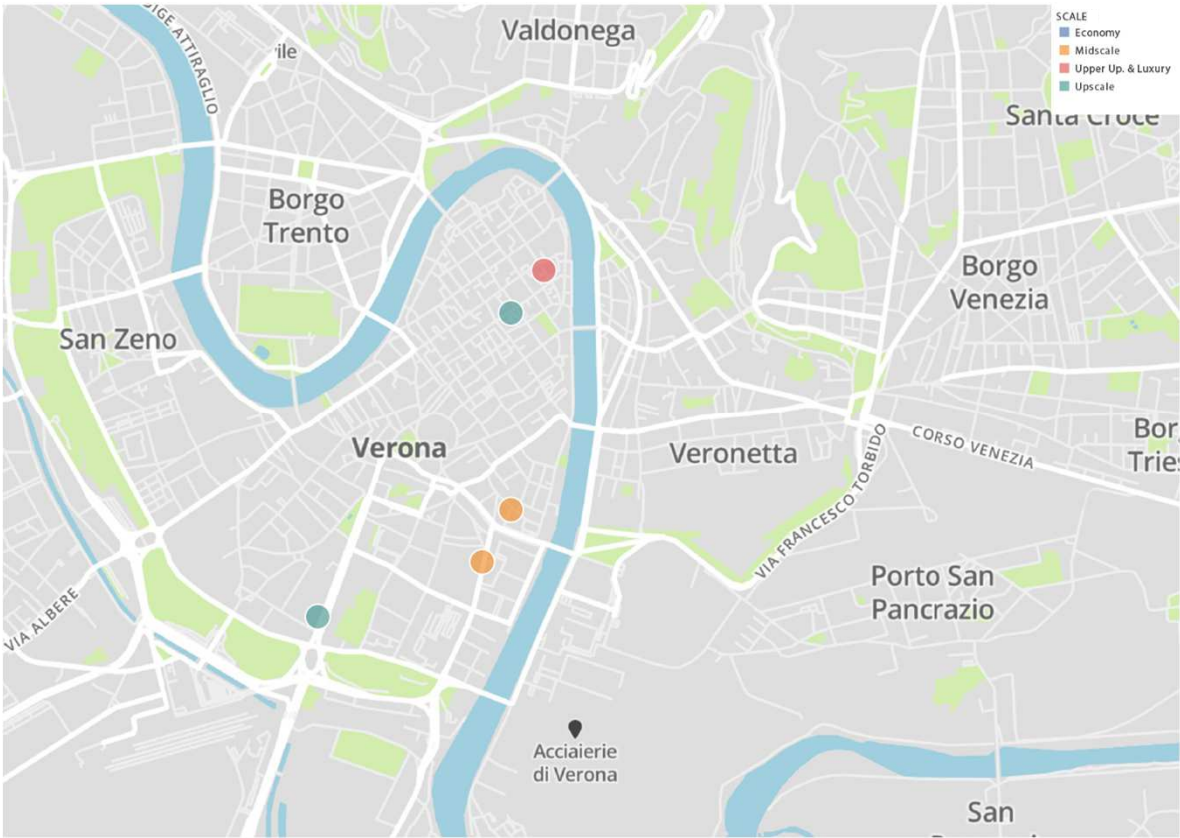
Top 5 Group in Venice by rooms; Horwath HTL 2018

Rank	Top 5 Groups in Venice	Hotels	Rooms
1	Marriott International	8	987
2	Nh Hotels	3	579
3	Accorhotels	4	528
4	Hilton	2	515
5	Best Western Hotels & Resorts	6	496

Chain Rooms by scale and chains' penetration rate; Horwath HTL 2018



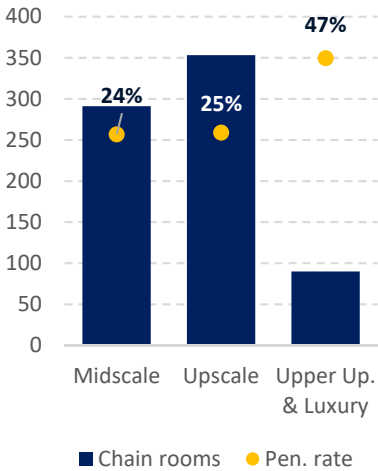
Hotels & Chains in Verona



Top 5 Group in Verona by rooms; Horwath HTL 2018

Rank	Top 5 Groups in Verona	Hotels	Rooms
1	Ihg	1	160
2	Accorhotels	1	145
3	Shg (Salute Hospitality Group)	1	112
4	Best Western Hotels & Resorts	3	111
5	Duetorrihotels	1	90

Chain Rooms by scale and chains’ penetration rate; Horwath HTL 2018







The leading 10 Italian Chains by revenues (L10 Cluster)

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A very first picture of leading players in the industry

For the very first time in Italy a study covers aggregate revenue performance for the cluster made of the top 10 leading Italian operators ranked by turnover.

For the very first time in Italy a study covers aggregate revenue performance for the cluster made of the top 10 leading Italian operators ranked by turnover.

Who are they? What is their contribution to the industry? How do they compare to European hotel chains and, most of all, how are they expanding?

It has been a hard time to rank chains based on their turnover, since not all chains consolidate revenues into a single corporate vehicle. Moreover, corporate structures vary along time and even frequently for Chains who have more than one “holding” vehicle, whether participating all or some of their LLCs.

Moreover, to create the history of Chains during the last 5 fiscal years (2013-2017) we had to merge data on P&L, based on AIDA database, with data on the respective portfolio of hotels and rooms, based on Horwath HTL Hotels & Chains database.

This was made reliable thanks to the laudable support most groups have provided, since none of these Chains is listed on the stock market and, therefore, everything was based on voluntary disclosure or public data (official financial reporting).

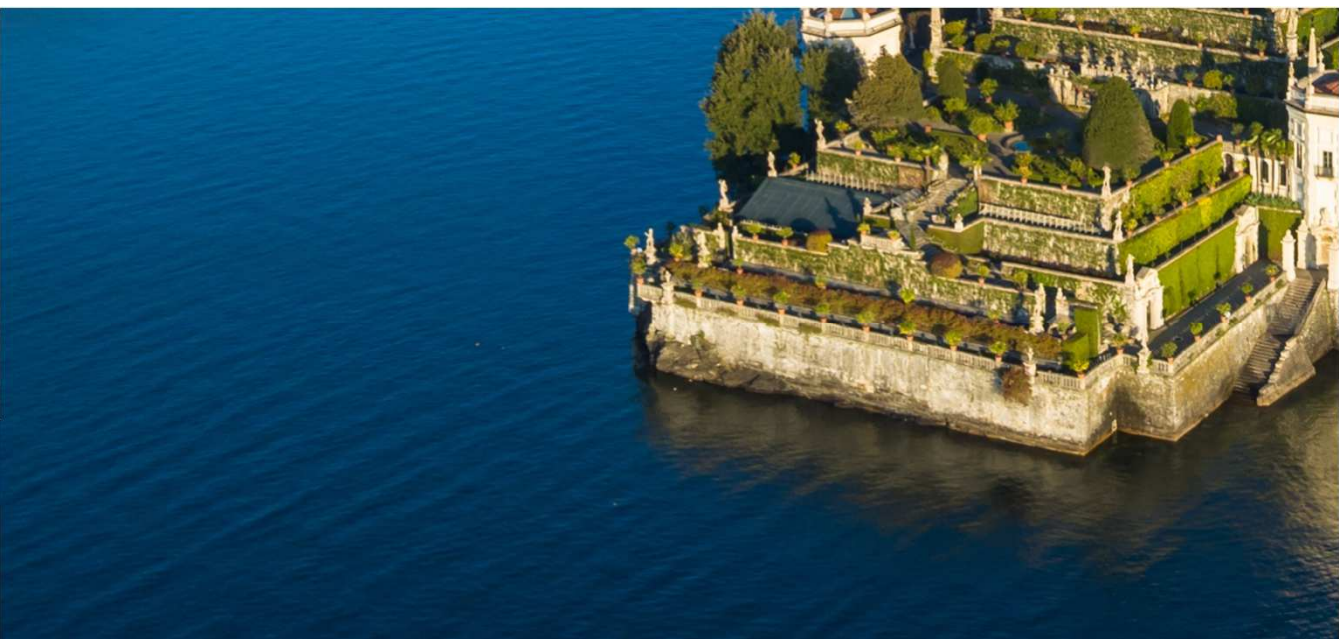
We strongly believe it has been a great contribution to the industry: in 2018, the “L10 cluster”, the cluster of the Leading top 10 Italian Hotel Chains based on total revenues, indeed, represents 31% of domestic chain rooms, 20% of all chain rooms in the Country and the 4% circa of all the Italian room stock in the midscale, upscale and luxury segments.

It is clearly a thermometer of the competitive situation of Italian hospitality with reference to the most consolidated and, possibly, capitalized side of the industry.

We have reached a unprecedented level of precision, capturing rooms available (for all hotels of all Groups during all years) linked to corresponding revenues: nevertheless, being a first edition of a panel research, minor errors may occur.

We hope this first effort will evolve into a more sophisticated and useful one for the next future, when possibly turnover results will be paralleled by profitability indexes.

We do thank the Chains who have supported this research and invested time for the sake of providing our industry with updated parameters and measures.

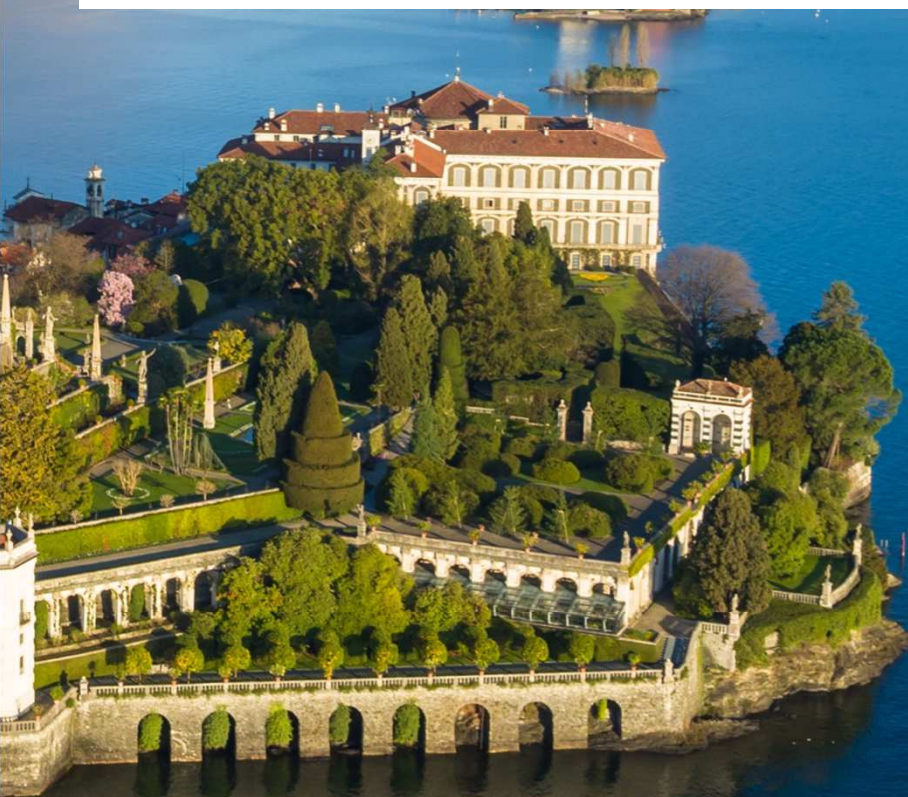


L10 Research methodology

Before you read:

- *The ranking is based on official 2017 values of operating revenues deriving from hotels in Italy. 2017 is the last year of officially reported financial data.*
- *Revenues generated by hotels outside Italy have been excluded.*
- *Revenues deriving from franchising (yet very limited) have been excluded, as well as corresponding franchised rooms, to avoid any bias on average "PAR" values.*
- *All data for fiscal years 2013-2017 have been retrieved or double-checked on AIDA (Bureau Van Dick) database. Data of foreign Groups are based on Amadeus database.*
- *All data on yearly Available Rooms (AR) are based on Horwath HTL Hotels & Chains database.*
- *Data for UNA Group, for the period antecedent to the merger UNA – ATA, account for the sum of both Groups, then merged into one.*
- *All revenues data for the years 2018-2020 are Horwath HTL projections based on our best knowledge of pipeline, Chains AR growing pace and historic TrevPAR. These values are proposed as merely indicative of the L10 Cluster potential aggregate performance. The aggregate performance derives from projections we have built for each single Chain in the cluster.*

Please note: revenues data are treated as confidential. As a consequence, Horwath HTL cannot and will not provide any information covering sales performance on any single participating Chain.

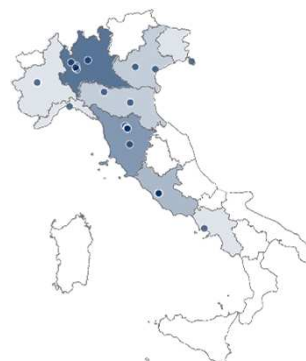


Presenting the L10 cluster

We are glad to present the Olympus of the Leading 10 Italian hotel chains by revenues generated in 2017.

STARHOTELS
L'ITALIA NEL CUORE

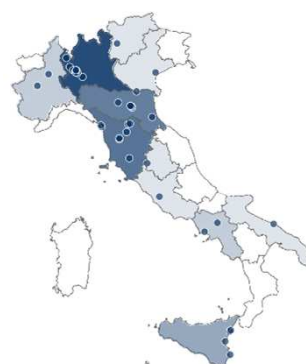
Founded in:	1980
Headquarter:	Florence
Hotels in 2013	20
Hotels in 2018	24
Rooms in 2013	3,413
Rooms in 2018	3,669
Total Revenues 2017 ranked	1°



GRUPPO

UNA

Founded in:	2000 (UNA)
Headquarter:	Milan
Hotels in 2013	51
Hotels in 2018	39
Rooms in 2013	8,641
Rooms in 2018	5,034
Total Revenues 2017 ranked	2°




AEROVIAGGI

Founded in:	1973
Headquarter:	Palermo
Hotels in 2013	12
Hotels in 2018	14
Rooms in 2013	2,665
Rooms in 2018	3,183
Total Revenues 2017 ranked	3°





Founded in:	1921
Headquarter:	Rome
Hotels in 2013	28
Hotels in 2018	39
Rooms in 2013	3,398
Rooms in 2018	4,604
Total Revenues 2017 ranked	4°



Founded in:	1977
Headquarter:	Padua
Hotels in 2013	10
Hotels in 2018	22
Rooms in 2013	1,752
Rooms in 2018	4,645
Total Revenues 2017 ranked	5°



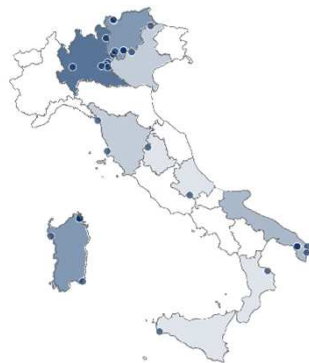
Founded in:	1992
Headquarter:	Palau
Hotels in 2013	8
Hotels in 2018	8
Rooms in 2013	1,527
Rooms in 2018	1,527
Total Revenues 2017 ranked	6°



Presenting the L10 cluster



Founded in:	1992
Headquarter:	Salò
Hotels in 2013	25
Hotels in 2018	30
Rooms in 2013	3,028
Rooms in 2018	3,372
Total Revenues 2017 ranked	7°

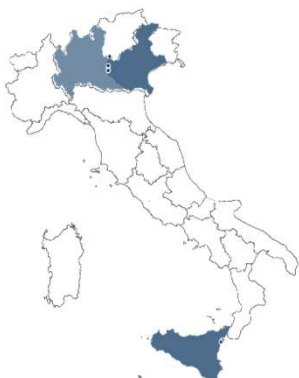


Founded in:	1985
Headquarter:	Pescara
Hotels in 2013	8
Hotels in 2018	11
Rooms in 2013	3,139
Rooms in 2018	3,920
Total Revenues 2017 ranked	8°

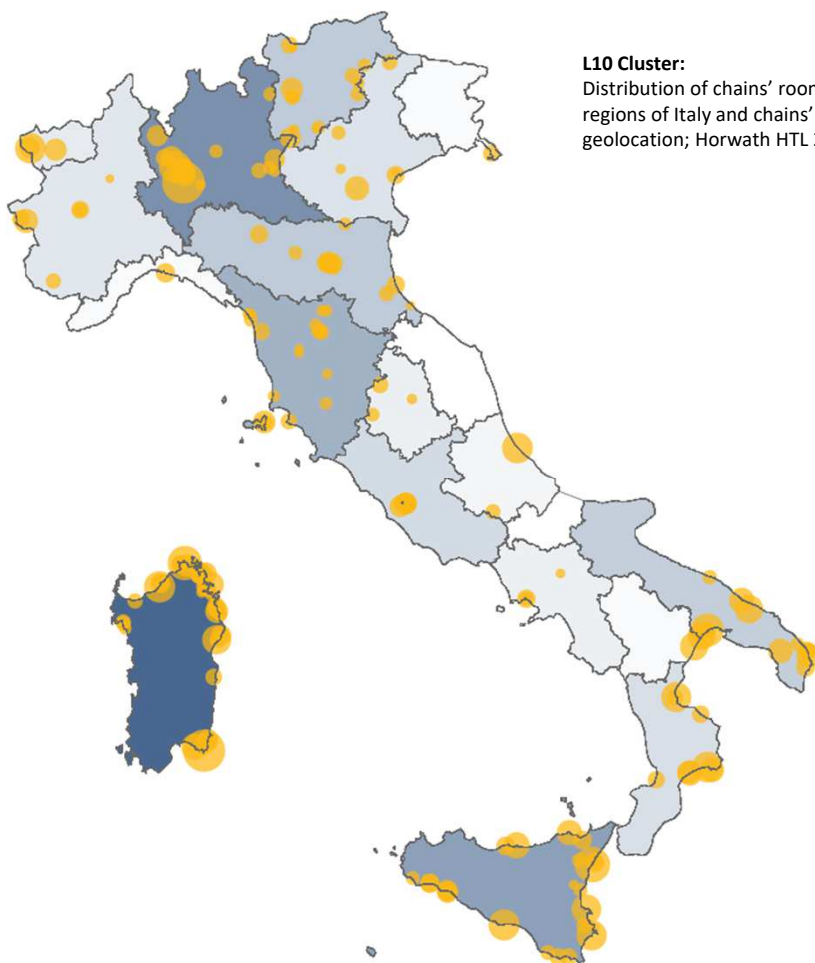


Founded in:	2010
Headquarter:	Milan
Hotels in 2013	15
Hotels in 2018	13
Rooms in 2013	1,788
Rooms in 2018	2,671
Total Revenues 2017 ranked	9°





Founded in:	1985
Headquarter:	Limone sul Garda
Hotels in 2013	13
Hotels in 2018	13
Rooms in 2013	2,004
Rooms in 2018	2,004
Total Revenues 2017 ranked	10°



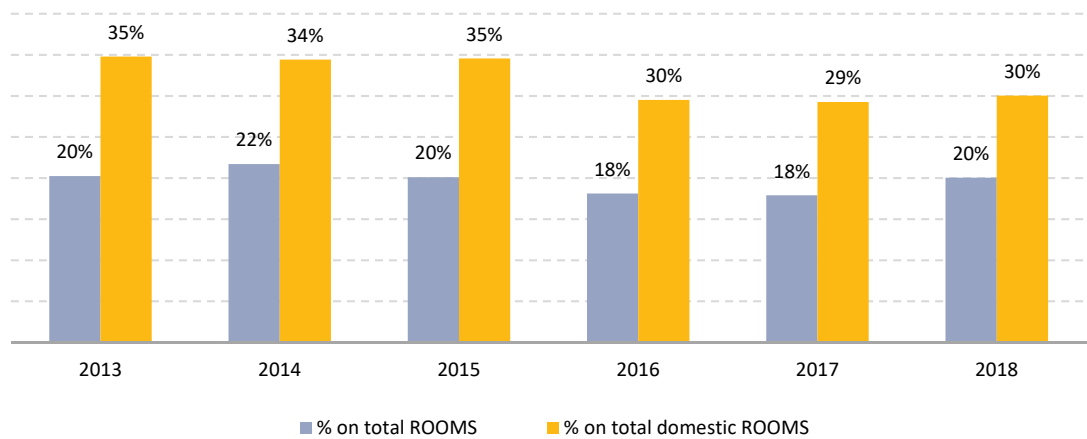
L10 Cluster:
Distribution of chains' rooms among
regions of Italy and chains' hotels
geolocation; Horwath HTL 2018

L10 Cluster profile

This cluster, presenting today approx. 30% of domestic rooms and 20% of overall rooms in the branded segment, is mainly populated of chains operating in Italy, with the exception of Starhotels, JSH and ITI Group who have also an international (wider or smaller) footprint.

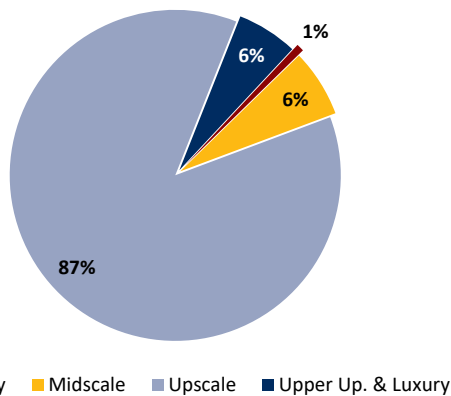
The hotels in the panel at the time of the revenue analysis (2017) were 193. These excluded hotels franchised under the brand UNAWAY and those which were not fully operating in 2017.

Share of L10 Cluster rooms stock on total and domestic chains room stock

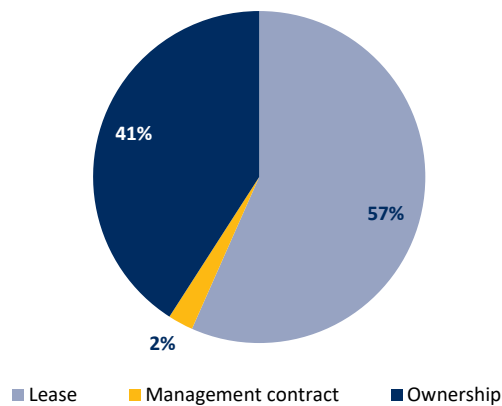


Most of cluster’s rooms were in the Upscale, 4 stars, segment (87%), the rest being in the Upper Upscale & Luxury, 5 star, or Midscale, 3 stars, for the same proportion (6%). The majority of rooms in the cluster were managed under a lease agreement (57%), while a very limited portion (2%) fell under management contract. Lease and direct ownership were then explaining most of the entire panel (since franchising was excluded).

Rooms scales distribution in the L10 Cluster - 2017



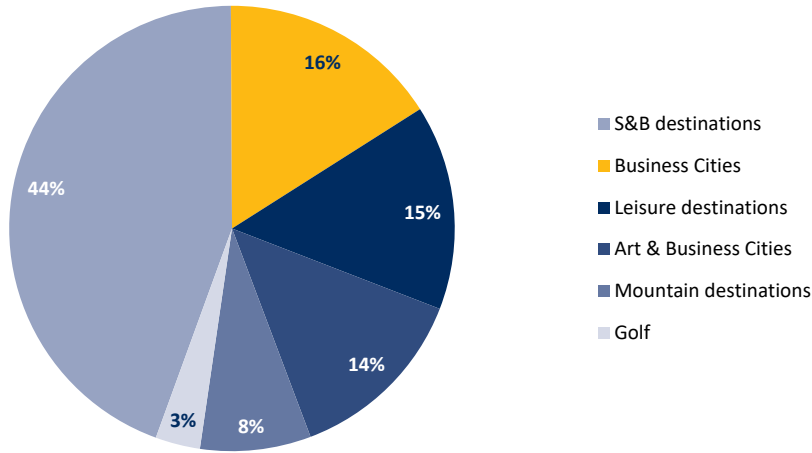
Business models distribution in the L10 Cluster - 2017



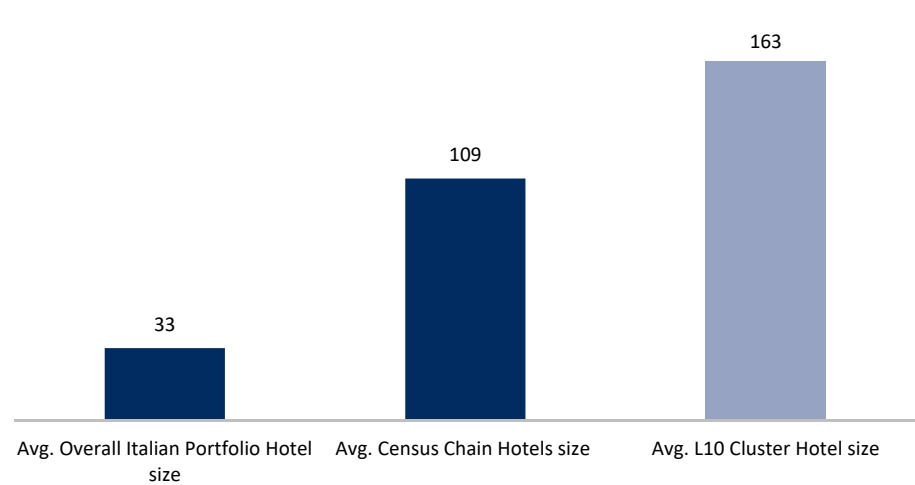
The Cluster was composed of S&B resorts for almost half of the room portfolio (44%), while a significant share of rooms was located in Arts & Business and Business district cities (together totalling 30%). For this reason, hotels in the cluster were, on average, much bigger than the standard for the Country, at 163 rooms (against the overall chain portfolio which stands at 110 rooms on average).

Thus, we can simplify, with great approximation, the picture of the most frequent hotel appeared into the Cluster for 2017 as a big Upscale S&B resort, managed by an Italian operator under a lease agreement.

Share of L10 Cluster rooms stock on total and domestic chains room stock – 2017



Average hotel size in rooms, for the whole Italian portfolio, chains portfolio and L10 Cluster portfolio - 2017



L10 Room Supply + projections

The L10 Cluster has grown in size over the last 5 years and significantly in 2018. Despite the growth recorded in its rooms stock, its relative size, compared to the chain segment in Italy, has slightly reduced during the last 5 years, due to the faster growth of competing chains.

Due to a partial disposal of the portfolio of ATA Hotels, before and during the year of the merge with UNA (2016-2017), the overall rooms stock has slightly decreased in 2016 and then recovered in 2017 as a combination of continuous growth of TH Resorts, ITI group, and JSH. Starhotels acquisition of some Royal Demeure properties has also contributed to the growth of rooms stock with impact in 2018.

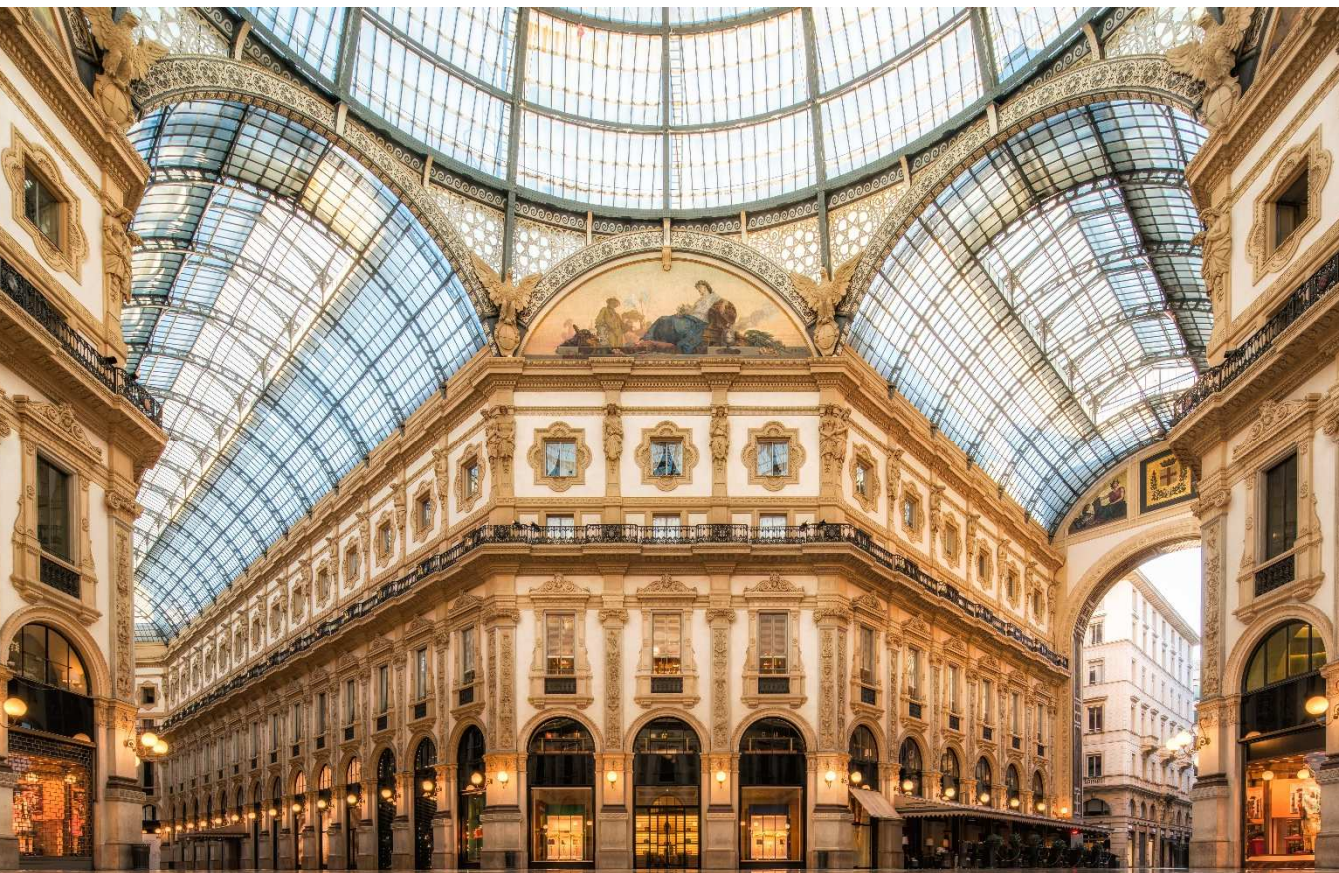
Nevertheless, this Cluster has never been bigger before. For 2019 and 2020, based on the pipeline we have recorded for the coming years and taking into account the anticipated exit of some properties as well as a certain “average” growth pace, we predict total rooms will move to approximately 36,600 in 2020.

This will represent a net a growth of approximately 2,500 rooms on current portfolio. This would mean 250 rooms added to each Chain of the Cluster, or say 1 new hotel sized 125 rooms signed per Chain in each of the next 2 years: a figure which we believe is even prudent, considering that most of the participating Chains have grown at a faster pace in 2016-2018.

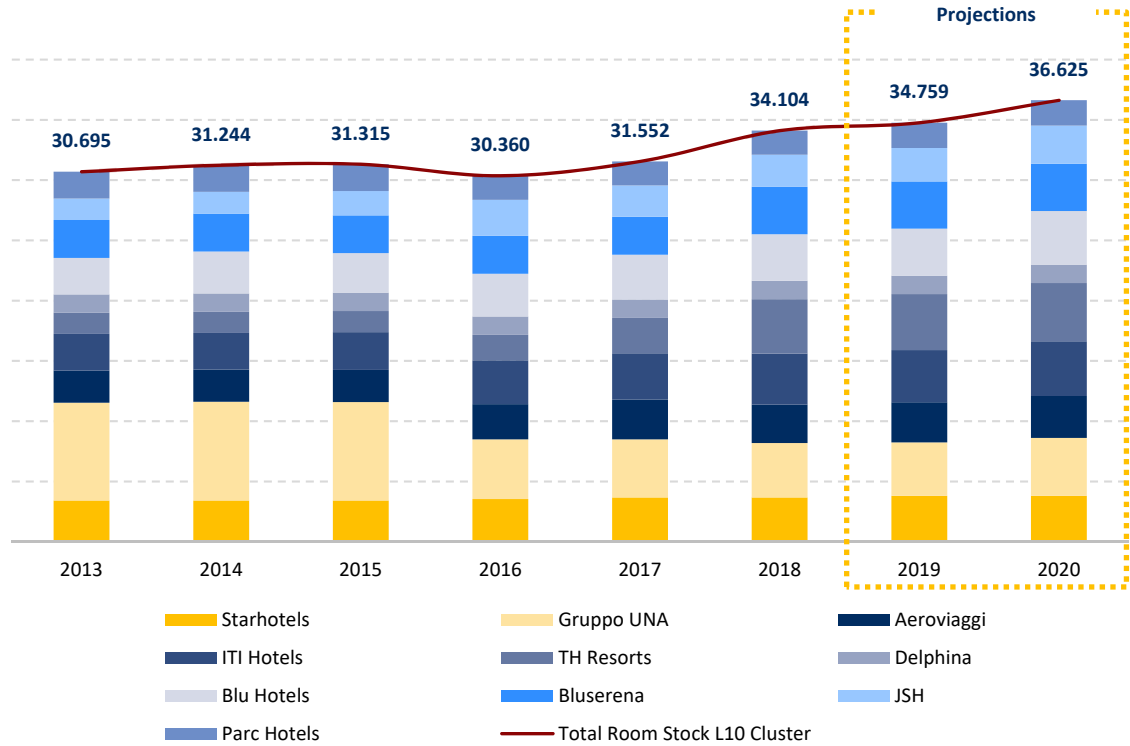
Due to many resorts being seasonal and operating on a base of 180-210 days a year, the AR measured for the Cluster are modest as a whole. In 2018 the Cluster accounted for approximately 7.7 Mln AR.

To get a clearer idea of how this AR volume looks like, we benchmarked the overall Cluster AR portfolio to a major international Chain in Italy managing city hotels and resorts and found that this latter alone accounts for the equivalent of 37% of Cluster AR.

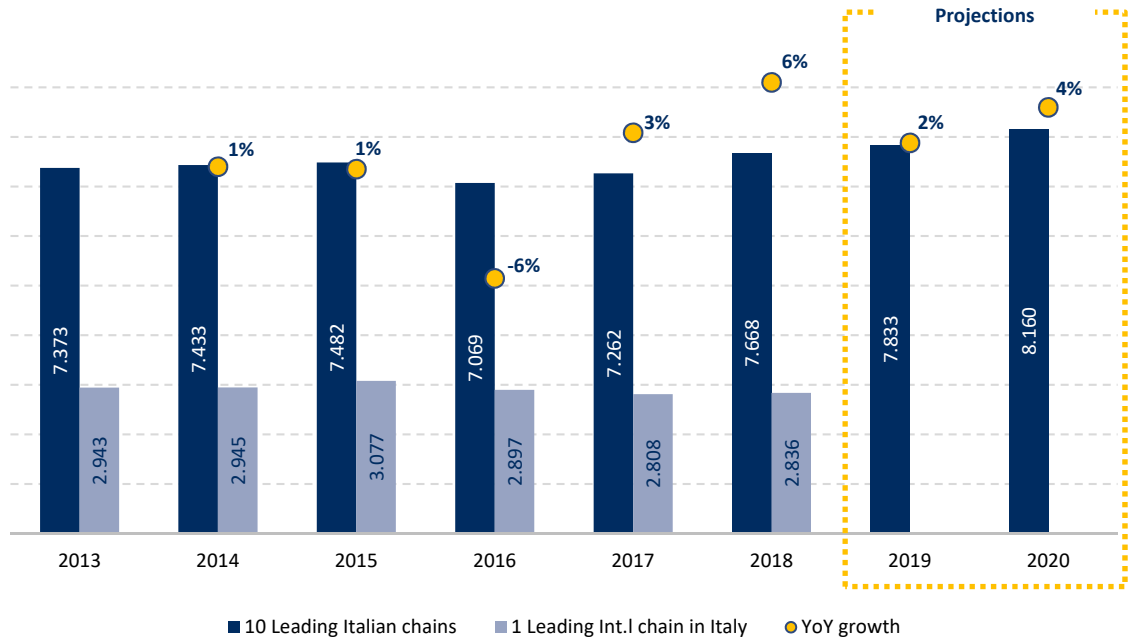
This supports the opinion that the size of this Cluster in terms of AR produced is, though, very limited and far from being mature.



L10 Cluster rooms stock historic trend and projection



L10 Cluster and a leading international Chain Available Room trend and projection



L10 Total revenues per room and TrevPAR 2013-2017 + projections

Based on the analysis of yearly total operating revenues reported by the Cluster and the room stock for each Chain, we have identified the historic evolution of aggregated total revenues per room (total revenues generated by a room during the fiscal year).

The average total revenues per room have moved from 23,300 Euro to 27,400 Euro, demonstrating a significant growth in the period (+17%).

This evidence might depend on the different hotels/resorts mix, any shift in destination mix or simply the ability of the Cluster as a whole to charge higher rates or generate higher occupancy. It is not an operational driver to estimate market growth, of course, but it witnesses the growth of the value generated by the Cluster as a whole during the last 5 fiscal years. Indeed, the difference between Chains unit revenues is evident. The less performing Chain (note: there is no connection between lower performance per room and the ranking of Chains, for obvious reasons) generates, per room, 1/3 of the revenues generated by the highest performing. Of course, city hotels operating on 365 days are not directly comparable to mountain resorts operating 210 days or less. For this reason, the measure based on available room, the TrevPAR (Total revenues Per Available Room), provides a clearer picture of performance. For the scope of further understanding performance, we have benchmarked the revenues generated per room by the same leading international chain operating in Italy, who has a varied and very comparable portfolio of hotels. Its performance are above last 5-year average, but lower than the maximum recorded.

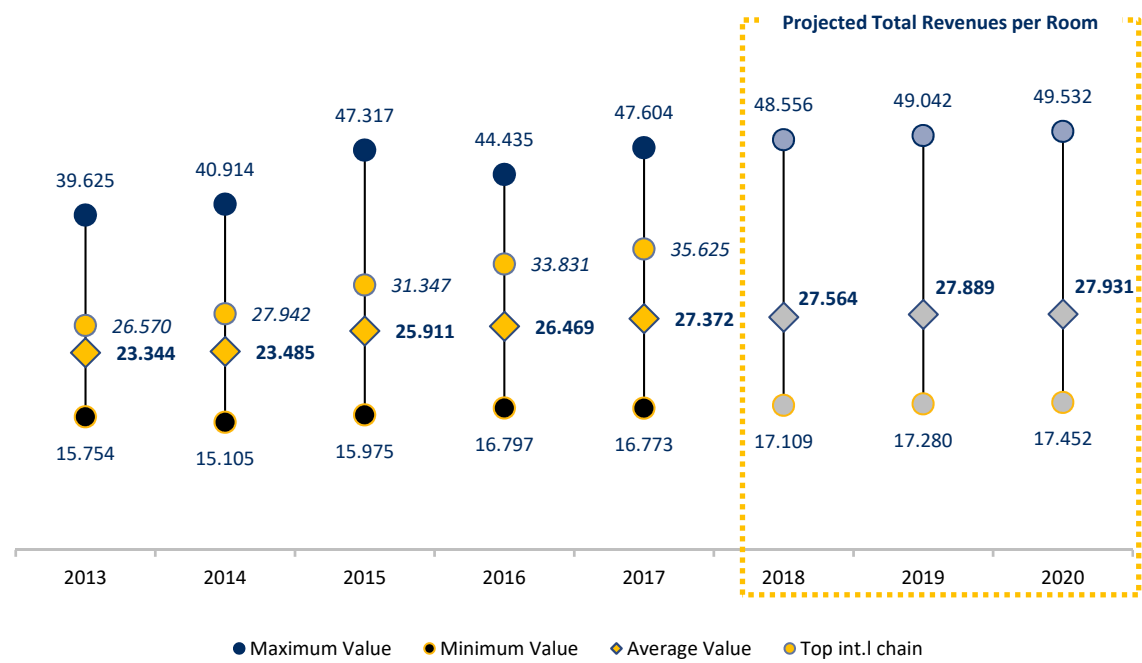
Supported by the 5-year trend, we have built a prudent estimate of total revenues per room for each Chain, based on historic parameters and pricing trends, for the years 2018-2020.

This projection estimates that each room of the Cluster will make approximately 28,000 Euro of total revenues per year, peaking at 49,500 Euro for the Chain with the highest pricing per unit.

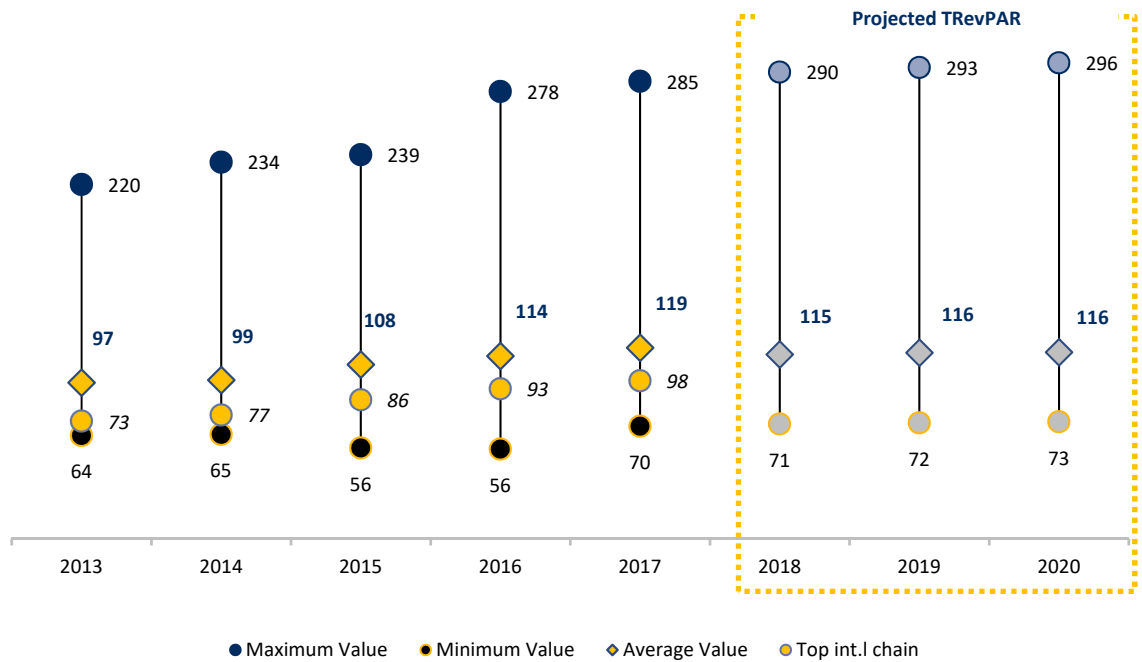
In terms of TrevPAR, the Cluster moved from an average of 97 Euro in 2013 to 119 in 2017, which was a robust growth of +22%. Again, this is not an operational driver, due to the varied nature of hotels and resorts in the Cluster, but it clarifies that the Cluster has performed on average something better than the correspondent International Chain and also that performance is increasing. The Chains' ability to choose well-performing assets for their "selective" growth is also a clear result of the growing process itself: thus, in the long run, the Cluster should be destined to improved performance per available unit, *ceteris paribus*.

For the period 2018-2020 we have projected a general limited growth of TRevPAR for a pace of approximately 2% YoY. For the future, though, based on the projected growth of each Chain's rooms portfolio, the resulting projected average TRevPAR appears somehow lower (due to the future mix in the portfolio of hotels) than 2017 but aligned with historic data.

L10 Cluster Maximum, Average and Minimum total revenues per room, historic trend and projection (Euro)



L10 Cluster Maximum, Average and Minimum TRevPAR, historic trend and projection (Euro)



L10 Total Revenues 2013-2017 + projections and benchmark

Following the described pace, in the light of increasing size at almost unchanged TRRevPAR, the L10 Cluster would move from 2017 total revenues at 0.87 bn Euro to 1.0 bn Euro total revenues in 2020.

We believe that, taking into account the certified pipeline and the net growth pace (hotels signed and hotels left) which Chains have demonstrated during the last 6 years, this is a reliable estimate of how much this Cluster could be worth in two years from now.

*One billion Euro per year produced by 10 corporations leading an industry:
how does this look like?*

Well, despite the growth forecasted and taking into account that overall hotels revenues reported on AIDA database¹ in 2017 are approximately 13 bn Euro, this is yet a modest size.

It takes only 3 big Italian brands in automotive to account for 7.4 bn Euro, that is the aggregate total revenues generated by Ferrari, Lamborghini and Maserati (global sales) in 2017.

Just 2 big Italian brands in fashion accounted for 9.2 bn Euro in 2017, namely Gucci and Prada. In the same year, it took 1 Italian brand only in cruise lines to get to 3.6 bn Euro: Costa Crociere.

Comparing the L10 Cluster to other competitors in Europe also gives a deeper understanding of a certain fragmentation of the chains industry, but it also provides a perspective for a wonderful future.

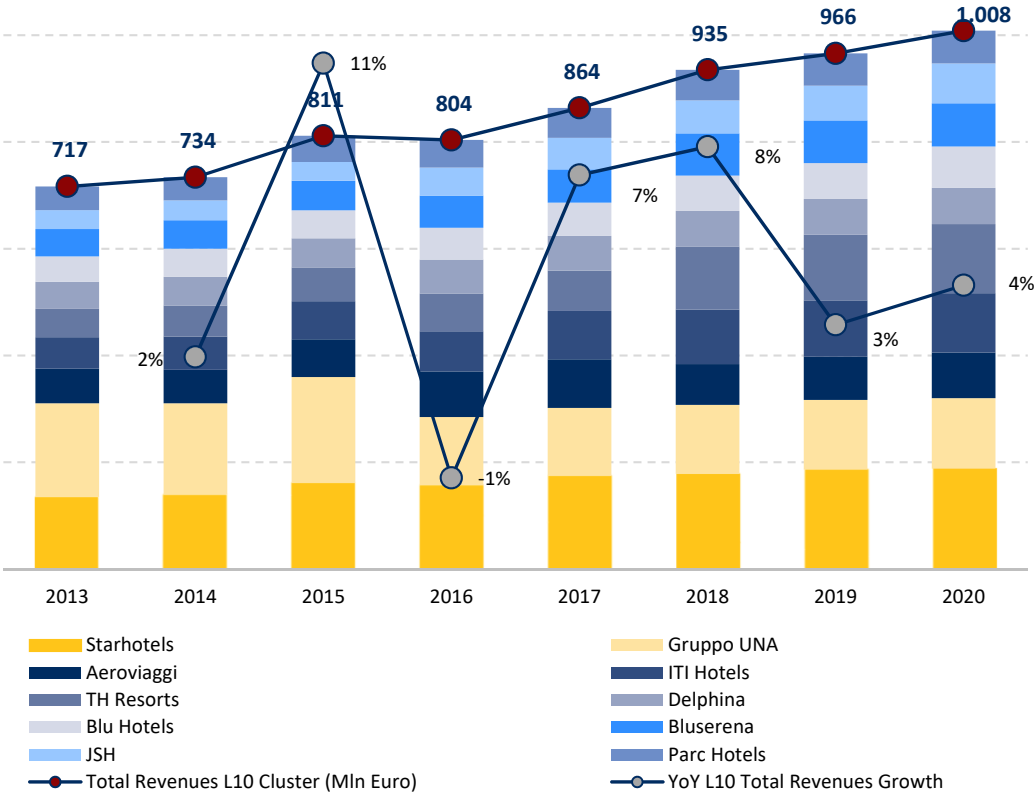
Just 5 relatively big Chains among Spanish, French, UK and Croatian, with international or regional scope, all together summed up to 4.1 bn Euro in 2017. Clearly, most of them have an international footprint and the revenues we accounted include sales produced abroad (which we excluded for JSH, Starhotels and ITI), thus there is no immediate parallel in the values.

Nevertheless, figures provide the evidence of how consolidated the Spanish market, for example, could appear. As well, they clarify what is the size Spanish hotel chains have reached today thanks to international expansion, which they couldn't have reached simply concentrating on their market, (a market that is highly comparable to Italy).

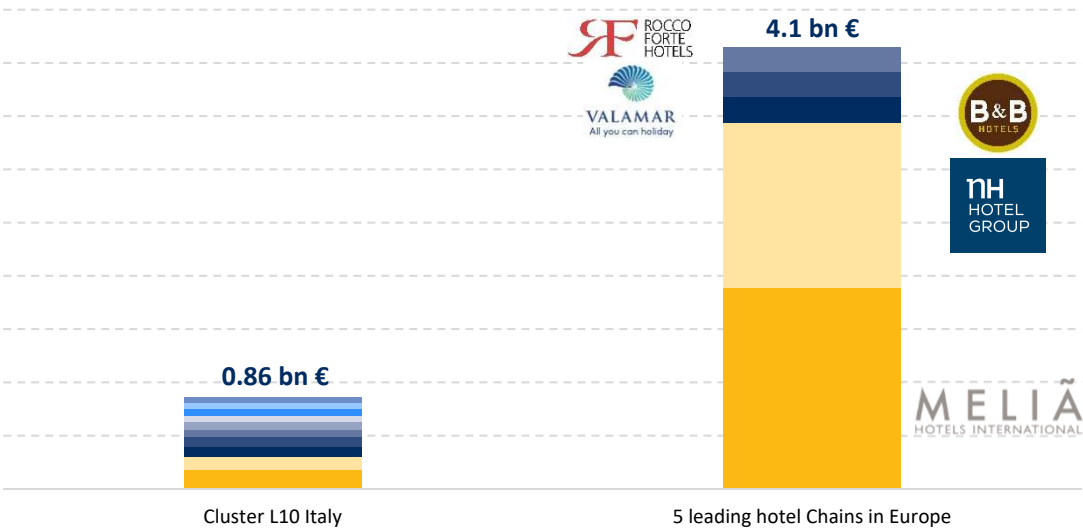
There is a (blue) ocean of opportunities for Made in Italy Chains to expand further even abroad.

¹AIDA database classifies revenues based on the ATECO industry code and for companies being obliged to yearly financial reporting (LLC and Ltd), thus aggregate values clearly underestimate the overall industry size.

L10 Cluster total revenues, historic trend and projection (Mln Euro)



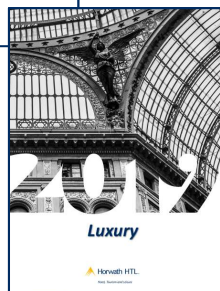
L10 Cluster total revenues compared to a set of 5 European competitors



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Methodology

Since 2012 we collect data on hotel chains in Italy and every year we achieve an increasing accuracy thanks to Hotel Chains’ support.

Source of information

This report contains evidences of the Horwath HTL census of operating chain hotels in Italy as of December 31st, 2018. Due to the delay between data collection and report issuing, there might be even significant differences between a chain current (2019) portfolio and what we reported.

All data on Italian competitiveness and comparison with other EU states are based on Eurostat data as of December 31st, 2018 and Horwath HTL census of hotel chains in Europe 2018.

Definitions

For the purpose of this Report:

A chain is any organization operating 5 or more hotels in the world, by owning, managing, leasing or franchising properties. Simple ownership, with no control on operations, does not qualify for being considered a chain.

Chains may own none, one or several hotel (or hostel) brands with sign visibility. “Second tier operators”, otherwise named “white label” operators, are chains who operate at least one hotel under a third party brand and might have no commercial sign visibility.

Soft 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.

“Rooms” is used as equivalent to “keys”, even in the case of suites and apartments.

As for the census, scales are based on the official classification of hotels (Italian “stars” system) and do not represent the target positioning of the brand itself. The stars-to-scale conversion follows:

1 star:	Budget
2 stars:	Economy
3 stars:	Midscale
4 stars:	Upscale
5 stars:	Upper Upscale & Luxury

Double counting of hotels managed by second tier operators and franchised by a chain has been avoided. Thus, aggregated data is net of double-counting. When the case, figures including double counting of properties, for certain purposes, are reported as “IDC” (Including Double Counting).

All charts showing international and domestic chains may not sum up to overall because of second tier operated hotels.

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. All hotels listed as operating under a chain after December 31st, 2018 are considered as pipeline.

Penetration rate (by rooms or by hotels) is estimated considering the ISTAT hotels/rooms stock of the precedent year, due to the lack of official supply data on 2018. Since hotels and rooms supply is pretty stable along years, this mismatch may only cause limited errors in the area of 0.1% of the proposed penetration rates.

Requests on data and methodology

For any enquire on the census methodology please contact the author, Giorgio Ribaudo at gribaudo@horwathhtl.com

Legenda

Avg	Average
Bn	Billion
CAGR	Compound Annual Growth Rate
F&B	Food & Beverage
GDP	Gross Domestic Product
IDC	Including Double Counting
MICE	Meetings, Incentives, Conferences, Exhibitions
Mln	Million
OR	Occupancy Rate
TevPAR	Total Revenue per Available Room
YoY	Year Over Year
YTD	Year To Date

Definitions

Hotel Chains (in this report)

Any hotel organization operating 5 or more hotels in the world by owning, managing, leasing or franchising properties. Simple ownership (in the lack of operations control) does not qualify to be reported as an hotel chain.

International Chain

A chain with headquarter outside Italy.

Domestic Chain

A chain with headquarter in Italy, including those which also run operations abroad.

White label, Second Tier

A chain operating one or more hotels branded by another chain.

About

HORWATH HTL

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.

ASSOCIAZIONE ITALIANA CONFINDUSTRIA ALBERGHI

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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