



Q4 2020

HOTEL REPORT



Gabetti

PROPERTY SOLUTIONS

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INTRODUCTION

The effects of the Covid-19 pandemic are still difficult to quantify, but they are certainly quite significant across the entire tourism industry, from air transport to the hospitality sector. In Italy, the drop in demand in 2020 widely exceeded 50%, with the exception of certain segments that managed to keep up, such as beach tourism, which benefited from a period of relative decline of the effects of the virus, provincial hotels, generally used by domestic business customers, apartments with outdoor spaces and holiday villas for tourists. Nevertheless, capital market transactions in the hotel sector in 2020 maintained good performance, recording nearly €1 billion, mainly due to two major transactions: sale of the former Boscolo portfolio and sale of the Bauer hotel in Venice.

These two important transactions, which involved foreign players, confirm the considerable interest in Italian hotels by international investors, which continue to represent the majority of capital invested in the corporate segment. These investments are always made by operators with long-term strategies, although now they are increasingly aimed at the redevelopment of existing hotels, as the pandemic has increased the propensity to sell properties, although we have not yet seen a general reduction in prices. In 2019, on the other hand, the sector's strong development phase had been driven by the transformation of office properties into hotels, therefore aimed at new openings.

Unfortunately, the forecasts for 2021 are less optimistic than one might have hoped: in these first three months of the year, we are seeing a new wave of infections that has once again imposed severe limitations on travel, with consequent further postponement of the potential reopening of accommodation facilities. Once the tourist-free winter season is definitively behind us, having almost certainly missed the usual mini-vacations of the spring (Easter, April 25, May 1) which also fall on the weekend this year, we can only focus on the summer and on the return of short breaks in the autumn. But for the recovery to be a strong one, it will need serious progress on the vaccination front. In this context, it would be important to see government support initiatives in the hospitality sector, which is rather obsolete and has few instruments at its disposal to compete in a market in which the attitudes of travellers are changing and preferences are increasingly aimed at new formats. On the plus side, many entrepreneurs in the industry are taking advantage of the forced closure to adapt their facilities to the new market dynamics.

Emilio Valdameri
Head of Hospitality and Leisure
Gabetti Agency

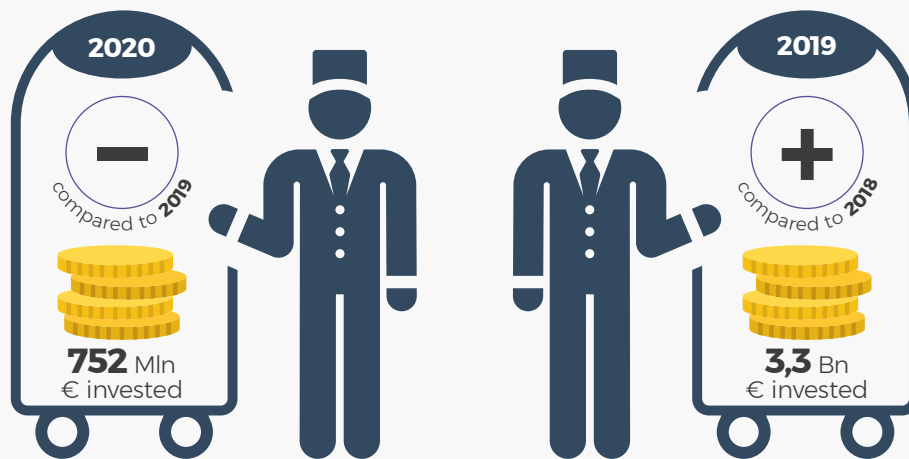
HIGHLIGHTS

Il report analizza i principali indicatori del comparto alberghiero e turistico, al fine di fornire una fotografia completa del settore.

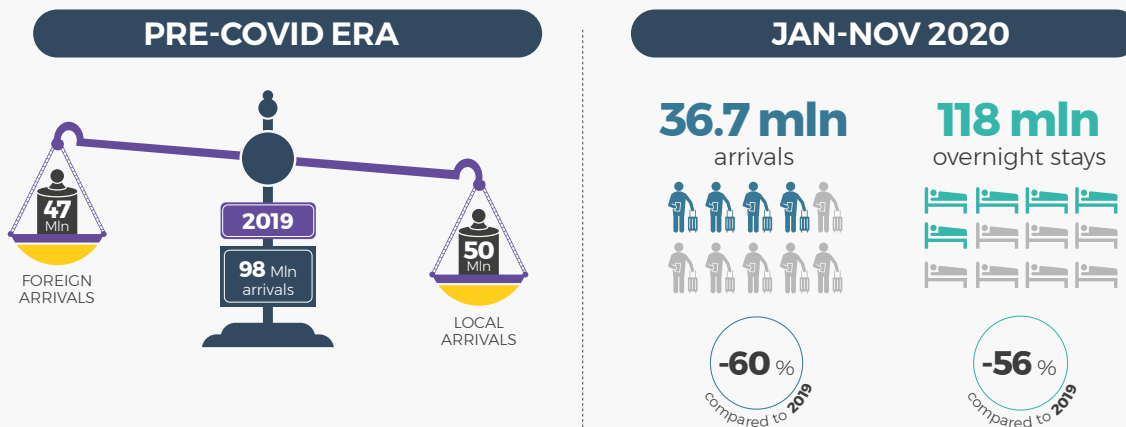
In particolare, il report monitora l'andamento degli investimenti immobiliari nel settore alberghiero e della ricettività, oltre al numero di transazioni di compravendita dell'intero comparto. Per quanto riguarda lo stock, viene

restituita un'analisi dell'evoluzione dell'offerta ricettiva in Italia, con un monitoraggio dell'attrattività delle strutture, in termini di arrivi e presenze. Infine vengono analizzate le performance relative al tasso di occupazione delle camere e ricavi medi delle principali città e il posizionamento dell'Italia nel contesto europeo.

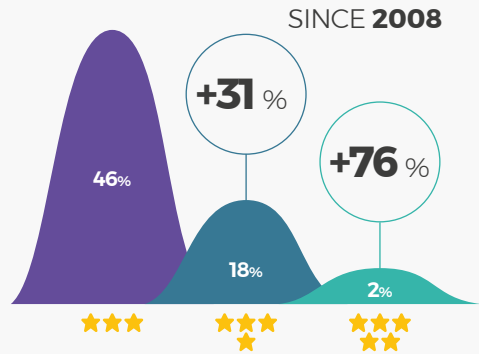
REAL ESTATE INVESTMENT IN THE HOTEL SEGMENT



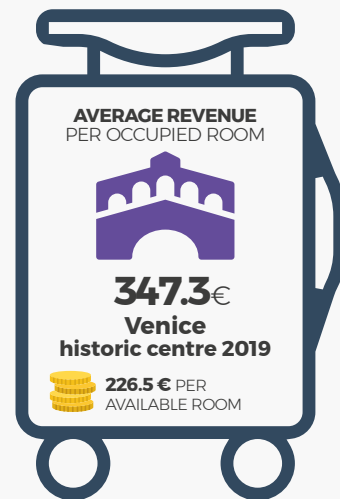
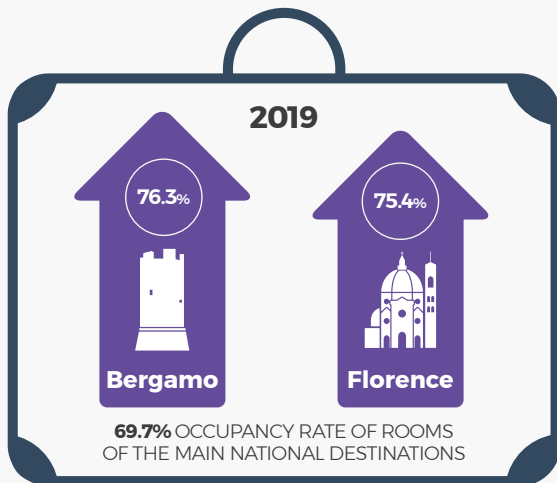
APPEAL OF THE FACILITIES



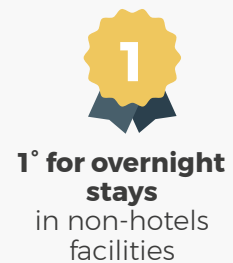
HOTEL SUPPLY IN ITALY



PERFORMANCE PRE-COVID ERA



IN EUROPE



Latest available official ISTAT data updated to 31-12-2019; published in July 2020.

THE HOTEL REAL ESTATE INVESTMENT MARKET

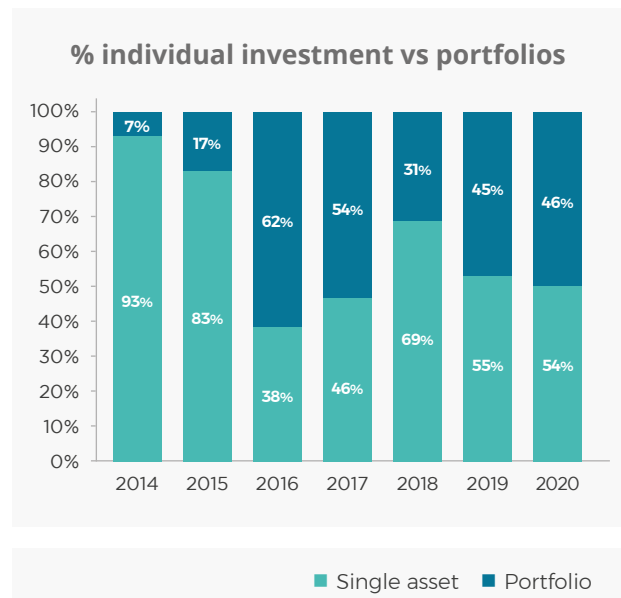
In 2020, €752 million was invested in the corporate hotel real estate sector, equal to **9% of the total invested**, a result clearly impacted by the direct and indirect effects of the Covid-19 pandemic; indeed, some transactions were temporarily postponed due to the closure of many hotel facilities during the lockdown and the difficulty in forecasting the phases and means of recovery for the sector.

Historically, from the €594 million recorded in 2014, the one billion euro threshold had been exceeded for the first time in 2016 (11.6% of the total), with further growth in 2017, followed by consolidation in 2019, also due to a number of transactions initiated in 2018.

In 2020, the **majority** of investments were concentrated mainly on **individual assets** for hotel use, which at €408 billion accounts for **54.2% of the total**. Transactions of hotel portfolios accounted for 45.8% of the total, essentially in line with 2019. In the past, the latter had shown a highly fluctuating trend due to the limited concentration of supply at the national level, going from a minimum of €44 million in 2015 to €666 million in 2016, then dropping to €643 million in 2017 and €225 million in 2018, and jumping to €1.5 billion in 2019, equal to 45.4% of the total.



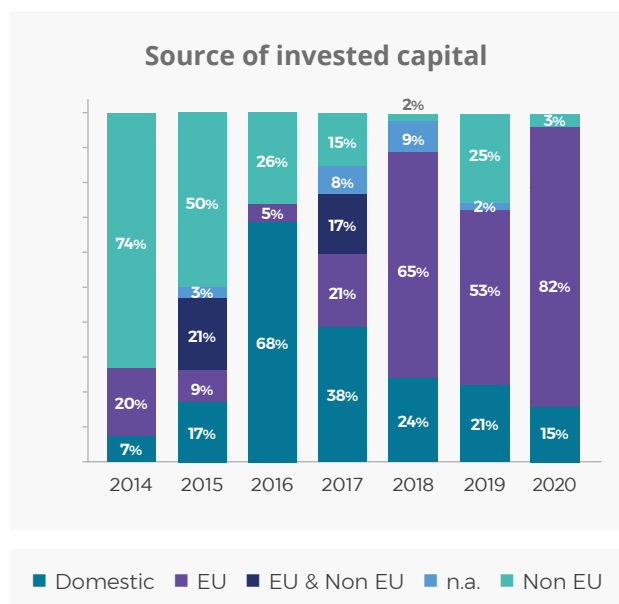
Gabetti Research Department analysis



Gabetti Research Department analysis

Although limited in number, transactions in 2020 confirm investor preference for high-end hotels, predominantly independent 4- and 5-star hotels, which are often purchased to be refurbished, repositioned and possibly let to specialised international operators and subsequently sold again in 4/5 years. A trend already observed in the past, particularly in 2019, year in which **4- and 5-star hotels** accounted for nearly all transactions and capital invested (**85% of the total**). In recent times, however, interest has also grown on the part of international groups towards satisfying demand that is less stringent and oriented towards lower-range hotels, provided they are located in strategic positions, which are always subject to redevelopment. An example in this context is that of B&B Hotels, classified as mid-range facilities (three stars or mid-scale/economy), based on international terminology.

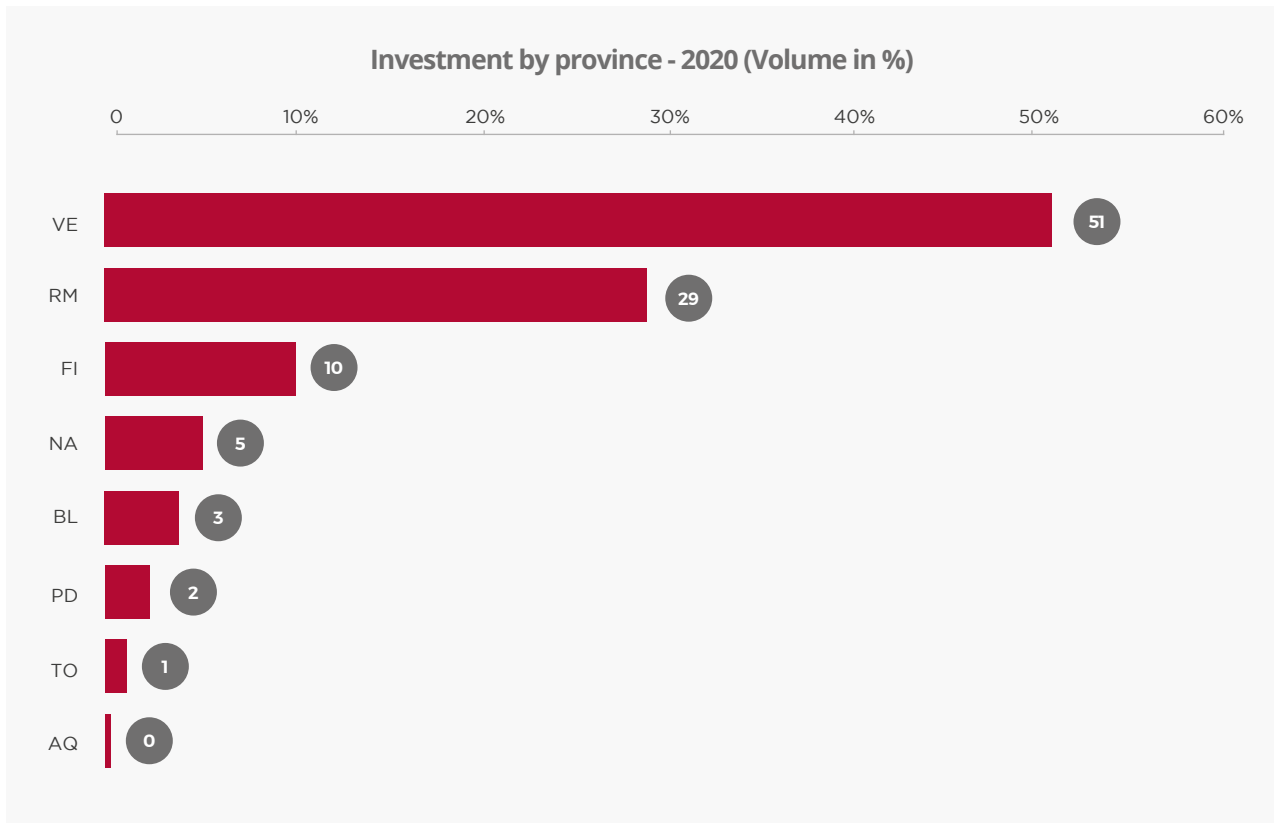
In **2020**, the capital invested was **predominantly by foreign investors, mainly European**, which accounted for **85%** of the total, confirming the trend underway; in fact, they had constituted the majority (77.3%) in 2019 as well, particularly following the purchase of two major portfolios [the 15 assets of Castello SGR by Oaktree Capital (USA) in the first quarter and the 8 assets of Belmond purchased by the LVMH Group (France)].



Gabetti Research Department analysis

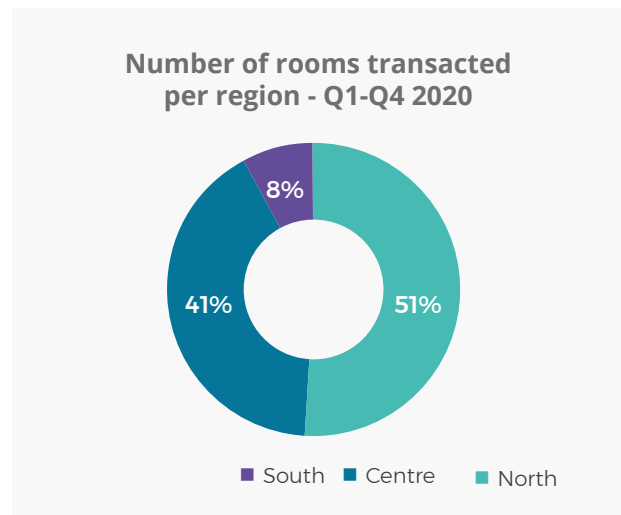
In **2020**, transactions were fairly distributed throughout the country, with the exception of the province of **Venice**, which accounted for the largest share of the invested capital, **due to the sale of the Hotel Bauer for a record amount of approximately €250 million (51% of the period total)**; Venice aside, **Rome (29%)** was the leader, followed by **Florence (10%), Naples, Belluno, Padua, Turin and L'Aquila, each accounting for less than 5% of the total invested.**

In 2019, Venice was again the most popular (20.8%), followed by Rome (14.4%), Catania, Milan, Florence and Genoa, all accounting for between 8% and 10% of the total.



Gabetti Research Department analysis

In **2020**, a total of **1,594 rooms** were transacted, of which 51% in northern Italy, 41% in the Centre and 8% in the South. At the regional level, Veneto recorded the highest number of rooms transacted (45% for a total of 713 rooms) followed by Lazio with 25% and Tuscany with approximately 16% of the total. In **2019**, over 7,000 rooms were transacted, of which 60% in northern Italy, 23% in the Centre and 17% in the South.



Gabetti Research Department analysis

Number of rooms transacted per region 2020



Trentino Alto Adige	49
Veneto	713
Friuli-Venezia Giulia	44
TOT.	806

Tuscany	401
Lazio	255
TOT.	656

Campania	72
Abruzzo	60
TOT.	132

Gabetti Research Department analysis

■ South ■ Centre ■ North

Some of the main transactions recorded in 2020 are indicated below:

Name	City	Rooms	Stars	Price in Million €	Buyer	Seller	Capital
Bauer Hotel	Venice	191	5 luxury	250	Signa	Blue Sky Investment, Elliot Group	EU
The Pantheon Iconic Rome - Autograph Collection	Rome	79	5	62	Investire SGR	DeA Capital Real Estate SGR	Domestic
Hotel Ancora	Cortina d'Ampezzo	49	4	20	Renzo Rosso Holding	Cusinato family	Domestic
Hotel La Palma	Capri	72	4	35	Reuben Brothers	RBD Armatori	EU
Galzignano Terme golf e Resort	Galzignano Terme	284	4	13	York Capital	n.a.	NON EU
Varde Hotel Portfolio "The Dedic Anthology"	Rome, Venice, Florence	n.a.	4-5	n.a.	Covivio	Varde Partners	EU

Gabetti Research Department analysis

ITALY, NORMALISED NUMBER OF TRANSACTIONS (NTN) INVOLVING HOTEL PROPERTIES

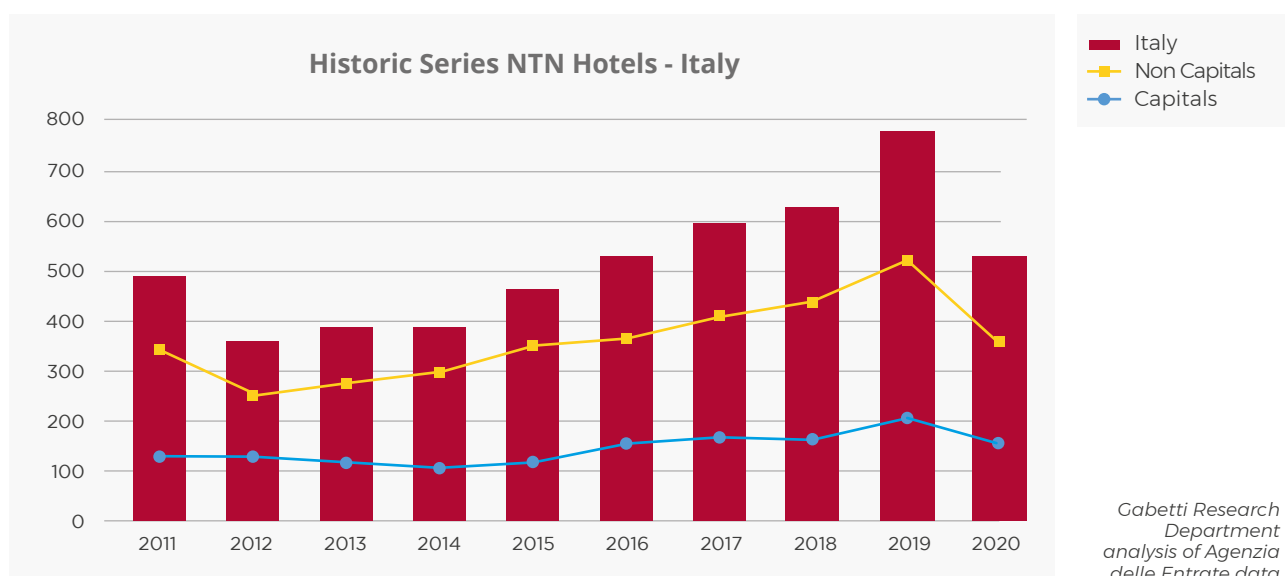
With respect to the real estate investment market previously analysed, the data on normalised number of transactions (NTN) measure purchases of ownership rights “counted” with respect to each unit, taking into account the percent ownership of the property involved in the transactions (source: Agenzia delle Entrate). In this case, note that transactions of hotel facilities subject to subdivision of the original property into several units are counted as the number of units following said subdivision.

NTN Hotels										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Italy	490	360	388	388	464	529	595	628	779	529
Capitals	136	119	117	89	103	152	165	161	214	158
Non-Capitals	354	241	271	298	361	378	430	467	565	370
Italy Var.		-26.5%	7.7%	0.0%	19.6%	14.1%	12.4%	5.6%	24.0%	-32.6%
Capitals Var.		-12.9%	-1.6%	-23.5%	14.8%	47.8%	8.9%	-2.4%	32.9%	-25.9%
Non-Capitals Var.		-31.8%	12.2%	10.2%	21.1%	4.5%	13.8%	8.6%	21.0%	-35.2%

The historic series of hotel real estate transactions from 2011 to 2020 shows a gradual increase in transactions starting from 2012, reaching its maximum in 2019 at 785, +60.1% compared to 2011. In 2020, following the hard lockdown and the impacts of the Covid-19 pandemic, the number of transactions was 529, down compared to the prior year.

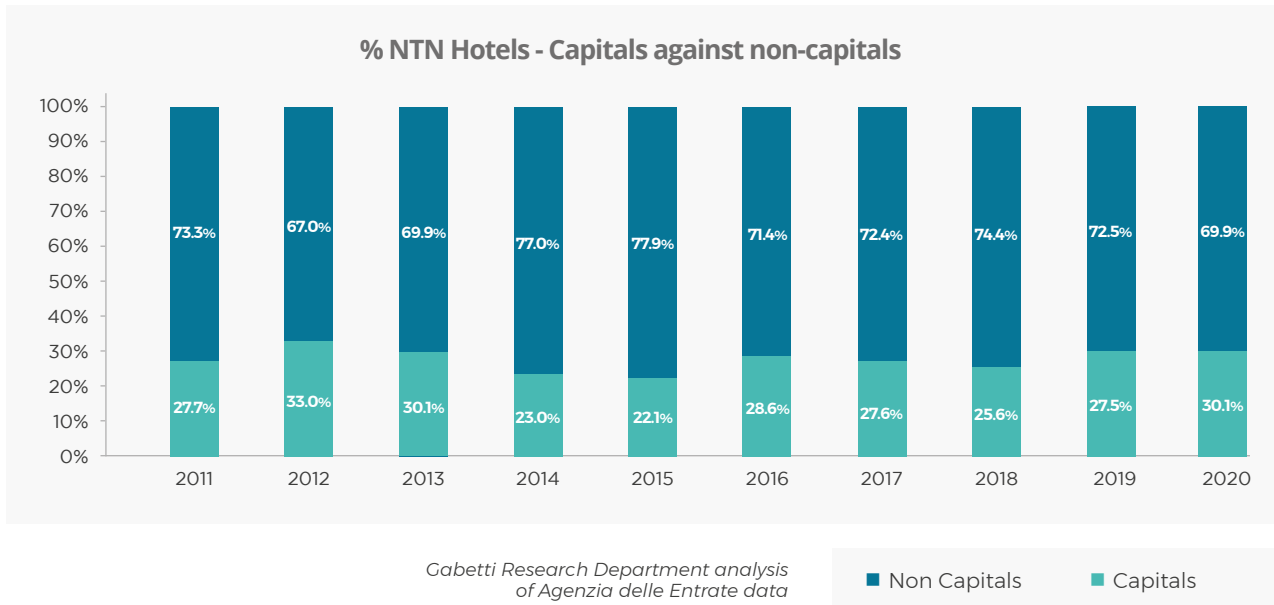
ITALY, NTN HOTELS - COMPARISON OF CAPITAL CITIES AND NON-CAPITAL CITIES

Comparison of the data on transactions recorded in the provincial capitals and in the non-capitals highlights a trend of smaller changes for the capital cities, with a lower total number of transactions. Contrary to prior years, the year 2020 saw decreases in both the number of transactions in non-capital cities (-35% for a total of 370 NTN) as well as in the capitals (-26% for a total of 158 NTN).



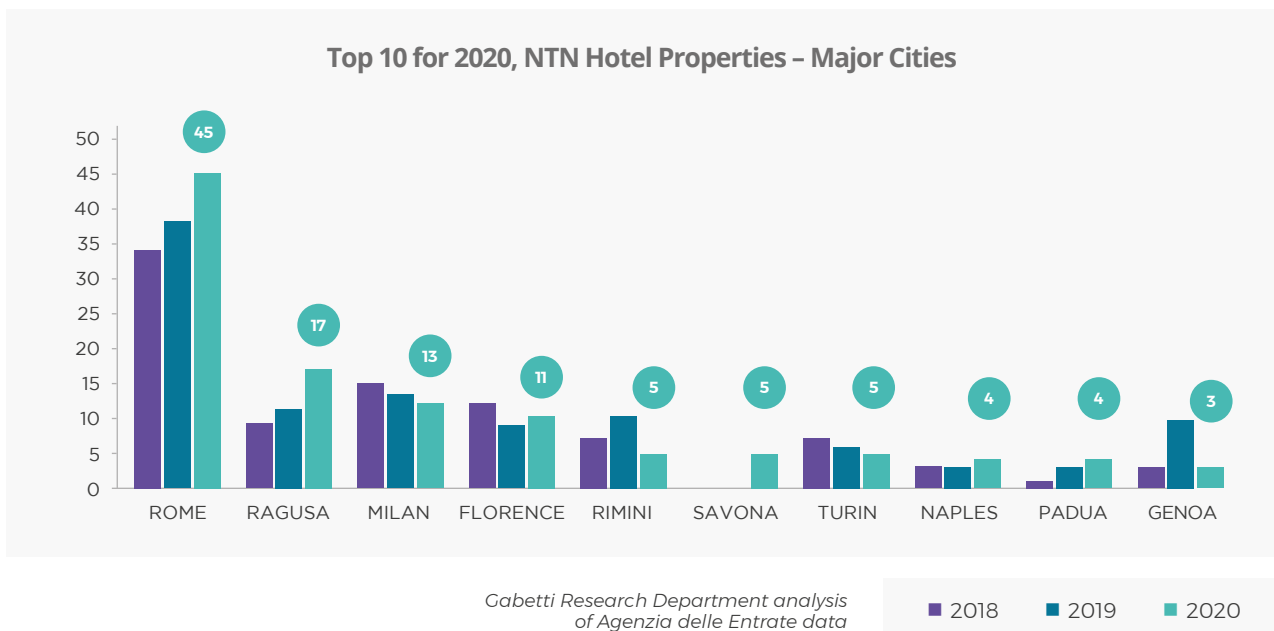
During the period under analysis, capital cities have on average accounted for 30% of the total hotel transactions, with an above-average weight in 2012-2013.

Excluding 2020, crisis period for the sector, the non-capitals were the first to record positive variations as early as in 2013, while the capital cities recorded significant performance only during the period between 2015 and 2019, with a slight negative decline in 2018.

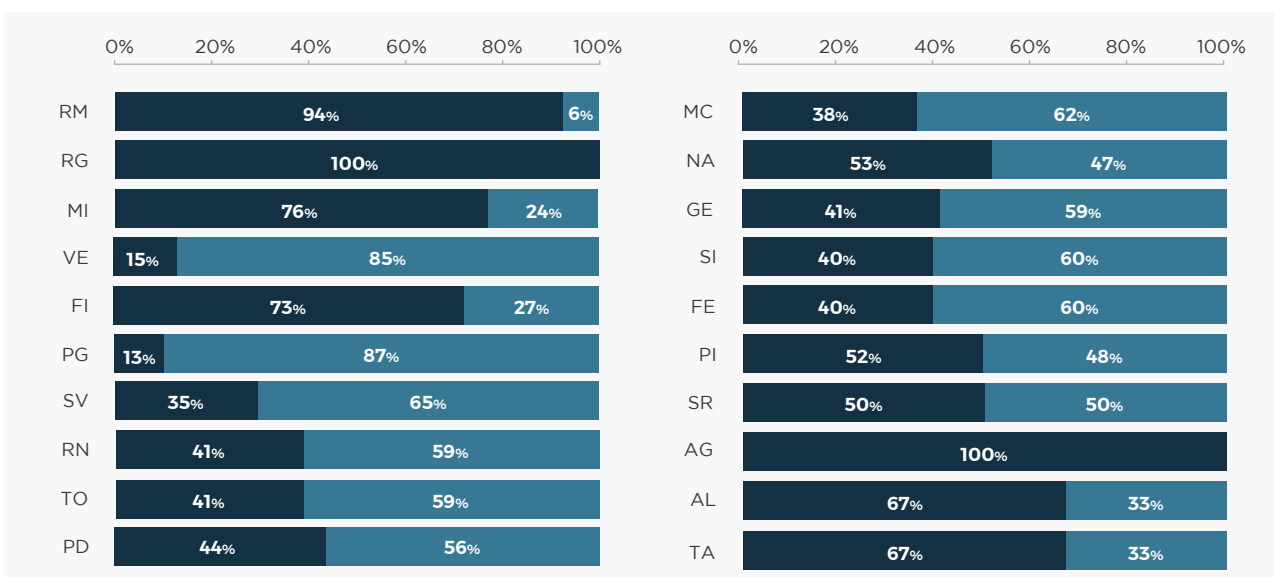
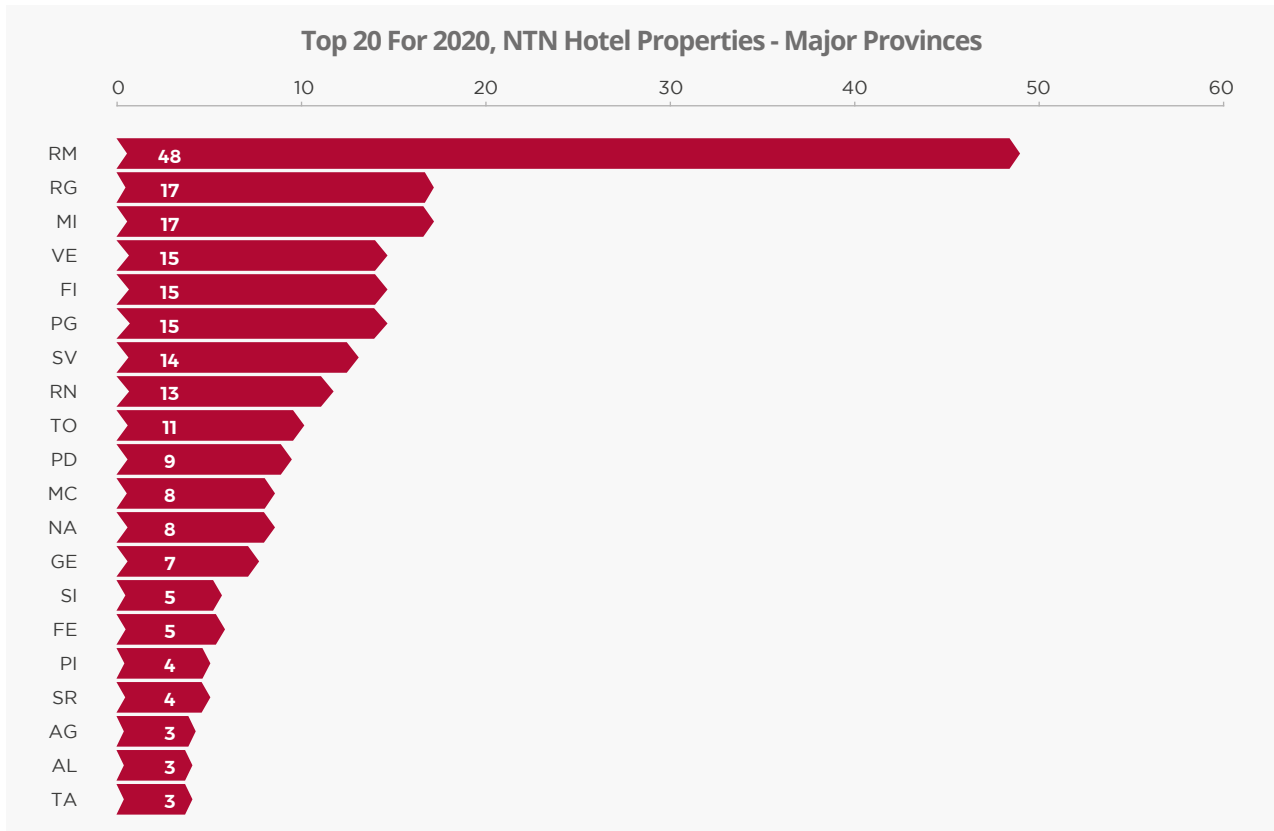


Among the main Italian cities by hotel NTN in 2020, Rome ranks first with a total of 45 transactions, followed by Ragusa (17), Milan (13) and Florence (11).

Among the cities that recorded a particularly positive year in the sector compared to the prior one, particular mention goes to Rome and Ragusa. Florence, Savona, Naples and Padua recorded growth as well, although to a lesser extent than in 2019. Genoa recorded 3 transactions in 2020, as did the cities of Macerata and Agrigento.



If instead we look at the main provinces, Rome is first with 48 transactions, followed by Ragusa (17) and Milan (17). The city of Ragusa accounts for all of the transactions (100%) in its province, while Rome accounts for about 94% of the total in its province, and Milan about 76%. The distribution of transactions, on the other hand, is more balanced in the province of Siracusa, with the city accounting for approximately 50% of the total; the city of Pisa accounts for 52% of the total, Padua 44% of the total and Naples about 53% of the total transactions. The market in the rest of the province was particularly active in Perugia (87%) and Venice (85%).



Gabetti Research Department analysis
of Agenzia delle Entrate data

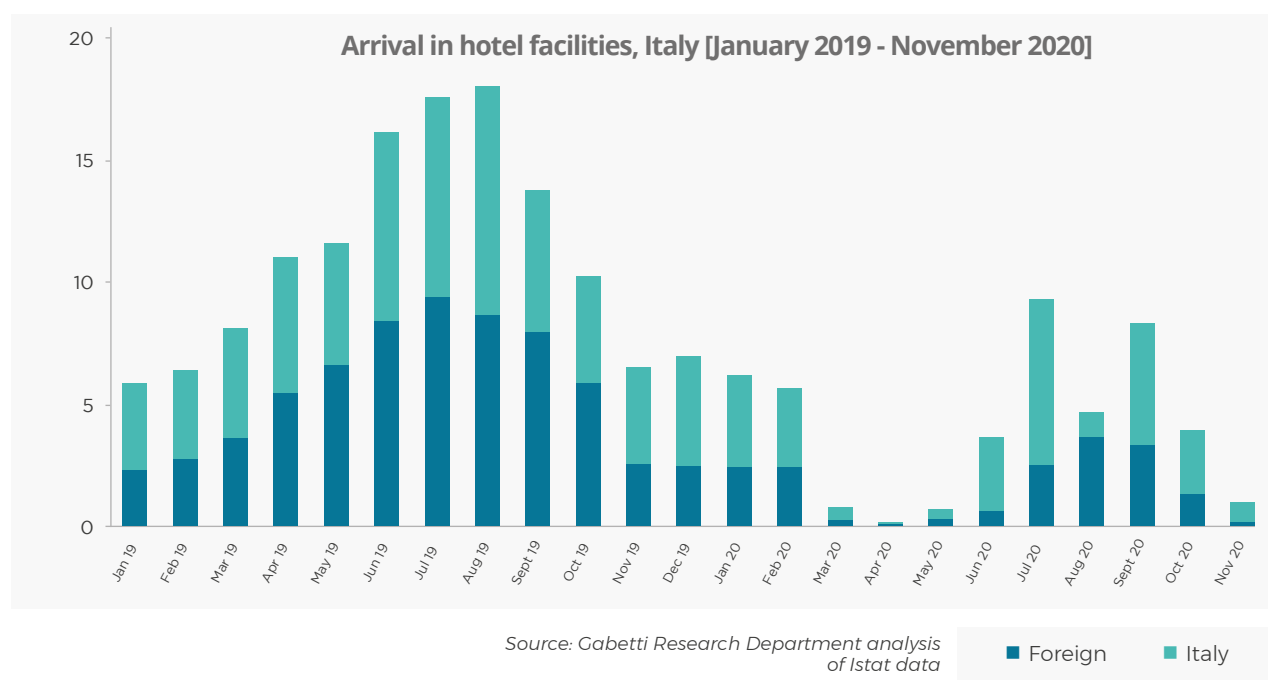
■ NTN major provinces 2020 ■ Capitals ■ Non Capitals

THE TOURISM AND HOSPITALITY SECTOR IN THE COVID ERA

IMPACT OF THE PANDEMIC ON THE HOSPITALITY SECTOR

The pandemic has had a sharp impact on the hospitality sector: according to Istat figures, during the first eleven months of 2020, the change in terms of arrivals and stays was -57.9% and -52.3%, respectively.

With regard to arrivals, the change was -73.9% for the foreign component and -49.6% for Italian residents.



In the first three quarters of 2020, **holiday trips by residents in Italy dropped by 23% overall, while business trips declined by 59%.**

During the **months of the lockdown** (particularly March and April), stays in hotel facilities were approximately **10% of the total recorded during the same period of 2019**. In **June 2020**, following the possibility to resume interregional travel, tourism flows began to inch upwards, reaching **21%** of the volume recorded during the same month in 2019: stays by the foreign component plummeted by 93%, while the domestic one dropped by 60.5%.

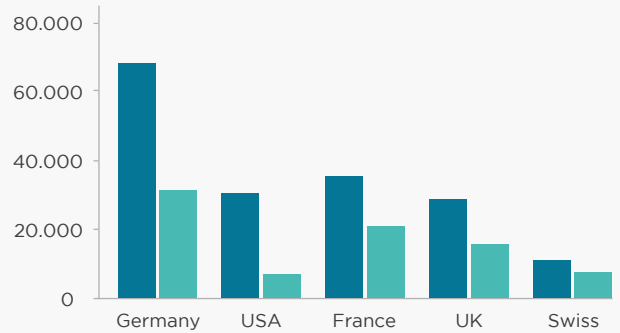
The **summer quarter** (July, August and September) saw a **partial recovery**, particularly in August. The recovery was higher for the **national domestic component**, while it was very limited, even during the month of August, for the foreign one. Indeed, total stays in July-August-September amounted to approximately **64%** of those recorded the prior year.

Based on Bank of Italy data, international tourism during the first nine months of 2020 recorded a decline in overnight stays in Italy by guests from the top 5 countries (Germany, USA, France, UK and Switzerland) compared to the same period in 2019, with a particularly negative decline with regard to the United States, at -77.4%.

In the first nine months of 2020, the evident and inevitable decline in overnight stays following the various lockdown measures at both the national and international level resulted in a consequent drop in tourist revenues compared to the same period in 2019, particularly from the United States (-83.4%) and United Kingdom (-58.5%) (Source: Bank of Italy).

The hotel segment was the one that suffered the most: stays recorded during the first eleven months of 2020 were less than half, while those of the **non-hotel sector** were at **53.7%**. More specifically, the declines during the summer quarter were -39.7% and **-31.1%**, respectively.

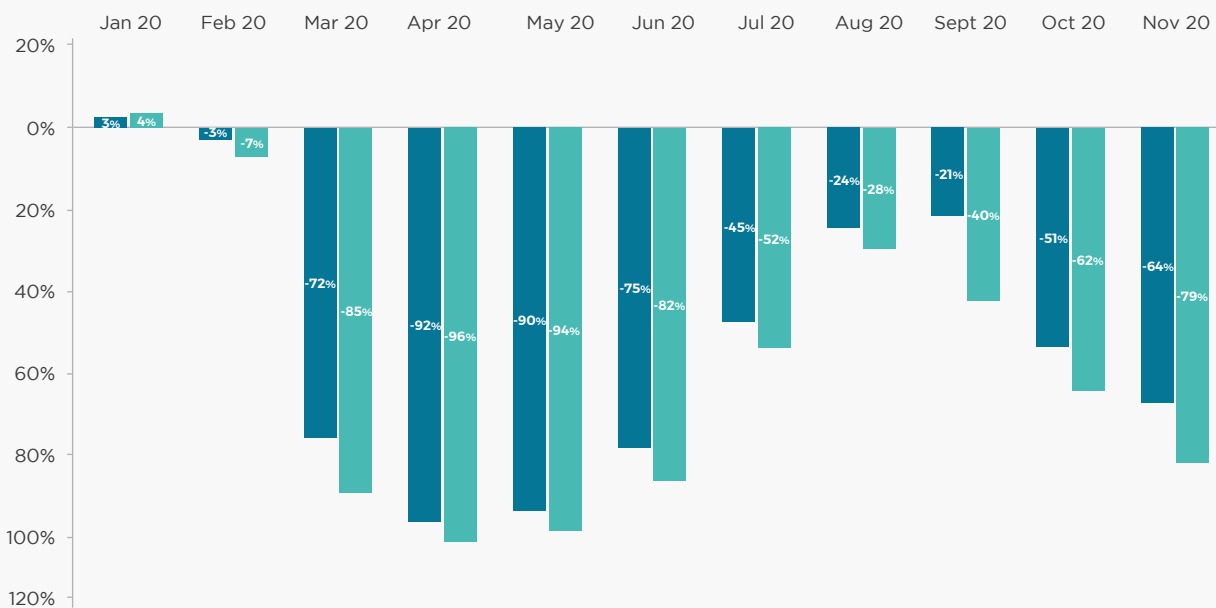
Overnight stays by Country of Origin: first 5 Countries, (Var. Jan-Sept 2020/Jan-Sept 2019)



Source: Gabetti Research Department analysis of Bank of Italy data

■ 2019 ■ 2020

Change in % overnight stays by type of accommodation



Gabetti Research Department analysis of Istat data (holiday homes include other facilities for short stays, campgrounds and areas equipped for campers and recreational vehicles)

■ Non-Hotels ■ Hotels

In this scenario, non-hotel accommodation facilities recorded a decline in domestic stays of -4.8% in August, but a recovery and even an increase over the previous year in September (+4.5%). Hotel establishments, on the other hand, suffered more from the halt in domestic tourism (-8.1% in August and -13.9% in September).

The differing trend in types of accommodation facilities reflects the destination choices of Italian guests in summer 2020. The preference of Italian tourists, in fact, were increasingly focused on **mountain locations** compared to the past, which in August reached the same levels as the prior year (-0.4% in stays by resident guests), particularly on towns with cultural, historic, artistic and landscape value, which even recorded an increase (+6.5%) over 2019 (the only positive change recorded). The summer quarter (July to September) showed an essential stability in travel, predominantly due to the **recovery of short holidays (from 1 to 3 nights)**, which recorded the only positive sign of the quarter, **up by approximately 50% compared to summer 2019**. The growth in short holidays was concentrated in the month of August and continued into the following month as well (+59% compared to September 2019). Even during this quarter, the **non-hotel accommodation sector showed greater resilience**: travel by residents increased by approximately 11% compared to the summer of 2019 (Istat tourism flows in Italy | January-September 2020).

During the **fourth quarter**, the limitations on movements within the territory, on retail and food & beverage establishments and on the opening of skiing facilities set out by the various decrees in October, November and December 2020 generated another sharp negative impact on tourism flows, particularly in mountain towns and in the major cities, which account for a large part of winter tourism.

The effects of the pandemic were evident in the various transport systems as well. In particular, with regard to **air transport**, total passengers transiting through the 39 Italian airports monitored by Assaeroporti in 2019 amounted to 193 million, or 7.4 million more than the prior year, equal to +4%, in line with the positive trend of prior years (Source: Istat, Air transport: trend and scenarios). A positive trend in global air traffic was expected in 2020 as well, and our country was on the right track if we consider the figures from the month of January: the over 12.5 million passengers transiting through Italian airports showed a 4.1% increase compared to 2019; the same growth rate had essentially been recorded during the same month of the prior year as well (+4.9% from 2018 to 2019). However, the Covid-19 emergency halted the positive growth of the sector. Compared to 2019, two out of three flights were cancelled (66.3%) in March 2020 and passengers decreased by 85% (from around 14 million to just over 2 million).

Even **railway transport** suffered the impacts of the pandemic, which triggered the suspension of the international timetable starting from the second half of March. An example to better comprehend the extent of the negative effects of the health emergency is the High Speed Railway segment, which cut their trains by approximately 98%¹, from 413 high-speed trips daily to only 10. After a partial recovery, the trend in the sector remained negative even during the second half of the year.

¹ <https://www.ilsolo24ore.com/art/ferrovie-l-emergenza-covid-taglia-98percento-treni-veloci-ADPISIF>

PERFORMANCE OF ITALIAN HOTELS COMPARED TO THE WORLD AND EUROPE

The pandemic has been handled in different ways in the various countries and, as a consequence, the effects that restrictions on mobility have had on the hospitality sector have varied.

In China, for example, which was the first to implement a generalised lockdown, achieving almost total disappearance of the virus in just a few months, employment levels returned to nearly pre-pandemic levels in 2020, according to STR Global surveys, since the impact of foreign travellers is rather limited. The United States, on the other hand, never implemented a generalised closure, and therefore hotels were able to work reasonably well even during the acute phase, registering an occupancy rate of 49.8% in January 2021. The trend in Europe in 2020, however, fluctuated wildly, with good performance in the summer, but worsening considerably in the winter. At the moment, Europe appears to be the most penalised, so much so as to record, in January 2021, the lowest occupancy rate compared to the other continents, equal to 14.9%.

In Europe, the trend was relatively similar in the various countries, but with very different occupancy rates in certain months of the year. The first to recover was Holland, then Germany and lastly the United Kingdom which, thanks to a rather permissive policy in the second half of the year, achieved better results than the other European countries. Italy, the first to be affected, suffered a greater decline in 2020 than the central European countries but fared better than Spain (where more hotels closed on average than in Italy) and France (source STR).

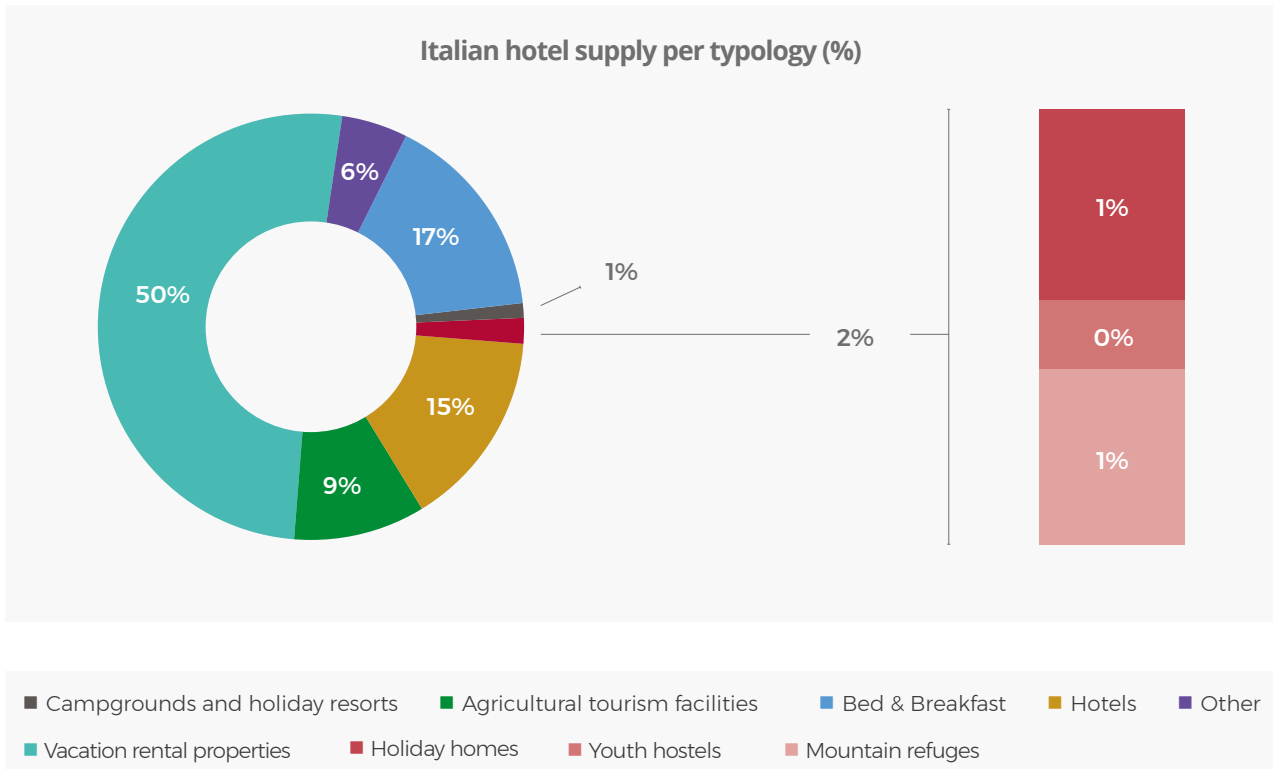
With the new wave in early 2021, the situation has become critical for everyone and we appear to be back to square one with a full lockdown.

With the occupancy rate inevitably at minimum levels, the average room rate (ARR)² declined significantly as well (Source: Federalberghi); recovering the pre-Covid standards will be more complex due to these very rates, as the willingness to travel is generally believed to be very high, but the financial resources are undoubtedly lower and, therefore, for at least two years, the ARR will be lower than the past averages.

² ARR (Average Room Rate)

ITALIAN HOTEL SUPPLY

Italian hotel supply is the largest in Europe, as well as the most varied and diversified in the world, boasting over 218,000 establishments of various shapes and sizes for a total of 5.2 million beds, which in addition to hotels also includes Aparthotels (Residences or Residenze Turistiche Alberghiere) and all other non-hotel accommodation facilities, such as rental properties (50% of the total), bed and breakfasts (17%), agricultural tourism facilities (9%), campgrounds and holiday villages, holiday homes, youth hostels and mountain refuges (approximately 3% of the total).

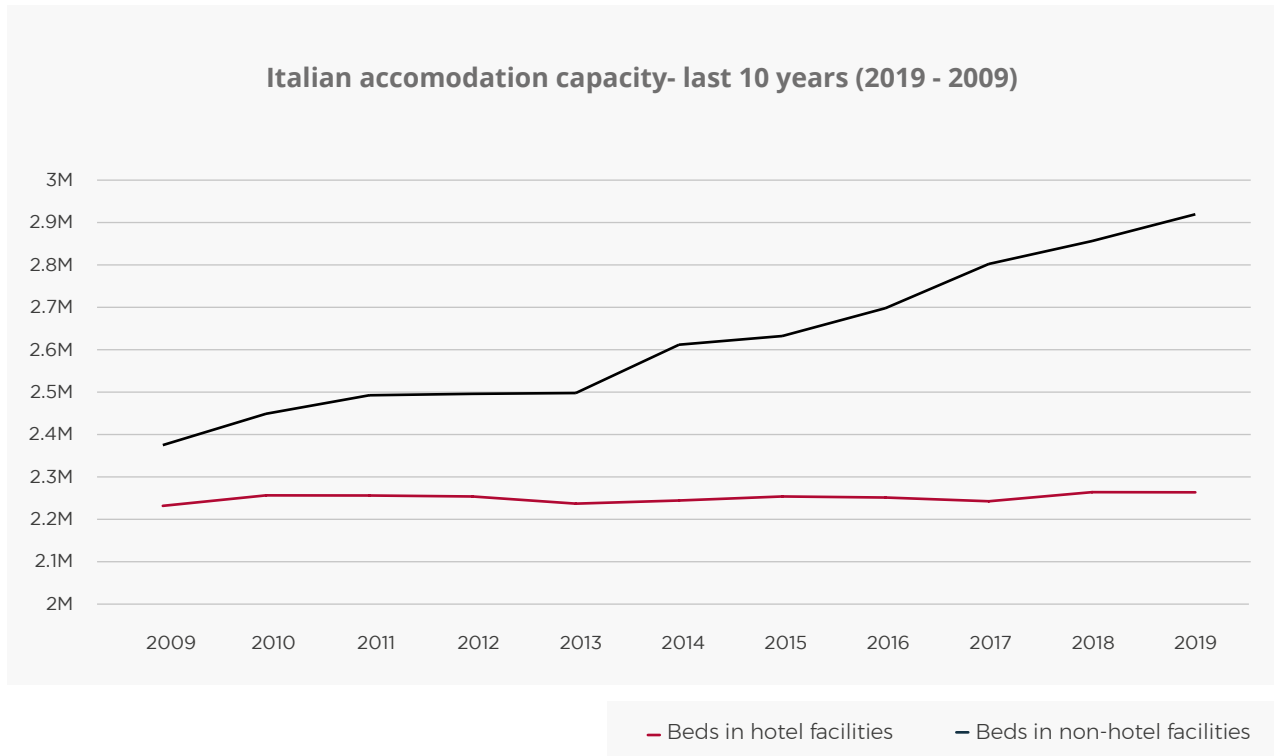


**Official ISTAT data update to 12/31/2019; published in July 2020.*

In this scenario, the number of actual hotels is just under 30,000, equal to approximately 15% of the total; however, with over 2 million beds, they account for 40% of the national accommodation supply.

The historical trend indicates that in the last decade there has been a significant change in the composition of accommodation supply: in particular, we have seen growth in alternative types to the traditional hotel (agritourism facilities, B&Bs, private lodgings for short-term rentals), which with few exceptions benefit from significantly lower operating costs and administrative procedures than traditional facilities. Indeed, between 2008 and 2019, all types of non-hotel facilities recorded an increase in number, with a positive balance of nearly **79,500** facilities (predominantly rental properties) and around 470,000 beds (+19%). However, the number of hotels was down during the same period (-4%), but the number of rooms (+1%) was up, with a consequent increase in average size of the facilities, benefiting the economic competitiveness of their operation. Economies of scale will be one of the factors that characterise development of the sector in upcoming years, in terms of both size of the individual facilities, benefiting the larger ones, as well as through amalgamation of

several hotels. This may take place under a single brand, in the configuration of hotel companies, or through specialised “unbranded” operators who aim to adopt multiple brands to manage their facilities.



Gabetti Research Department analysis of Istat data (NB: Hotel establishments include RTAs)

Indeed, the reduction in number of hotels refers **solely to 1- and 2-star hotels**, while, on the contrary, the higher-end facilities, namely **4- and 5-star hotels, are up**, respectively increasing by 31% and 76% in the last decade.

Among non-hotel facilities, there is **growth in bed and breakfasts**, which doubled between 2008 and 2019, and **agricultural tourism facilities**, recording +30% during the same period. However, the accommodation type which has shown the highest growth in recent years is that of **homes designated for tourists**, both officially (managed as a business) as well as private homes offered on a short-rent basis, a phenomenon that is also a result of dedicated online portals such as booking.com, which encourage the selection of such solutions. This specific segment is experimenting with high-end solutions that are meeting with considerable success on the market, as they represent an effective response to the needs of new tourists, both business and leisure.

Even the demand for **outdoor tourism** is changing quickly; just as we witnessed the evolution of agritourism in past years, we are now seeing growth in campgrounds, in some cases becoming similar to actual resorts, with high-quality central facilities. The old-style pitches for tents and trailers in these cases are being replaced with areas for private caravans, permanent tents with private bathrooms, wooden bungalows with verandas, and permanent motorhomes.

This trend makes the old campsites increasingly similar to the former eco-sustainable tourist villages (like the first Club Meds) of the 70s and 80s, which today are making a comeback due to the

progressive trend of demand to prefer ecological tourism in touch with nature; the possibility of creating such environmentally friendly structures allows them to be located in places that would be impossible for a traditional hotel, and many times this is what makes the difference.

TYPE	Hotels			Beds		
	2019	2008	Diff. 2019/2008	2019	2008	DIFF. 2019/2008
HOTELS	32.730	34.155	-1.425	2.260.490	2.201.838	58.652
★	2,597	4,299	-1,702	61,535	56,208	5,327
★★	5,451	7,196	-1,745	171,735	635,901	-464,166
★★★	15,128	15,160	-32	917,786	974,995	-57,209
★★★★	6,074	4,623	1,451	816,984	234,330	582,654
★★★★★ luxury	554	315	239	84,913	101,152	-16,239
residenze turistico alberghiere	2,926	2,562	364	207,537	199,252	8,285
NON-HOTELS	185,597	106,108	79,489	2,915,313	2,447,212	468,101
agricultural tourism facilities	20,149	15,465	4,684	277,112	1360,935	-1,083,823
vacation rental properties	109,111	66,000	43,111	831,507	602,800	228,707
accomodation facilities not otherwise classified	13,224	310	12,914	86,951	191,099	-104,148
bed and breakfast	36,210	18,189	18,021	192,144	24,979	167,165
campgrounds and holiday resorts	2,616	2,595	21	1,322,467	125,850	1,196,617
holiday homes	2,402	2,129	273	128,992	31,389	97,603
youth hostels	685	427	258	38,094	16,616	21,478
mountain refuges	1,200	993	207	38,046	93,544	-55,498
Total	218,327	140,263	78,064	5,175,803	4,649,050	526,753

HOTEL ESTABLISHMENTS IN ITALY

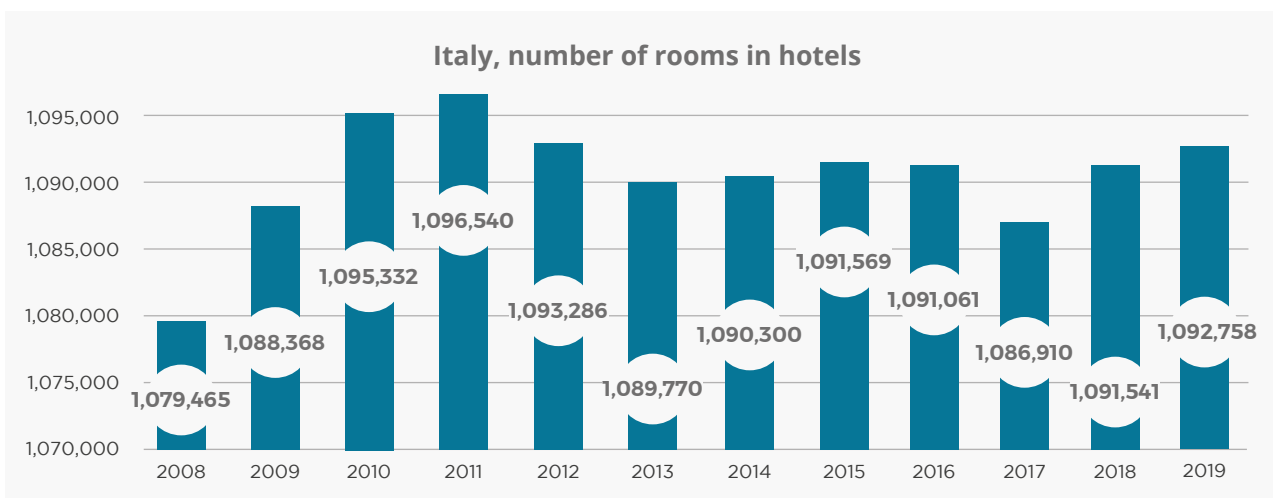
NATIONAL DATA AND EUROPEAN CONTEXT - NUMBER OF FACILITIES AND ROOMS

According to Istat/Eurostat figures, approximately **32,730** Hotel Facilities (Hotels and Aparthotels) were recorded in Italy in 2019, down slightly compared to 2018 (-0.5%), for a total of **2,260,490 beds, essentially stable**. The number of hotel establishments in Italy has been declining since the 1980s, when they amounted to over 42,000 but with only 900,000 rooms and 1,600,000 beds; however, only 1- and 2-star facilities are down, while the supply of higher-quality facilities is up.



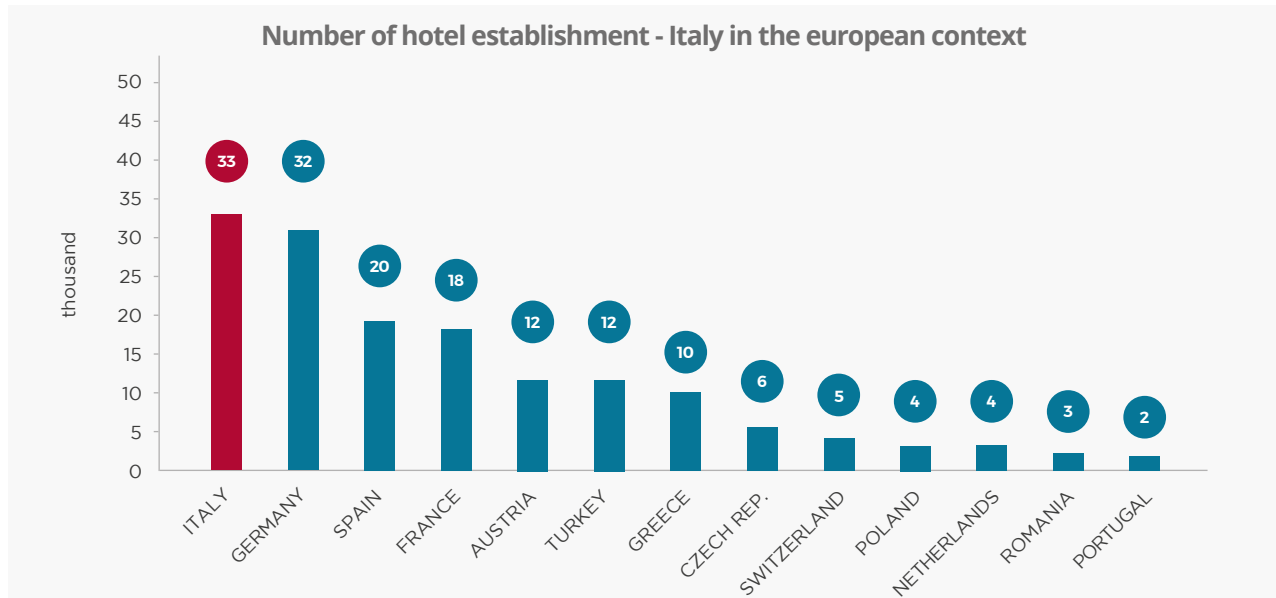
Cabetti Research Department analysis of Istat data

The **number of rooms** in hotel facilities in 2019 was **1,092,758**, up by 0.1% compared to 2018. The number of rooms has shown a fluctuating trend in the last decade, increasing between 2007 and 2011, and then declining as a consequence of the drop in demand due to the international sub-prime crisis, and then increasing again, although to a lesser extent, between 2014 and 2019; this suggests an essentially stable trend in supply in quantitative terms, subject only to minimal variations for a decade now.



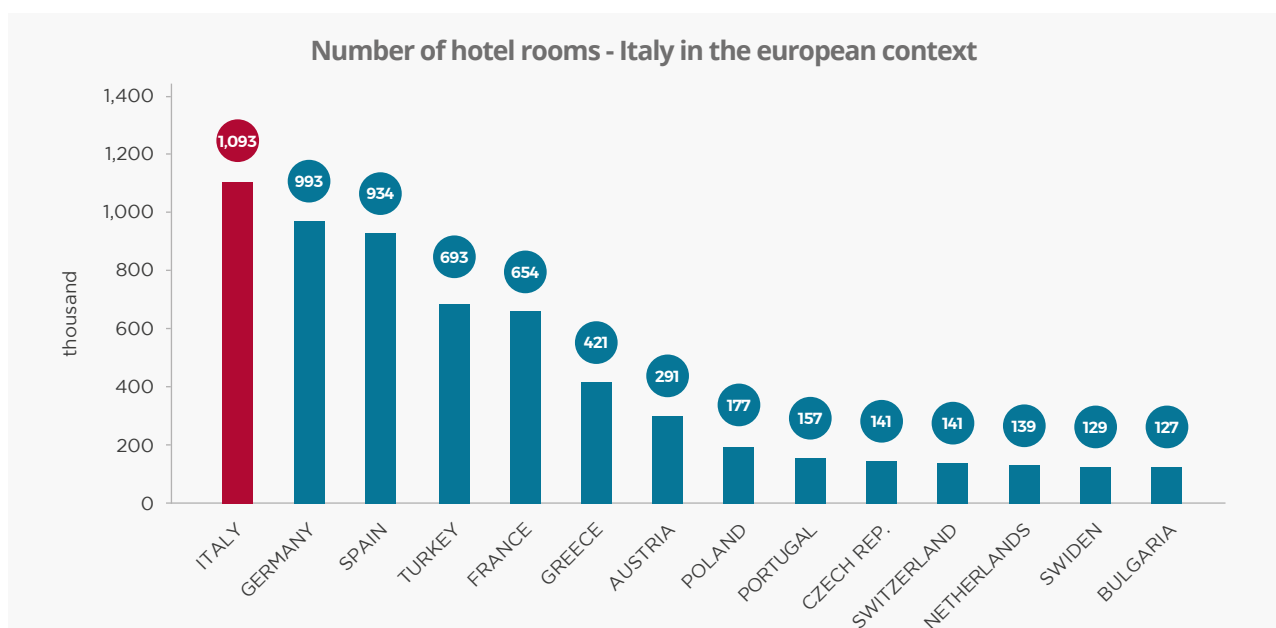
Cabetti Research Department analysis of Istat data

As mentioned above, despite few variations in numerical terms, the quality of supply has shifted significantly upwards. The combination of decreasing number of establishments and increasing number of available rooms raises the average number of rooms per establishment from 21 in the 1980s to 33 today; this increase, as we will see in more detail below, is not so much due to the increase in the average size of hotels, which is essentially constant, but rather to the process of replacing small 1- and 2-star hotels with larger 4- and 5-star hotels.



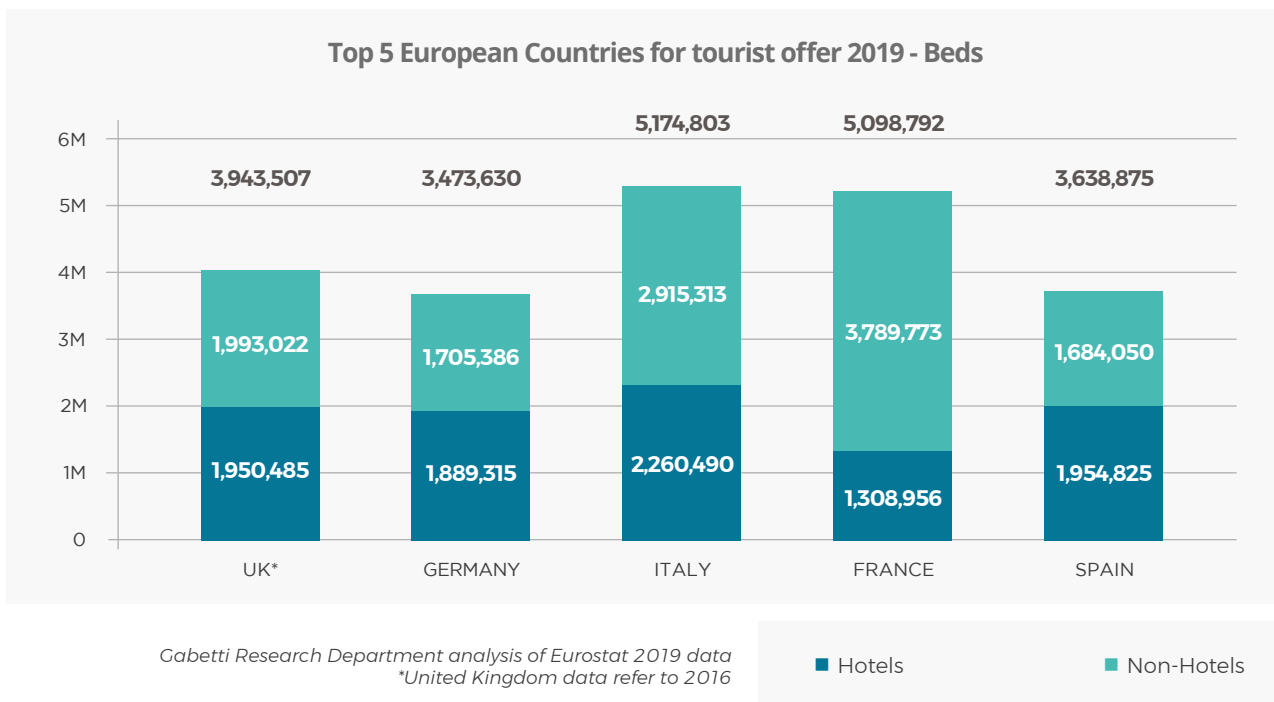
*Cabetti Research Department analysis of Eurostat data -
* UK and Ireland data are not included as they refer to 2016; Greece and Turkey figures refer to 2018.*

In 2019, Italy was leader in Europe in terms of number of hotels, accounting for 18% of the total European supply, equal to approximately 180 thousand facilities (excluding the recent exit of the UK from the European Union). Overall, the top 4 countries account for 57% of the total European stock.



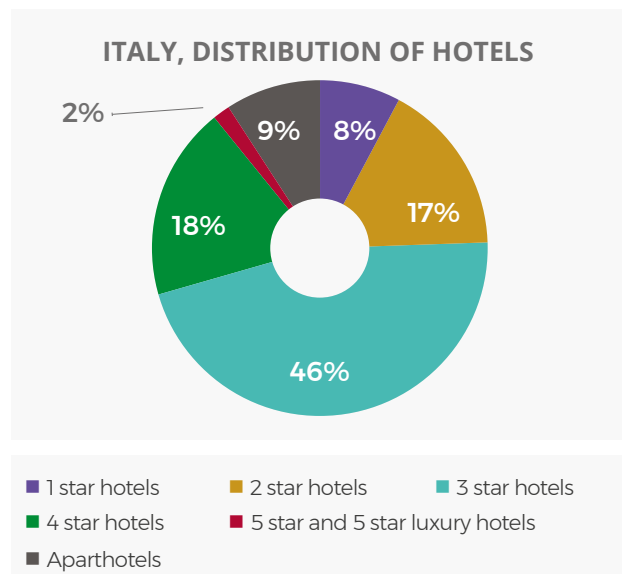
*Cabetti Research Department analysis of Eurostat data -
* UK and Ireland data are not included as they refer to 2016. Greece, Switzerland and Turkey figures refer to 2018.*

The breakdown of supply in the main European destinations differs, however, from country to country, due to the different evolution of tourism in both the recent and distant past. For example, among the top 5 countries, Germany's hotel supply structure is most similar to Italy's, equally characterised by rather substantial domestic demand. On the other hand, France and Spain have different characteristics, due to non-uniform criteria for the classification of supply compared to Italy, as well as to the composition itself, with a large concentration of hotels under a single management. In France, Accor (among the global leaders) has been dominant for a long time, while Spain has seen the emergence in recent decades of some of the most dynamic hotel companies interested in development in Europe, rather than in Central and South America, which have found fertile ground for growth in Italy.

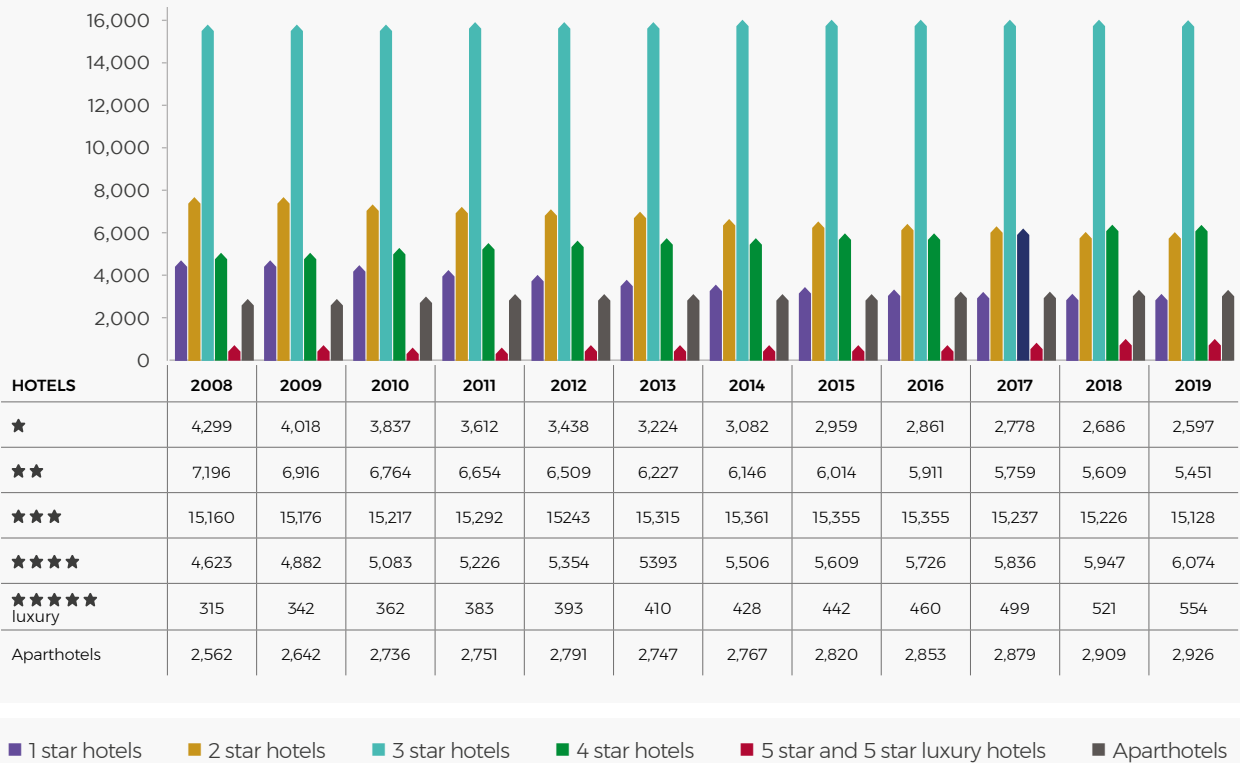


DISTRIBUTION OF HOTEL ESTABLISHMENTS IN ITALY BY CATEGORY

The distribution of hotels in Italy shows a clear **predominance of 3-star hotels**, which account for approximately **46%** of the total and 41% of the beds, with an average of 30 rooms per hotel, followed by **4-star** hotels (18% of the total and 36% of the beds) for an average of 64 rooms per establishment, and **2-star** hotels (17% of the total and 8% of the beds) for an average of 17 rooms per facility. Similar volumes are recorded by **1-star hotels and Aparthotels (8 and 9%** of the total respectively). Lastly, 5-star and 5-star luxury hotels still account for a minor portion, 2% in terms of number but 4% in terms of beds, for an average of 70 rooms per facility, **but this category has shown the highest growth over the last few years.**

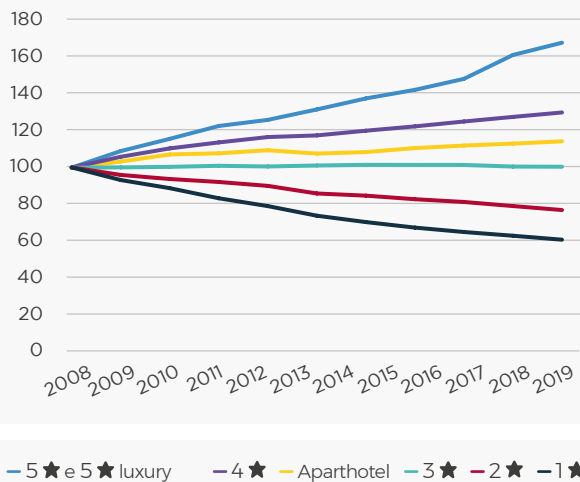


Number of hotel facilities by year and category



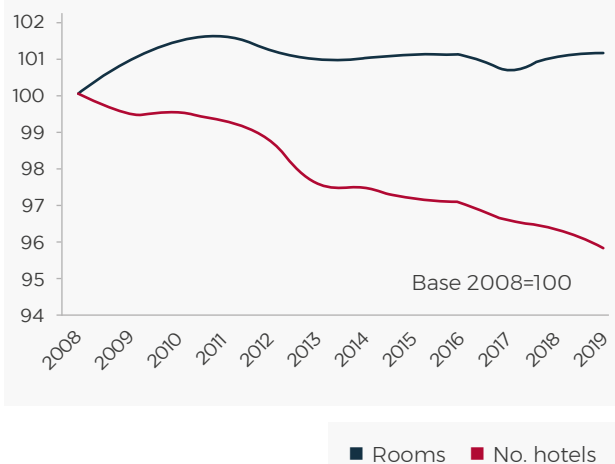
Gabetti Research Department analysis of Istat data

Trend in establishments by type (base 200=100)



Gabetti Research Department analysis of Istat data

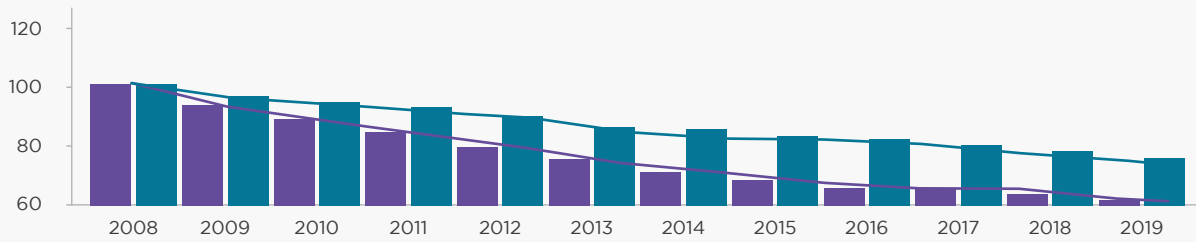
Italy, NO. of rooms vs NO. of hotels



Gabetti Research Department analysis of Istat data

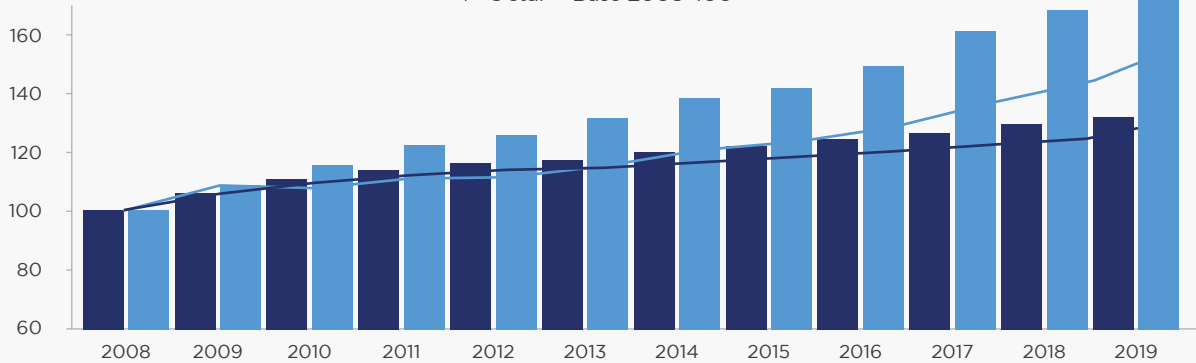
Italy, NO. Of rooms vs NO. Of hotels

1-2 star - Base 2008=100



Ratio of number of rooms/hotels

4 - 5 star - Base 2008=100

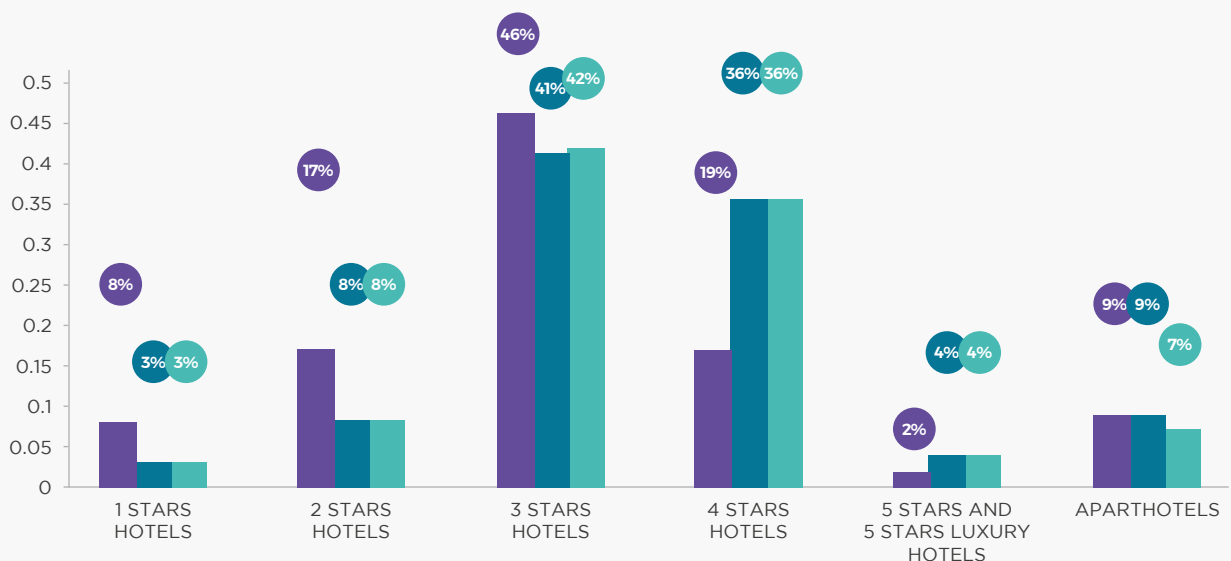


- N 1 stars hotels
- N 2 stars hotels
- N 4 stars hotels
- N 5 stars hotels and 5 stars luxury hotels
- Rooms 1 stars hotels
- Rooms 2 stars hotels
- Rooms 4 stars hotels
- Rooms 5 stars and 5 stars luxury hotels

Cabetti Research Department analysis of Istat data

Italy, % weight and change in NO. Of rooms and hotels by category

Year 2019 - % of total



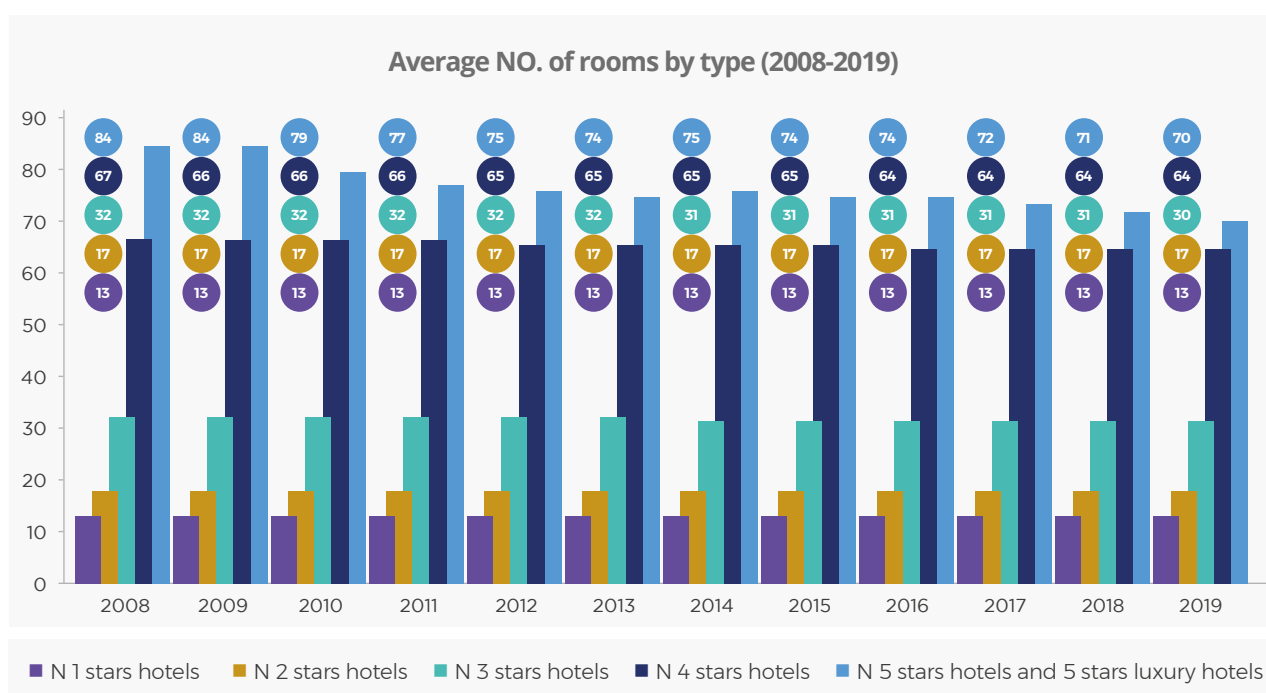
Cabetti Research Department analysis of Istat data

- Number of hotels
- Beds
- Rooms

TYPE	VARIATION 2019/2008	
	N° HOTELS	N° ROOMS
★	-40%	-39%
★★	-24%	-27%
★★★	0%	-6%
★★★★	31%	26%
★★★★★ e lusso	76%	47%
Aparthotels	14%	5%

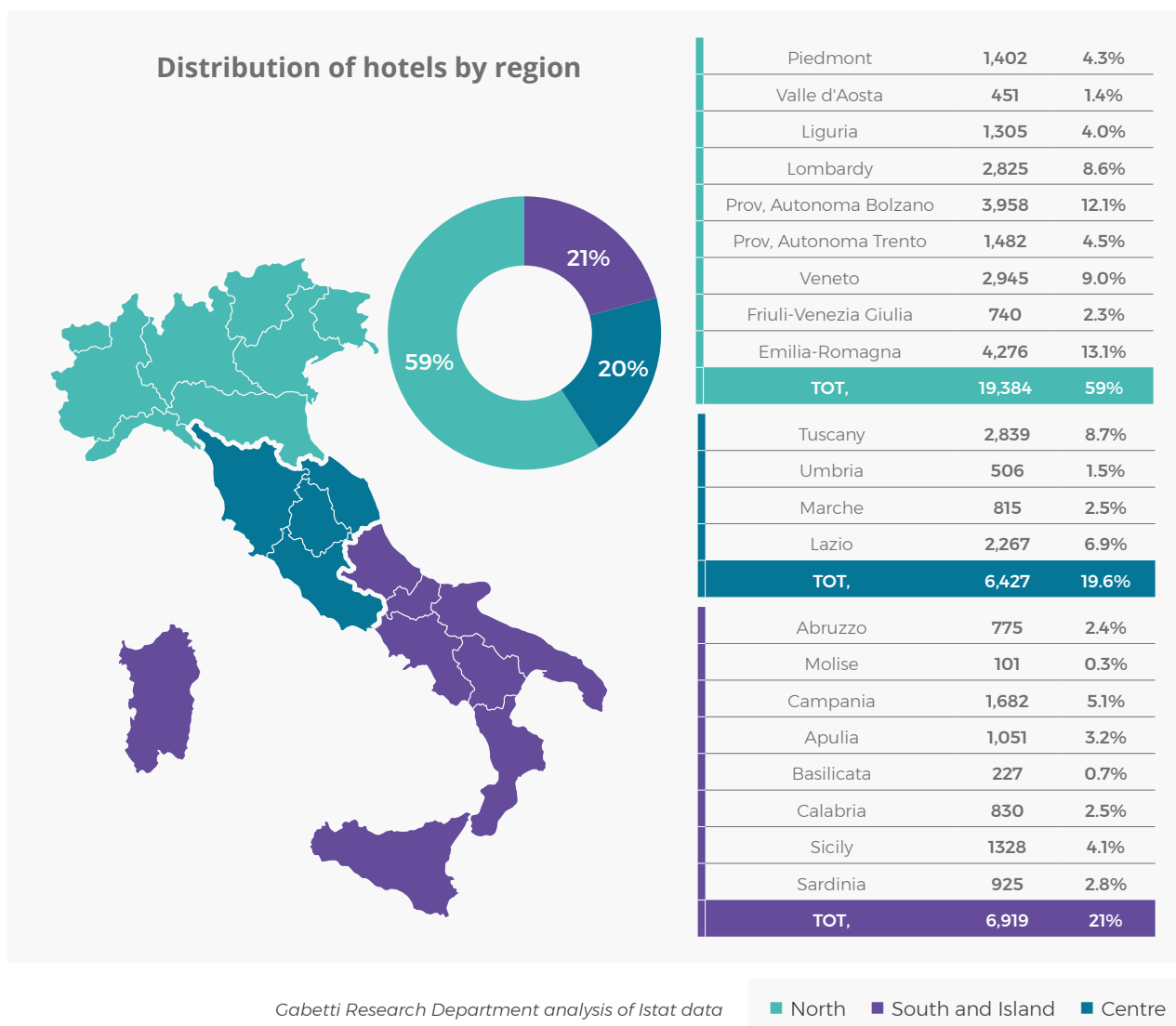
As anticipated, growth in the average size of Italian hotels is a result of replacement of small low-end hotels with larger, higher-end ones, which in any case are declining with regard to average size. Indeed, an analysis of the **average number of rooms by type** between 2008 and 2019 shows that **higher-end facilities are increasing in both number of hotels and rooms**, +47% for 5-star hotels and +26% for 4-star hotels, while their average size is down slightly: 4-star hotels went from 67 to 64 rooms per unit during the period, and **5-star and 5-star luxury hotels** from 84 to 70; this is justified by the growing demand for these types of facilities, leading many 3- and 4-star hotels to contribute to the growth of this category by reducing their number of rooms (making them bigger), while during the same period, many investors developed new proposals for smaller facilities in the historic centres of major cities (where building larger hotels is more complex), often raising the quality of existing ones. In fact, demand (particularly foreign) tends to prefer quality accommodation in the city centres.

The number of 3-star facilities is essentially stable, while the number of rooms is down 5.9% compared to 2008. In particular, the size of 1- and 2-star hotels is respectively 13 and 17 rooms on average, while 3-star facilities have declined from 32 to 31 rooms. This decline is normal, as this type of hotel is replaced in the demand preferences by other types, such as B&Bs and Aparthotels; in fact, the number of Aparthotels is up, but with a decline in average number of rooms, as demand is growing for smaller and cheaper apartments managed privately as a business.



Cabetti Research Department analysis of Istat data

DISTRIBUTION OF HOTELS IN ITALY BY GEOGRAPHICAL AREA

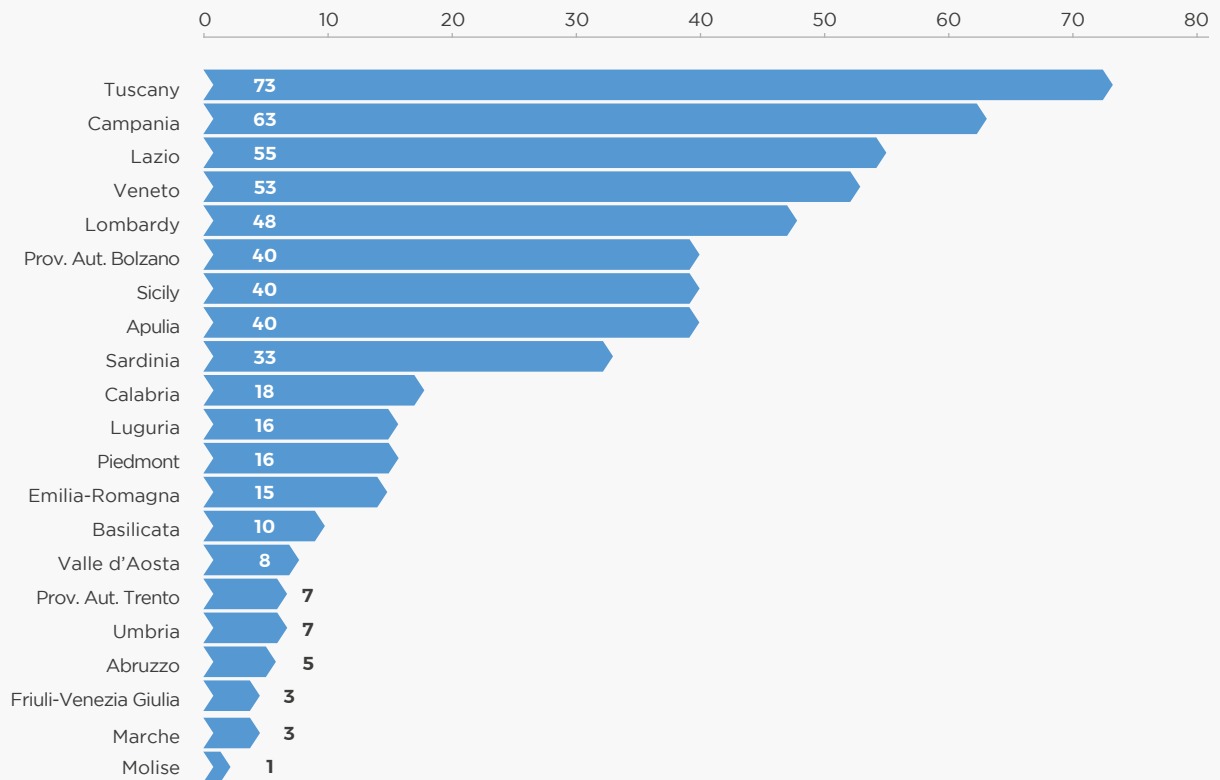


The distribution of hotels by geographical area indicates that **59% of the total is concentrated in Northern Italy**, followed by the South and Islands (21%) and by the Centre (20%).

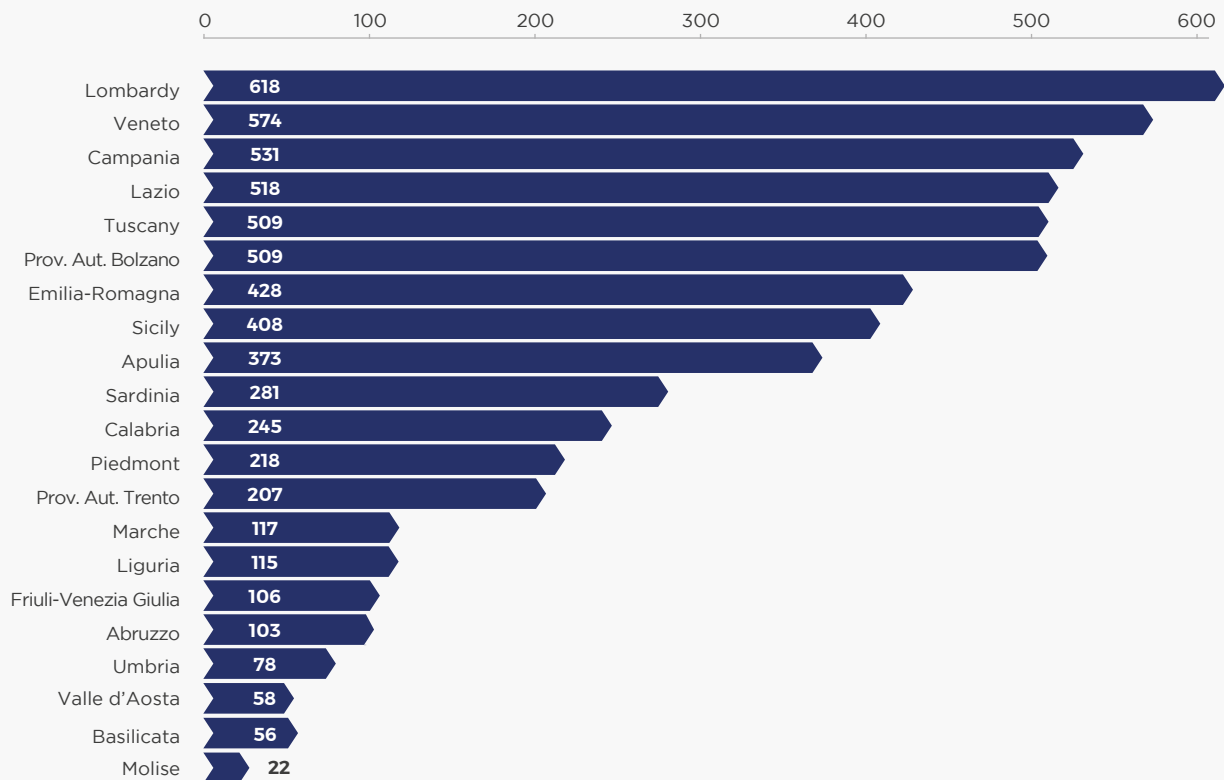
The region with the highest number of establishments is **Trentino Alto Adige**, which, adding the data on the autonomous provinces of Trento and Bolzano, counts a total of 5,440 establishments and represents nearly 17% of the national total with over 244 thousand beds. It is followed by **Emilia Romagna**, which accounts for 13% of the total Italian supply with 4,276 establishments and the record for beds (about 289 thousand). Veneto has a total of 2,945 units, Tuscany has 2,839 units and Lombardy 2,825 units, while Lazio (2,267) and Campania (1,682) confirm their lead in the Centre and South, respectively.

However, the ranking by type paints a different picture, with **Lombardy in the top position for number of 4-star hotels**, with a total of 618, followed by Veneto, Campania and Lazio, while **Tuscany is in the top spot for the 5-star category** (73 hotels), followed by Campania, Lazio and Veneto.

RANKING OF REGIONS BY NUMBER OF HOTELS (5-star)

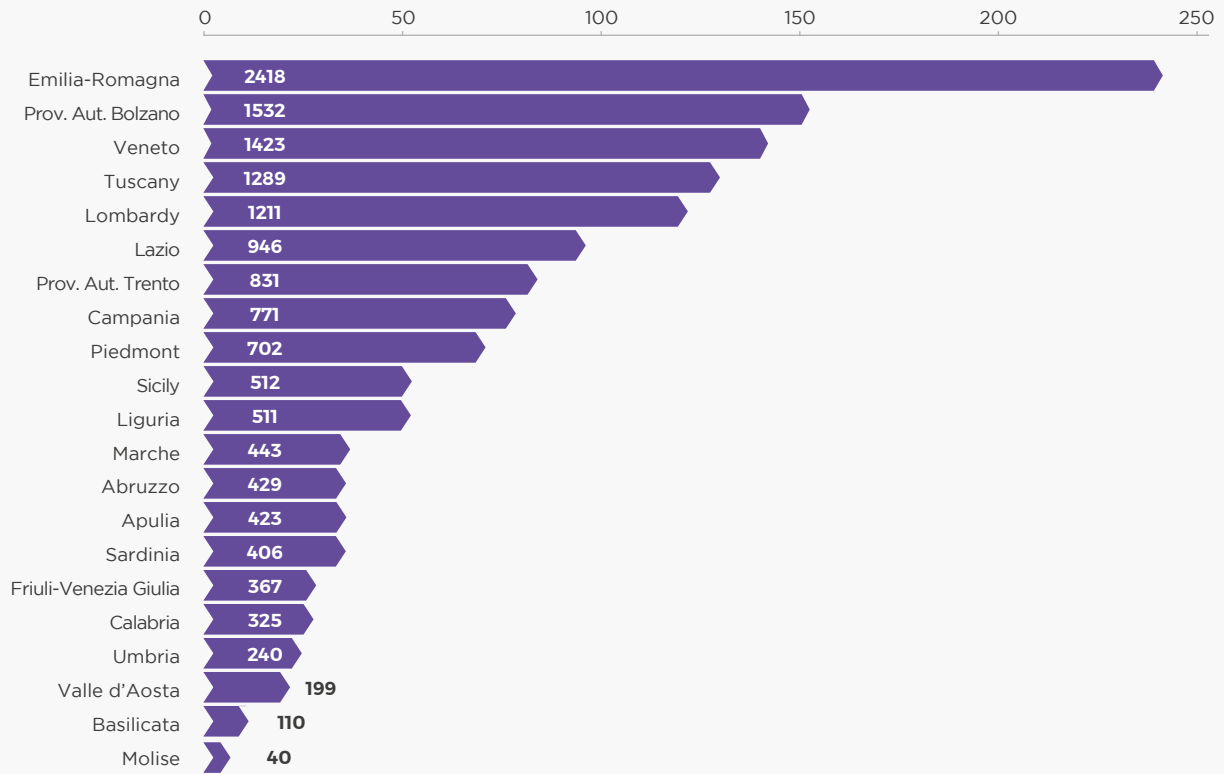


RANKING OF REGIONS BY NUMBER OF HOTELS (4-star)

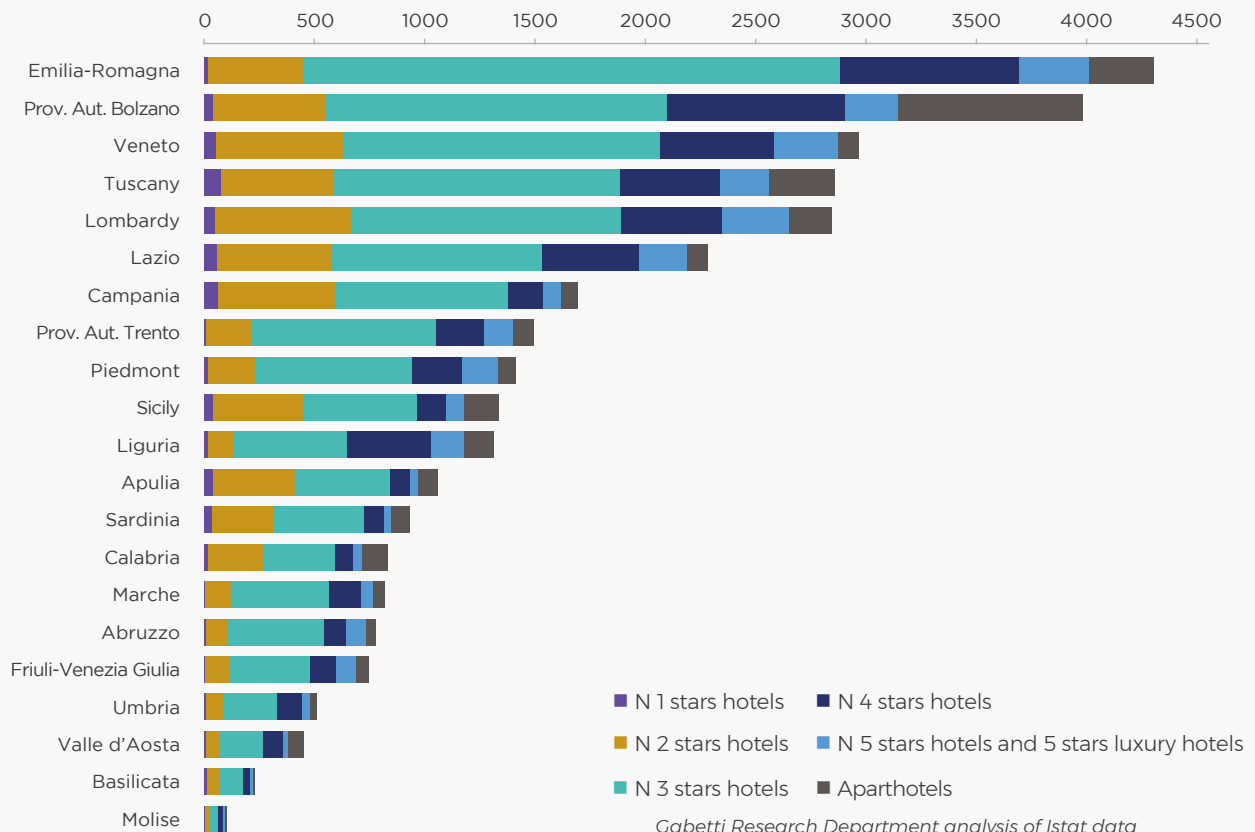


Gabetti Research Department analysis of Istat data

RANKING OF REGIONS BY NUMBER OF HOTELS (3-star)



DISTRIBUTION BY CATEGORY OF HOTELS



CHARACTERISTICS OF HOTELS IN ITALY

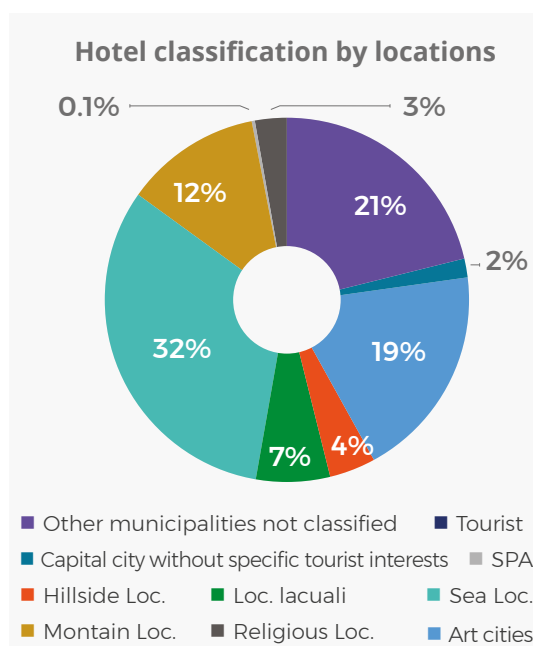
Italian hotels are mostly located in tourist resort towns (seaside, hills, lakes, mountains, etc.) and only about 42% are in cities (art cities, capitals without any specific tourist sights and other towns not otherwise classified); many are for seasonal use (just under half), mostly older and with furnishings in need of renovation.

Conversely, the number of Italian hotels belonging to the most famous hotel chains or present in the catalogues of international consortia providing luxury supply, such as The Leading Hotels of The World (TLH) and Small Luxury Hotels (SLH), is higher than in any other country in the world. For this reason, in the higher end, they **continue to dominate the global stage for quality and elegance**, always occupying the top positions in the rankings compiled by international media (Tripadvisor, Condé Nast, Travel, etc.).

Year 2018	Total	Italy	France	USA	UK	Switzerland	Germany	Spain
The Leading Hotels in The World	397	57	30	37	11	35	18	25
Small Luxury Hotels	510	66	50	21	36	14	11	23
Total	907	123	80	58	47	49	29	48
Percentage incidence	100,0%	13,6%	8,8%	6,4%	5,2%	5,4%	3,2%	5,3%

Historic hotels, like the Splendido in Portofino (Belmond) and the San Pietro in Positano or more recently Borgo Egnazia in Savelletri di Fasano and the JK Place in Capri, are the dreams of tourists, in addition to the various Bulgari, Armani, St. Regis, Villa Borghese, Four Seasons, Gritti and Danieli which head the luxury offer in Milan, Rome, Florence and Venice, without detracting from the many others not mentioned here.

The fact that Italy lacks national hotels of international calibre is also evident because there are so few that can boast this title without a doubt; we already mentioned the Una Hotels Group, which resulted from the merger between Una and Ata Hotels and Starhotels, the only two that enter the world rankings and that are present both in cities and tourist destinations. The other national hotel chains with over 2,000 rooms are all for tourist use, such as TH Resort, ITI Hotels or Bluserena.

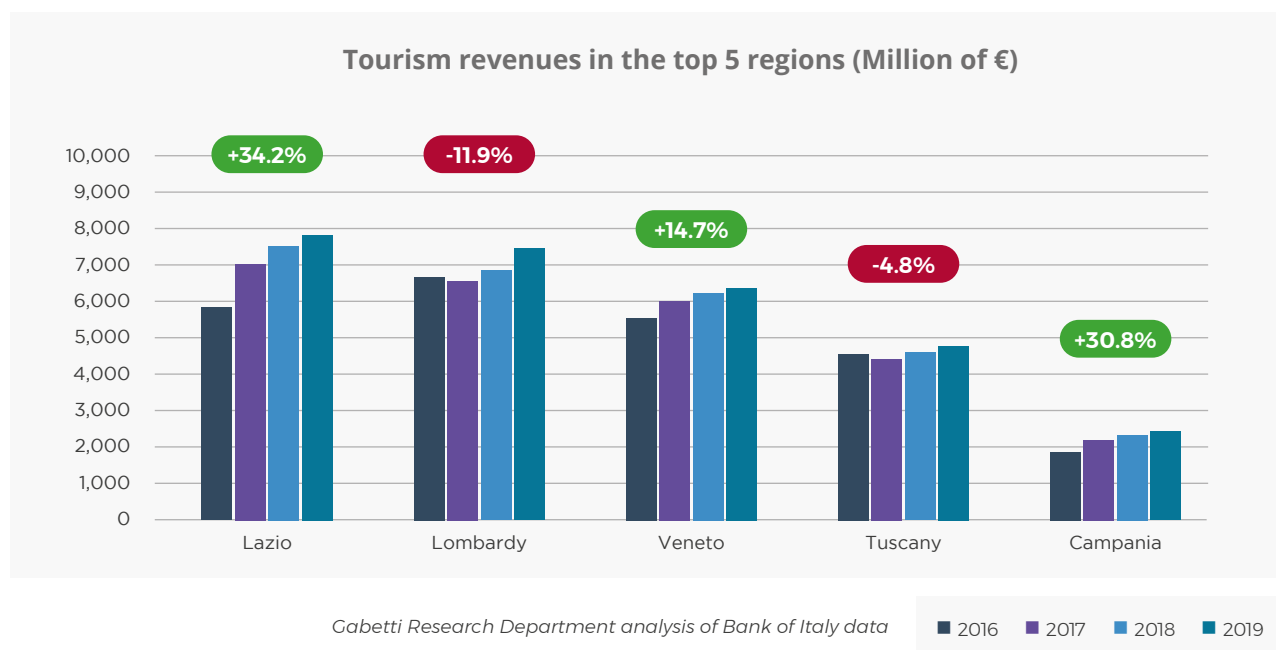


The concentration of chain hotels (240 have been recorded in Italy) is among the lowest in Europe and represents less than 5.0% of the total number of hotels (Spain 33.3%, France 21.0%, Germany 10.3%) and 15% in terms of number of rooms (Source: Horwath HTL), although this percentage also includes micro-chains with very few hotels (4/5), often all located in one or two neighbouring towns managed by families. In fact, the average size of Italian chains is only 6.6 hotels; if we limited ourselves to chains of a certain size managed in a truly entrepreneurial way, this penetration would drop significantly.

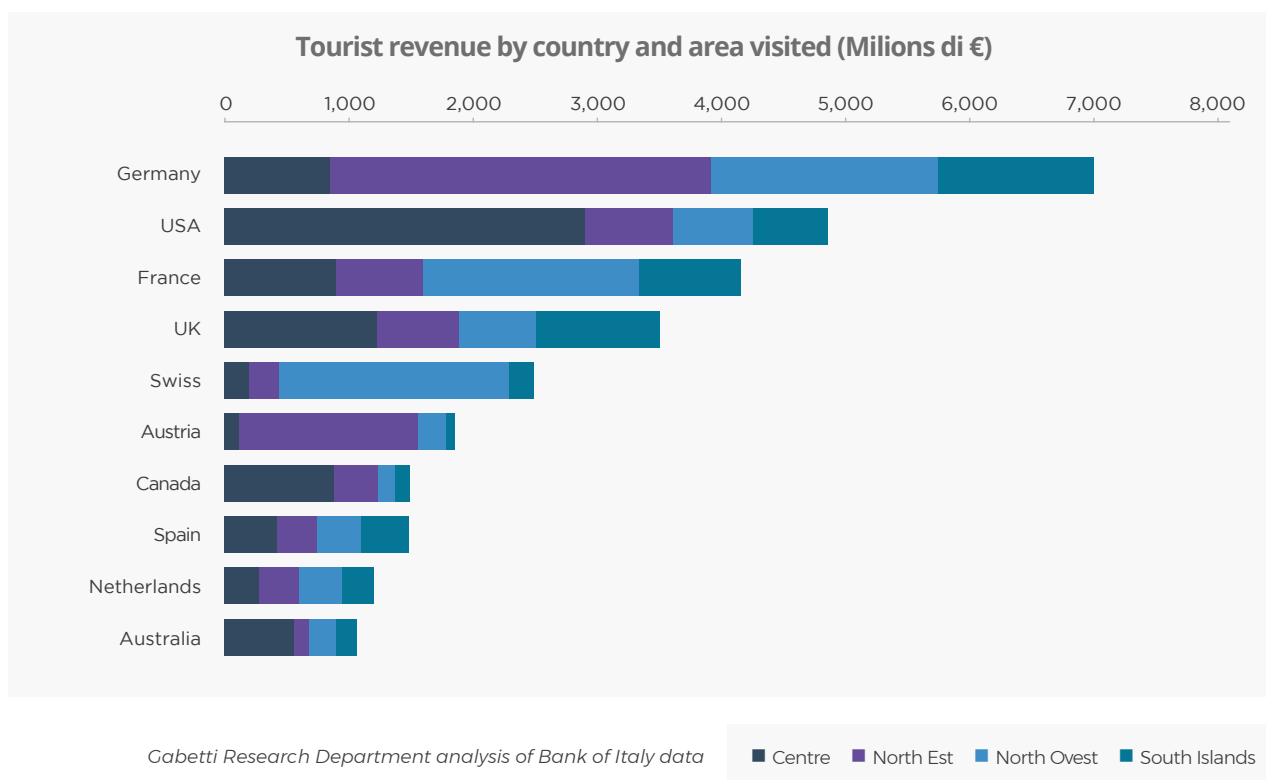
TOURISM DEMAND IN ITALY

The tourism sector in the broad sense, namely considering the related industries as well, accounts for the highest percentage of GDP in Italy (13.2%), which according to estimates by the WTTC - World Travel Tourism Council, is the highest of any other productive sector and whose direct contribution in 2019 was €260 billion, down compared to 2018 (275). Globally, the sector made a 10.4% contribution to GDP in 2018 and generated 10.0% of total jobs (in Europe, respectively 10.3% and 11.7%). As a comparison with our main competitors in the European Union, Italy's total contribution to GDP as a percentage was higher than that of Germany (8.6%), the United Kingdom (11.0%) and France (9.5%), but lower than that of Spain (14.6%).

In 2019, international tourism demand (arrivals at borders) **grew by 3.8%** but at a rate slightly lower than the past estimates of the World Tourism Organization (+4.0%); in the two previous years, this growth had in fact been significantly higher (7.2% in 2017 and 5.6% in 2018), which together with 2010 (+6.7% in the year after the sub-prime crisis that triggered the drop in 2009 of 4.0%) had represented the best result of the decade; from 2009 to 2019, the average growth rate was in fact 5.1%, more than the most optimistic forecast. According to the Datatur Report by Federalberghi, this slowdown was caused by many destabilising factors, such as Brexit, the geopolitical and social tensions and the general economic slowdown. Despite this, spending by foreign tourists, although to a lesser extent than in our competitor markets, has shown a steady increase for years, having reached the threshold of €45 billion in 2019, up 6.2% against 2018 (source: Bank of Italy), although mainly in the six major provinces of the art cities of Rome, Milan, Venice, Florence, Naples and Verona, where over 50.0% of international tourist spending is concentrated. Indeed, according to a survey on the attractiveness of the country, conducted by IPSOS PUBLIC AFFAIRS for ENIT in 2017, Italy remains the top country in the world for quality of life, creativity and inventiveness and is associated first of all with good food, followed by classical art (monuments, painting and sculpture) and, lastly, the modern "arts" (fashion design, music and theatre), which generate more tourism in the North than in the South. In fact, at the regional level, Lazio, Lombardy, Veneto and Tuscany were again in 2019 confirmed as the regions towards which most of the currency flows generated by tourism are directed (source: Bank of Italy), overall attracting nearly 60% of tourism inflows from abroad.



In 2019, growth in demand from foreign countries, albeit in a differentiated manner, essentially involved all the main foreign markets, particularly those in North America (Canada +18.6%, United States +10.3%) and with the exception of Russia and Japan; spending by European tourists was also good, in particular Austrians (+12.5%), Spaniards (+9.7%) and Germans (+7.4%), who in absolute terms continue to be the biggest spenders but are widely surpassed by the Americans, who take the lead in terms of per capita expenditure.



A vacation in our country continues to represent the main reason for travel for 64.3% of foreigners, but the percentage of those who come for shopping (+10.3%) and study (+9.3%) is also up. Spending related to business travel is also up, although to a lesser extent (+5%), accounting for 13.1% of the total.

Domestic tourism, on the other hand, shows very different trends from foreign tourism; 76.2% of travel by Italians involves an Italian destination, although demand in 2019 dropped by 12.8% compared to the prior year, while 23.8% prefer to take their vacations abroad. Even for Italian tourists, most vacations are taken in the North (36.6% of trips), although of shorter duration, while longer vacations are concentrated in the South (27.1% of the total), where Puglia is the most popular region (11.0%), especially during the summer quarter (12.7%). In the spring, Tuscany moves to the top of the list (12.2%), while Trentino Alto-Adige is the preferred destination for long vacations in the winter (29.5%).

Business travel (-12.0%), which recorded growth in 2018 after ten years of negative performance, was down again; over half of business travel is taken to attend business meetings (17.0%), conferences, conventions or other events (16.4%), representative, sales, installation or similar activities (12.5%) and work-related missions (10.7%). (Datatur 2020).

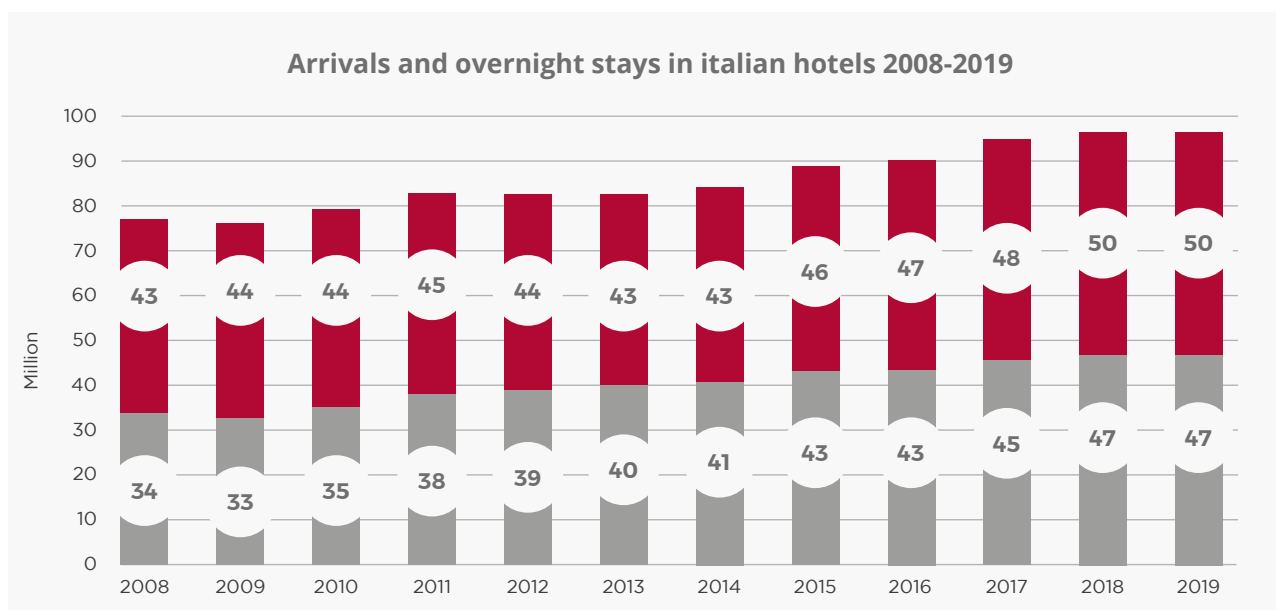
ARRIVALS AND OVERNIGHT STAYS IN ITALIAN HOTELS

In Italy, **97.8 million arrivals** in hotels and similar facilities were recorded in 2019 (sum of both Italian and foreign residents), +1.1% compared to 2018 (96.7 million); the number of overnight stays has shown a steady increase, amounting to 281 million in 2019, up by 0.5% over 2018. In terms of the annual trend, the historic series shows that after a period of essential stability between 2011 and 2013, a steady increase in demand was observed in Italy starting from 2015, year of the Milan Expo, predominantly by foreigners but by Italian residents as well.



Gabetti Research Department analysis
of Istat data (hotels and similar facilities)

■ Overnight stays ● Arrivals

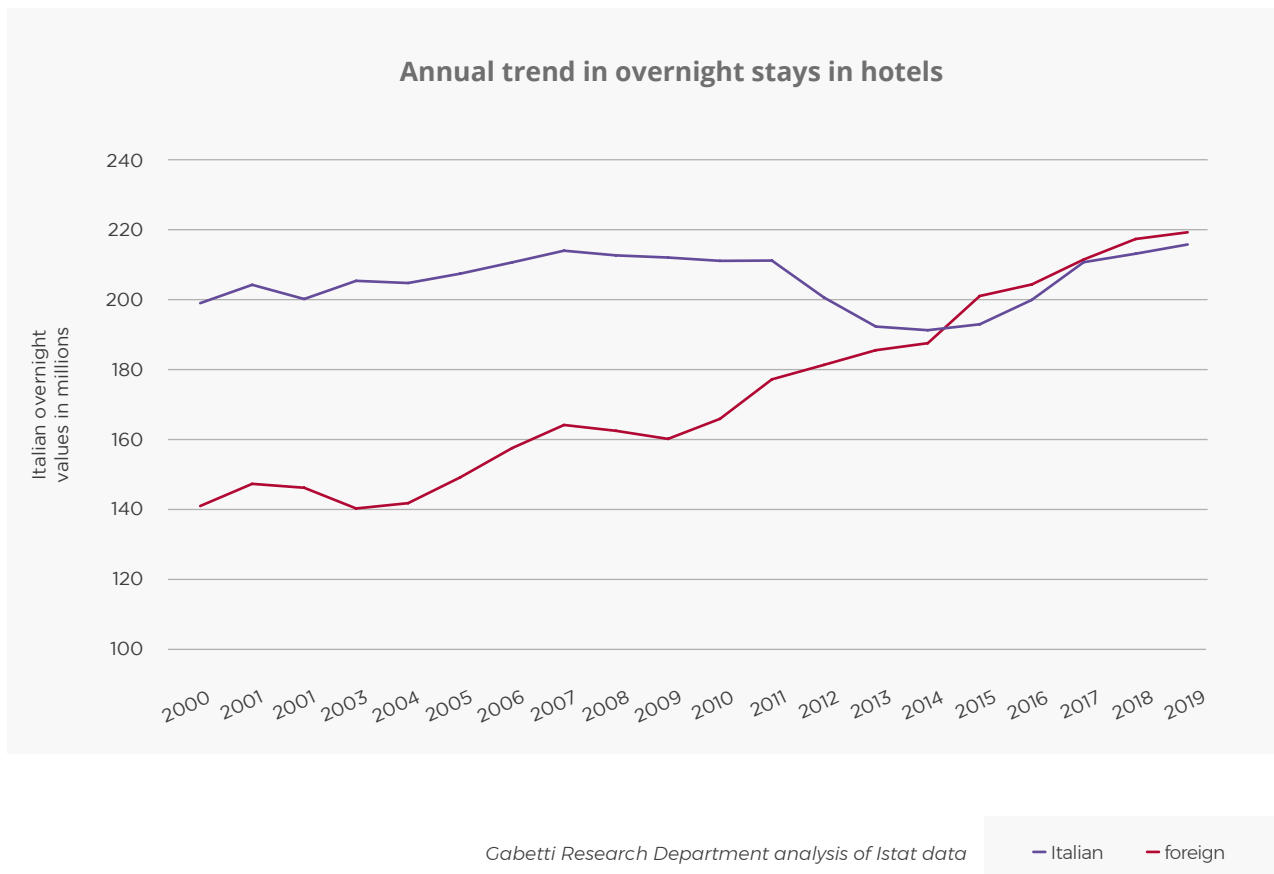


Gabetti Research Department analysis of Istat data

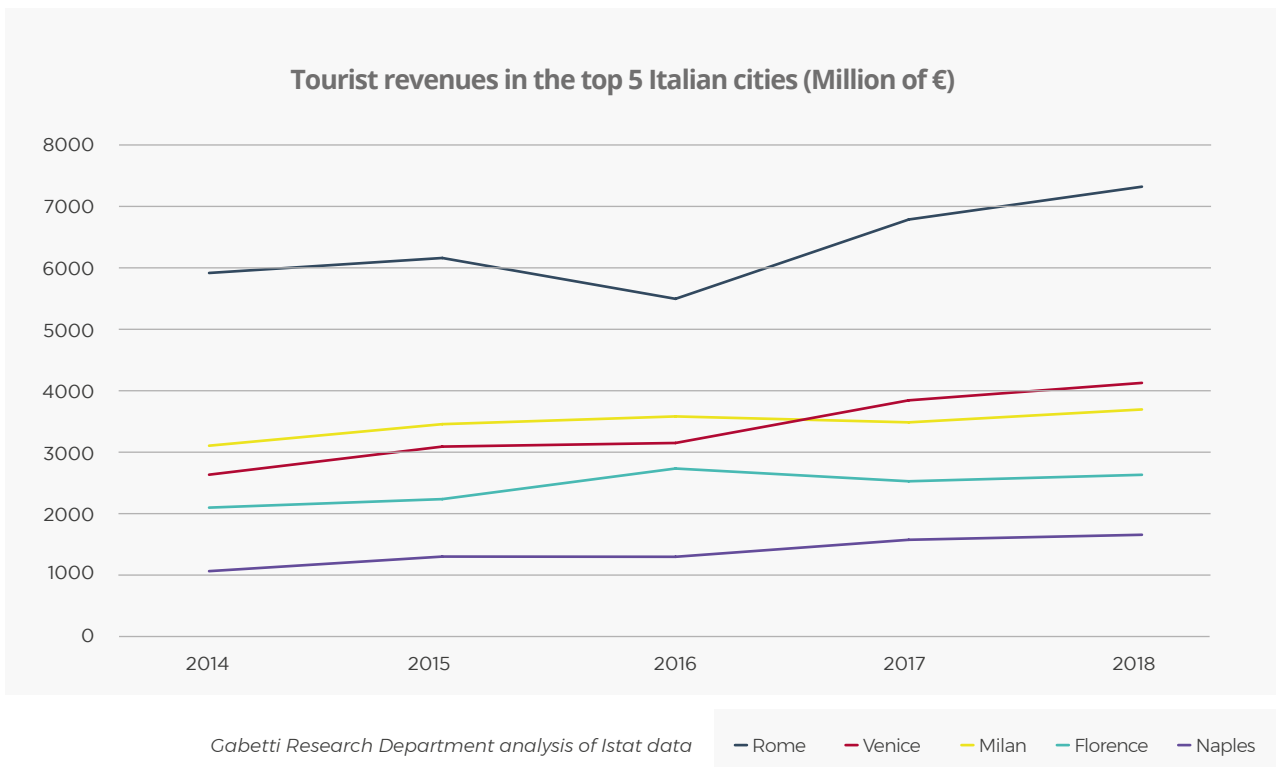
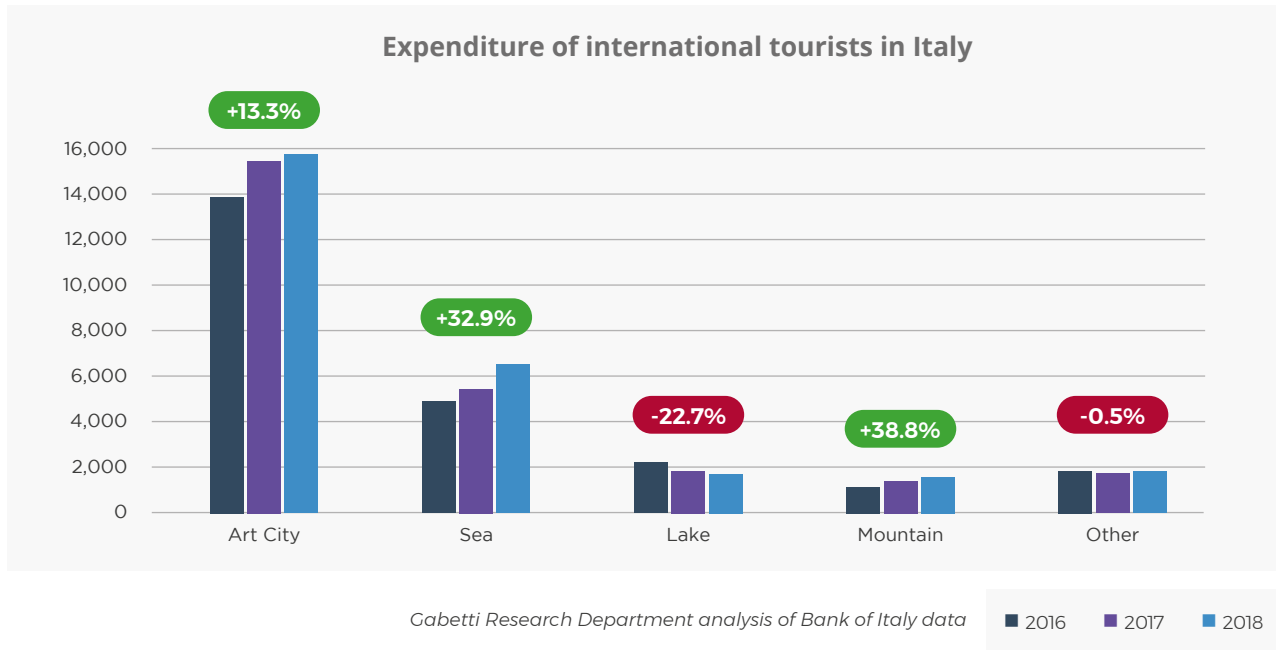
■ Foreign residents arrivals ■ Italian residents arrivals

Indeed, over the last eleven years, **international arrivals in Italian hotels** have grown significantly compared to domestic ones, respectively by +45.2% and +15.4%; in 2019, over 47 million arrivals of foreign residents were recorded and over 50 million arrivals of Italian residents; **stays in non-hotel facilities were over 155 million**, which when added to those of hotels, bring the **overall total to upwards of 436 million, an absolute record for Italy**.

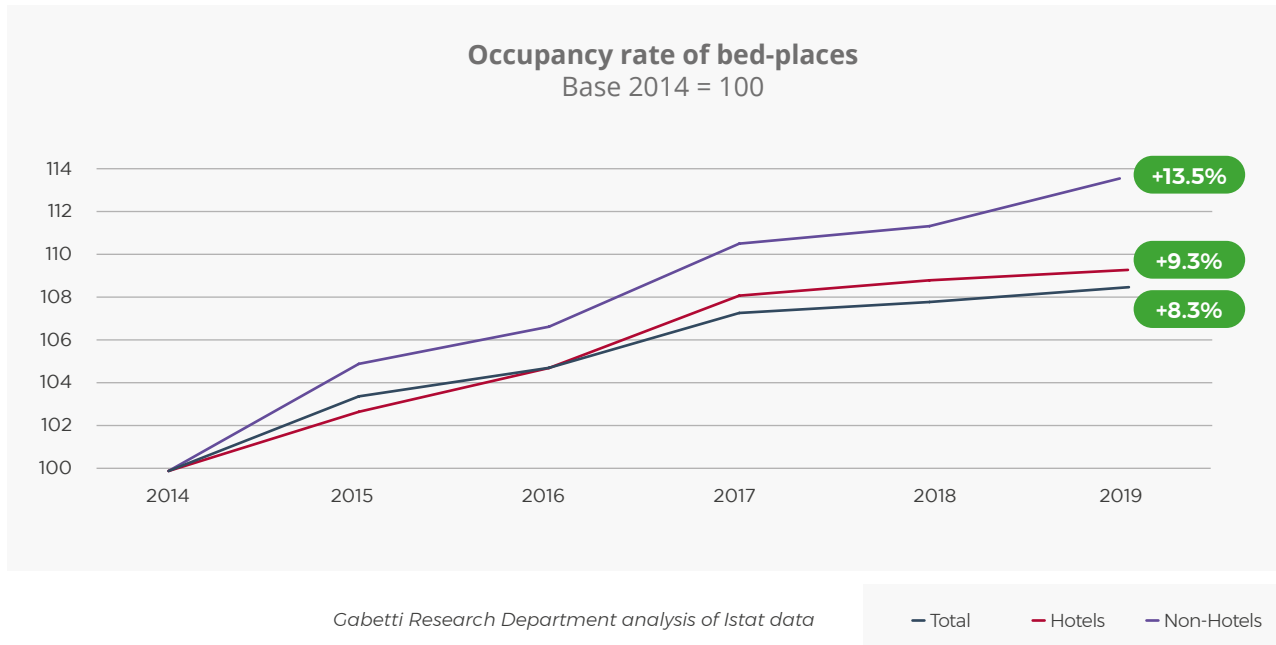
An interpretation of the historic series of stays in Italian accommodation facilities from 2000 until today highlights a very different trend between international and Italian tourists. The former, following the international crisis after the attacks of 9/11, have grown steadily at a rate of 3.6% per year, essentially in line with the trend in international demand for the same period, while Italians, who suffered more from the relative financial scenario until 2015, have resumed growth only in the last 5 years, at an average of 2.6% per year.



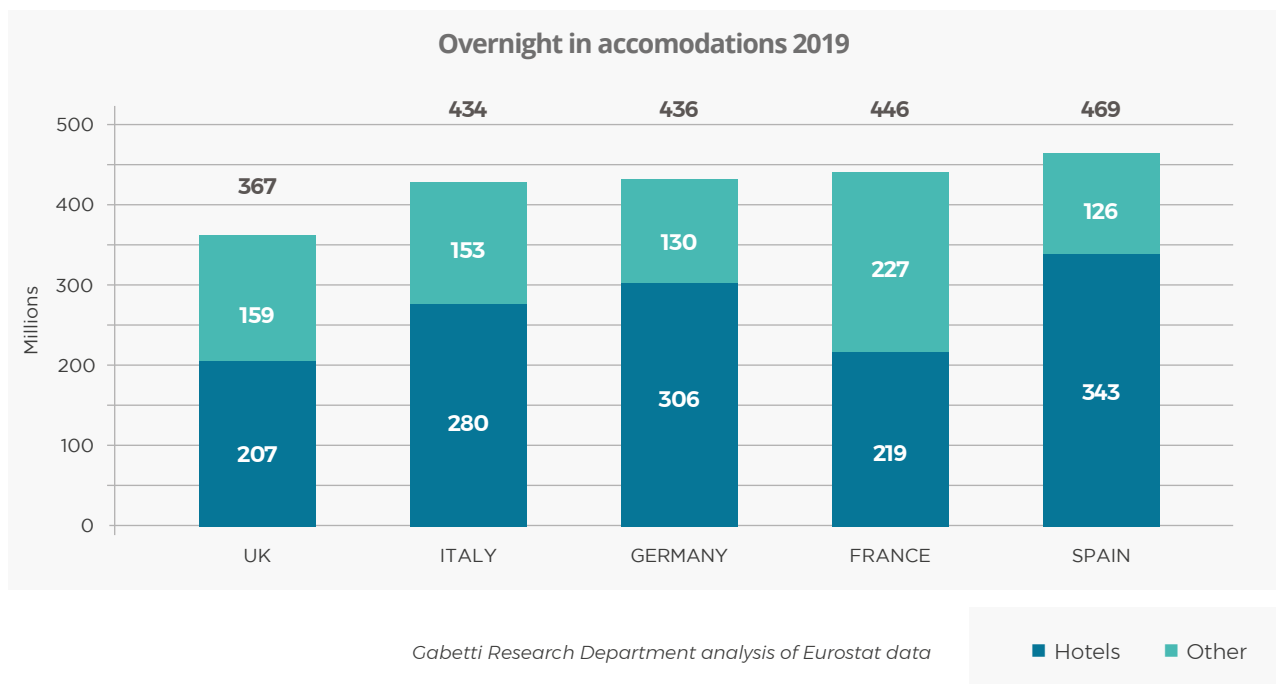
Foreign tourists **prefer Art Cities**, and indeed over 50% of tourist arrivals from abroad are concentrated in 6 provinces: Rome, Venice, Milan, Florence, Naples and Verona (Source: Bank of Italy; **Germans and Americans account for the greatest portion of currency inflows**, but they have very different behaviours; Americans focus predominantly on Rome, Venice and Tuscany, while Germans show a clear preference for the Adriatic coast and the lakes, with their average per capita spending differing as well: € 141 for Americans and € 89 for Germans (among the top 10 countries in terms of total spending, the biggest spenders are the Japanese at € 232, while the Spanish spend the least at € 72).



The competitiveness and appreciation by clientele of Italian hotels are clearly on the rise, as demonstrated by the overall rate of occupancy of beds at the national level, which after years of declines showed considerable growth in 2015 (year of Expo Milan) in both the hotel and non-hotel segments; the former has grown by 9.3% and the latter by 13.5%, for a total annual average of 8.3% in the last five years.



In Europe, our Country is confirmed as among the most popular destinations of international tourists; in fact, it is **second after Spain in terms of foreign guests, with nearly 140 million stays in hotels, and first with regard to non-hotel facilities with nearly 80 million overnight stays.**



PERFORMANCE OF ITALIAN HOTELS

A significant increase was recorded in terms of both Occupancy Rate and Average Price per Room for all categories of hotels in the major Italian cities between 2014, year in which Italian tourism saw a turnaround, and 2019 (RES-STR data on member hotels of Federalberghi). The increase regarded both cheaper facilities (3-star or as per STR report, Economy, Midscale and Upper-Midscale Class) up to the Luxury segment (Upscale Class and Upper-Upscale Luxury Class). The increase in **RevPAR** (indicator that measures the performance of hotels, as a summary of occupancy and average price per room) during the five-year period **exceeds 25%** in all three segments, with a peak of **27.4%** for traditional **4-star** hotels (Upscale Class).

If we exclude the changes due to Expo 2015, the biggest increase, equal to **6.5%**, was recorded in **2019** (compared to the prior year) in the upscale class, almost entirely attributable to the increase in Average Price per Room, as the already high Occupancy Rate (73.8%) was stable.

Occupancy Rate

OCC(%)						
	2014	2015	2016	2017	2018	2019
Economy and Upper-Midscale C.	61.7	66.5	66.1	70.5	71.0	72.2
Yearly variation	-	7.8%	-0.6%	6.7%	0.7%	1.7%
Variation 2019/2014	-	17.0%	17.0%	17.0%	17.0%	17.0%
Upscale Class	65.01	68.12	67.07	70.90	71.70	73.73
Yearly variation	-	4.8%	-1.5%	5.7%	1.1%	2.8%
Variation 2019/2014	-	13.4%	13.4%	13.4%	13.4%	13.4%
Upscale Luxury Class	70.5	72.3	71.7	73.4	73.8	73.7
Yearly variation	-	2.6%	-0.9%	2.4%	0.6%	-0.1%
Variation 2019/2014	-	4.6%	4.6%	4.6%	4.6%	4.6%

Gabetti Research Department analysis of STR data for Federalberghi

Occ = Occupancy. Calculation: (rooms sold / rooms available) x 100.
 ADR = Average Daily Rate or average revenue per occupied room. Calculation: revenue from rooms sold / rooms sold.
 RevPAR = Revenue per Available Room, average revenue per available room. Calculation: revenue from rooms sold / rooms available.
 Revenues are net of VAT and breakfast.
 Percent Variation: [(current year - previous year)/previous year] x 100.

Average Daily Rate

ADR						
	2014	2015	2016	2017	2018	2019
Economy and Upper-Midscale C. (€)	66.21	72.76	67.04	68.31	70.09	71.58
Yearly variation	-	9.9%	-7.9%	1.9%	2.6%	2.1%
Variation 2019/2014	-	8.1%	8.1%	8.1%	8.1%	8.1%
Upscale Class (€)	94.27	105.21	98.30	100.94	102.78	105.93
Yearly variation	-	11.6%	-6.6%	2.7%	1.8%	3.1%
Variation 2019/2014	-	12.4%	12.4%	12.4%	12.4%	12.4%
Upscale Luxury Class (€)	192.22	217.29	206.78	215.13	216.55	230.87
Yearly variation	-	13.0%	-4.8%	4.0%	0.7%	6.6%
Variation 2019/2014	-	20.1%	20.1%	20.1%	20.1%	20.1%

Revenue Per Available Room

RevPAR						
	2014	2015	2016	2017	2018	2019
Economy and Upper-Midscale C. (€)	40.86	48.42	44.33	48.18	49.78	51.69
Yearly variation	-	18.5%	-8.4%	8.7%	3.3%	3.8%
Variation 2019/2014	-	26.5%	26.5%	26.5%	26.5%	26.5%
Upscale Class (€)	61.29	71.67	65.93	71.56	73.70	78.10
Yearly variation	-	16.9%	-8.0%	8.5%	3.0%	6.0%
Variation 2019/2014	27.4%	27.4%	27.4%	27.4%	27.4%	27.4%
Upscale Luxury Class (€)	135.51	157.09	148.22	157.92	159.90	170.23
Yearly variation	-	15.9%	-5.6%	6.5%	1.3%	6.5%
Variation 2019/2014	-	25.6%	25.6%	25.6%	25.6%	25.6%

Gabetti Research Department analysis of STR data for Federalberghi

The analysis of performance indicators on the individual destinations shows that Naples recorded the highest increase in RevPAR over the last 5 years (+56.8%) from € 54.4 in 2014 to € 85.2 in 2019 (+30.9 Euro on average per room per day), followed by Florence (+27.6 Euro) and Milan (+26.0 Euro), while in percentage terms, Naples is followed by the smaller (in accommodation terms) Lecce and Udine (approx. +40%), and then by Bologna (+38.3%) and Milan (+31.2%).

With regard to average revenue per occupied room, Venice is again at the top, with €347.30 per night, significantly ahead of Florence (€179.00), Rome (€153.80) and Milan (€148.80). Naples is first in terms of percent variation between 2014 and 2019 (+30%), followed by Florence (22%). The city with the highest Occupancy Rate (excluding Malpensa, not significant in terms of supply) is Bergamo, at 76.3%, followed by Florence with 75.4%, Mestre (municipality of Venice) which exceeds the historic centre (73.9%), and then Naples (73.6%) and Milan (73.4%). Lecce (+28.7%), Bologna (+24.8%), Udine (+21.0%) and Naples (+20.9%) recorded the greatest increase between 2014 and 2019.

HOTEL MARKET TREND ON TRACKED DESTINATIONS

Occupancy Rate

OCC(%)						
Destination	2014	2015	2016	2017	2018	2019
Bergamo	65.2	68.1	70.9	75.5	76.7	76.3
Bologna	57.8	60.2	64.1	68.9	71.1	72.1
Florence	73.2	74.4	73.8	76.6	75.6	75.4
Genoa	66.5	67.5	68.9	71.1	69.7	72.1
Lecce	49.8	54.6	55.5	58.7	61.6	64.1
Malpensa	69.4	73.7	68.5	72.1	74.7	78.4
Mestre	75.5	76.1	77.9	79.2	77.8	73.9
Milan	63.8	69.4	65.4	70.6	71.4	73.4
Naples	60.9	66.2	71.4	72.9	74.6	73.6
Perugia	46.6	48.7	51.9	47.3	50.5	50.8
Rome	69.2	68.4	69.3	70.1	71.8	71.8
Turin	59.0	63.5	64.7	65.8	67.5	68.4
Udine	59.6	62.9	64.7	68.5	69.5	72.1
Venice	67.8	68.0	66.4	71.1	66.2	65.2
Weighted average	65.28	67.89	67.38	70.40	71.04	71.75

Cabetti Research Department analysis of STR data for Federalberghi

Occ = Occupancy. Calculation: (rooms sold / rooms available) x 100.
 ADR = Average Daily Rate or average revenue per occupied room. Calculation: revenue from rooms sold / rooms sold.
 RevPAR = Revenue per Available Room, average revenue per available room. Calculation: revenue from rooms sold / rooms available.
 Revenues are net of VAT and breakfast.
 Percent Variation: [(current year - previous year)/previous year] x 100.

Average Daily Rate (Euro)

ADR						
Destination	2014	2015	2016	2017	2018	2019
Bergamo	81.5	87.3	84.4	85.9	90.2	92.1
Bologna	83.7	82.8	85.2	86.2	89.1	92.7
Florence	146.9	158.5	162.6	171.9	177.9	179.0
Genoa	83.4	87.3	93.3	92.9	96.4	88.3
Lecce	63.5	65.6	68.0	67.0	67.4	69.9
Malpensa	71.2	76.6	67.0	68.7	74.8	81.8
Mestre	73.6	78.5	79.3	82.5	79.8	75.7
Milan	130.4	155.6	137.6	139.0	141.4	148.8
Naples	89.3	91.7	97.8	101.5	107.5	115.8
Perugia	61.0	66.5	65.0	63.8	65.2	66.6
Rome	144.1	152.4	151.2	148.6	150.2	153.8
Turin	83.6	86.4	88.0	87.6	87.6	88.6
Udine	60.3	62.9	64.3	65.6	66.4	69.5
Veneice	304.7	342.8	335.7	346.6	327.1	347.3
Weighted average	133.92	148.19	142.77	144.57	145.32	150.90

Revenue Per Available Room (Euro)

RevPAR						
Destination	2014	2015	2016	2017	2018	2019
Bergamo	53.2	59.5	59.9	64.8	69.2	70.3
Bologna	48.3	49.8	54.6	59.4	63.4	66.9
Florence	107.5	117.9	120.0	131.8	134.4	135.0
Genoa	55.5	59.0	64.3	66.0	67.2	63.6
Lecce	31.6	35.8	37.7	39.3	41.5	44.8
Malpensa	49.4	56.5	45.9	49.6	55.9	64.1
Mestre	55.6	59.8	61.7	65.4	62.1	55.9
Milan	83.2	107.9	89.9	98.1	100.9	109.2
Naples	54.4	60.7	69.8	74.0	80.2	85.2
Perugia	28.4	32.4	33.7	30.2	32.9	33.8
Rome	99.7	104.3	104.7	104.1	107.8	110.4
Turin	49.3	54.9	56.9	57.6	59.2	60.6
Udine	36.0	39.5	41.6	44.9	46.1	50.1
Venice	206.5	233.1	222.9	246.3	216.5	226.5
Weighted average	88.74	101.49	96.49	102.46	102.89	107.53

Elaborazione Ufficio Studi Gabetti su dati STR/Federalberghi

TRENDS UNDERWAY IN ITALIAN HOTELS

The hospitality industry is undergoing an extensive evolution throughout the world and in Italy as well, with demand showing a preference for products able to offer unique experiences.

The main trends in the hotel sector are:

- **Boutique and Design** Hotels, namely smaller hotels, generally family-run (second or third generation), or managed by mini-chains, characterised by clear references to fashion, design and contemporary architecture, making uniqueness and experientiality their best features, generally concentrated in the centre of major cities.
- Modern **Budget Hotels**, namely 3-star hotels with around 100 rooms and increasingly affiliated in franchising to Brands specifically created by major international companies that guarantee their marketing, such as Ibis Style, or managed directly by companies such as Moxi Hotels.
- New generation **Hostels** which, in addition to the typical offer of these facilities, have integrated food services to encourage socialisation of users. This type of accommodation may include rooms with 2/4 beds similar to hotel rooms, like the Meininger or our own Ostello Bello, often integrated with student housing, as in the case of The Student Hotel.
- **Luxury Hotels** characterised by new leading brands that attract international high-end companies aiming to grow in our country. These include the Mandarin Oriental in Milan, W in Rome and soon in Milan, Rosewood in Tuscany and Aman in Venice, which will join the various Bulgari, Armani, Four Seasons, Hayatt, Rocco Forte and Dorchester hotels, destined like them to become a point of reference for hospitality in our destinations.

In the non-hotel sector, the expanding asset classes are mainly student housing and traditional **apartments** rented by owners for tourist use. Among the new forms of hospitality, Airbnb is already the leading provider of tourism services in the world, with over 1.2 million units available, in competition with hotels (Marriott with Starwood, Accor, IHG, Hilton). Student housing has developed thanks to the strong expansion in short-rent by owners of apartments that are no longer available for students (in cities with a strong university presence).

The higher range is confirmed as the most popular and sought after by investors, and in this segment Italy stands out in the international panorama.

However, when renovating or building a new hotel, adopting the principles of sustainability is now essential, because while the commercial value of a hotel is measured on the basis of its ability to produce income (and therefore on the location, architectural quality or history of the building, elegance of the furnishings, services, courtesy of the staff, and ability to generate emotions), an increasingly important role is now being played by the construction criteria and by the procedures to manage the accommodation facility in a sustainable way as well. A hotel that respects all environmental parameters is classified as ecological, but in order to be considered fully sustainable it must also have other characteristics.

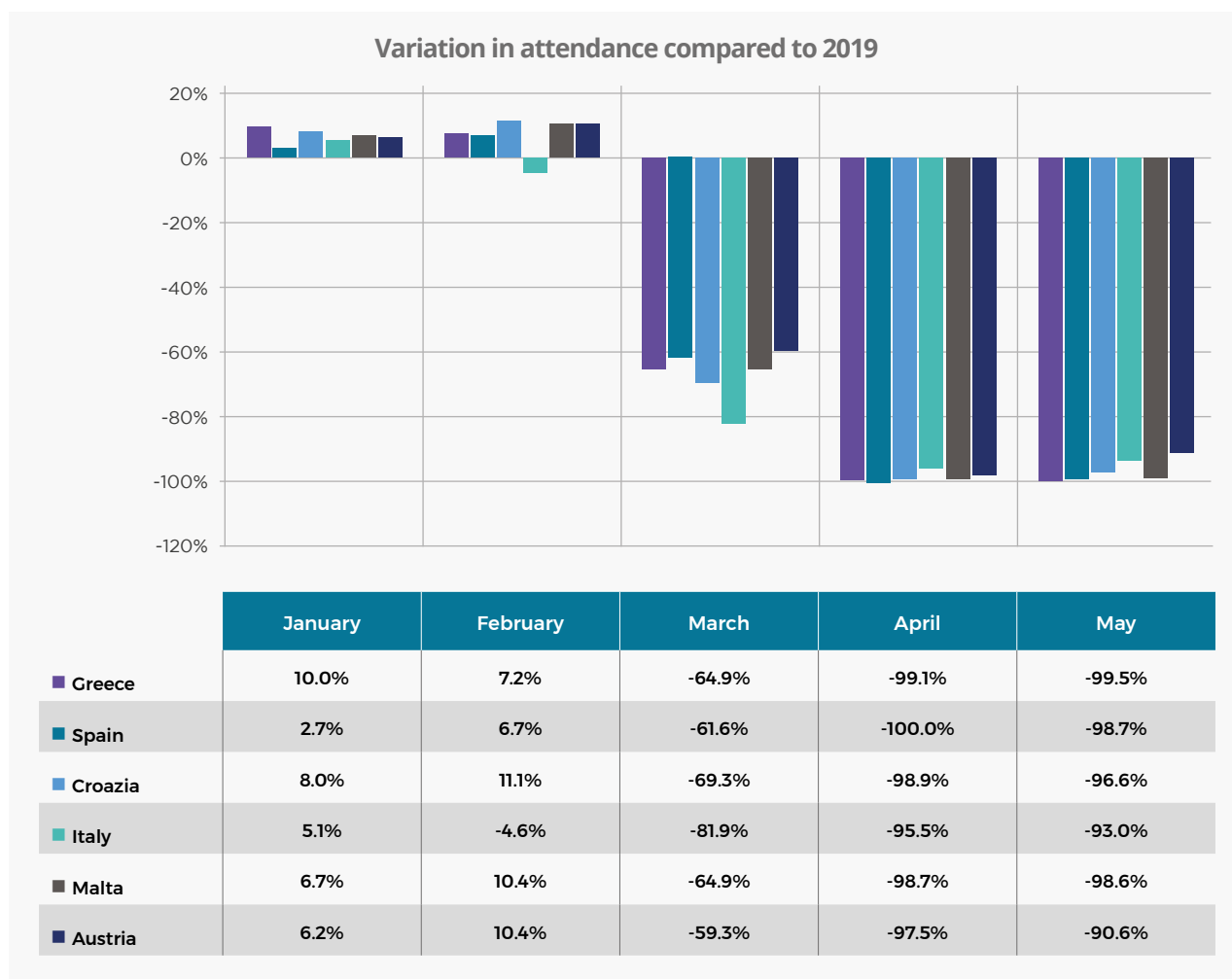
Listing the criteria that classify a hotel as eco-sustainable in just a few lines is not easy, as there is still no specific sector protocol that certifies such a status, or rather, there are only a few environmental or energy certifications, which are only a part of the whole that also includes actions aimed at the preservation of culture and local identity and the maintenance of traditions (in short, socio-cultural sustainability), as well as others that encourage economic profitability.

In addition to respecting the environment that surrounds it, the hotel must not be detached from the context in which it is located. On the contrary, it must become an integral part of it, as an economic entity that produces beneficial effects for the entire local community, generates adequate income to support operations with low environmental impact (by using renewable energy sources, managing the waste cycle, using raw materials from the territory, etc.) and adequately remunerates investors. Therefore, it must be “successful”, produce profits and generate income for those who work there.

SNAPSHOT OF THE SCENARIO IN 2020

For Italian hotels, the year began in the best way, with a 4% increase in January compared to the previous year. However, in February, the Coronavirus crisis triggered an initial downturn until April, when the market came to a complete standstill. The market is only now beginning its slow recovery to normalcy, thanks to the partial reopening of borders and businesses.

At the beginning of the summer, Federalberghi, at a hearing before the Senate, reported that only 40% of Italian hotels were open, a percentage that essentially doubled between July and August, but the remaining 20%, located mainly in the cities, would not reopen until September and many would remain permanently closed. The definitive figures have not yet been disclosed, but from what emerges in the various bulletins of the trade associations and in the newspapers, this forecast is confirmed.

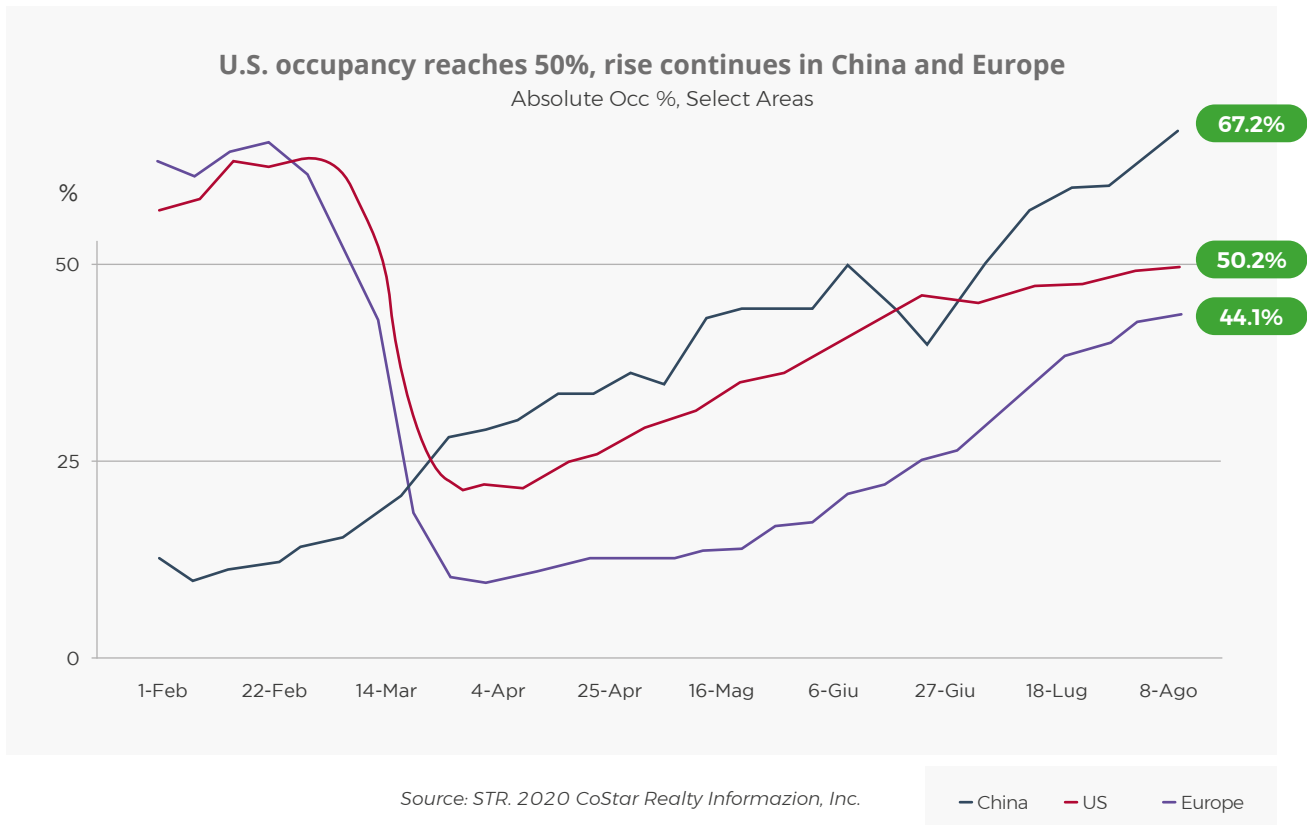


Cabetti Research Department analysis of Eurostat data

As expected, the summer months were dominated by domestic tourism in holiday resorts and, while weaker than in the past, foreign demand was above forecasts, except in the art cities, which were significantly less frequented. There were few tourists from the Americas and the Far East, due

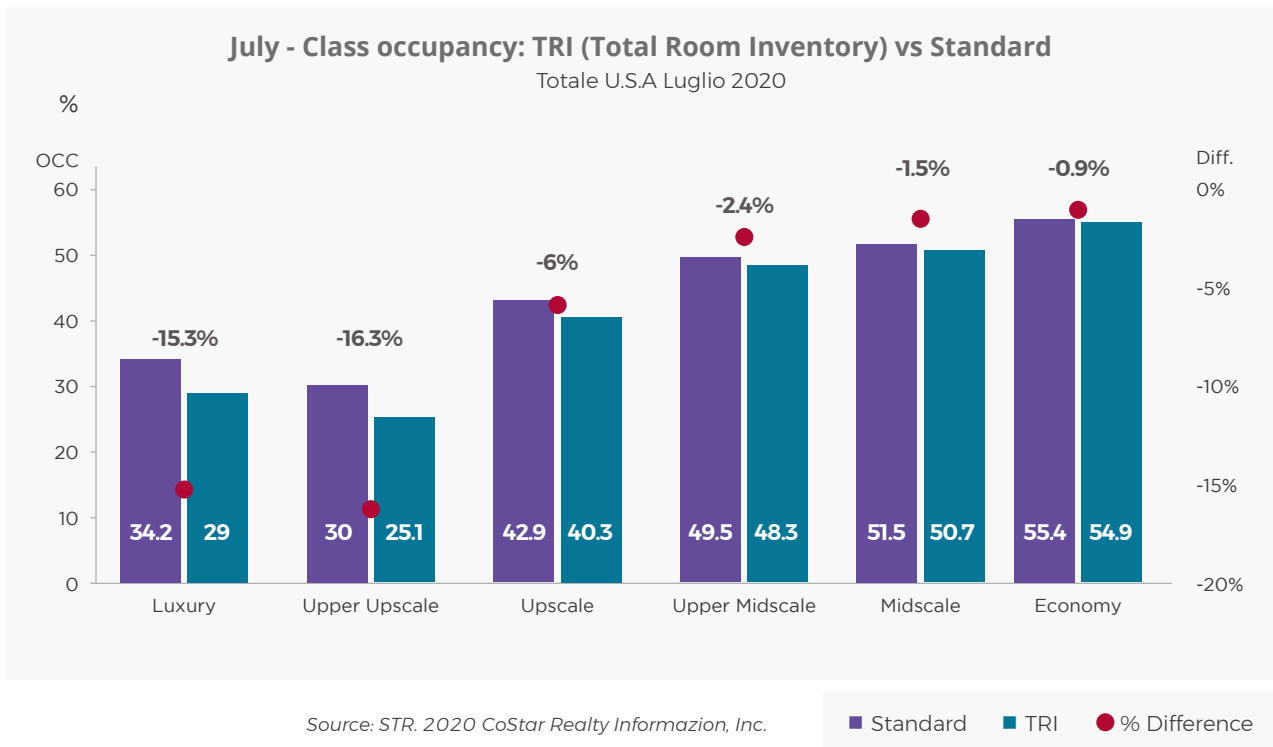
to the difficulties in air transport and for the most part still with the pandemic in full swing, while tourists from beyond the Alps and traveling by car arrived in good numbers.

STR Global reports on how during the three months post-Covid, China had recorded an increase in average occupancy from 15% to 47%, and by the end of July to 67%, while the United States, still undergoing the pandemic, is growing more slowly. Europe is faring even worse, with heavier anti-Covid measures inhibiting demand and travel more than elsewhere.



STR usually represents only a part of the hotels, specifically those belonging to the large hotel companies and the bigger managed hotels, and the above data refers to all hotels, not just those that are open, providing an idea of how the market is reacting.

The following table also shows how COVID is impacting occupancy in the various hotel classes (the data refer to the month of July in US hotels, comparing the rooms actually available (Standard occupancy) and the total number of TRI rooms (Total Room Inventory), indicating how demand has become more rarefied as category rises, up to the luxury segment, which suffered slightly less than the category just below (NB. The two percentages refer to open hotels and to all hotels, the percentage of which is reported: they range from 15-16% for closed higher-end hotels to almost all openings for budget hotels).



Based on this information, which is used globally, the vast majority of opinion leaders and hotel CEOs of hotel companies estimate a full return to normality by 2023; the more optimistic ones say 2022 and the more pessimistic ones say 2024.

DEFINITIONS

NTN (Normalised Number of Transactions)	Number of “normalised” property transactions. Purchases of ownership rights are “counted” with respect to each unit, taking into consideration the percent ownership of the property involved in the transaction. For example: if a percent ownership of a unit is purchased/sold, say 50%, it is not counted as a full transaction, but as 0.5 transactions.
OCC/TOC (Occupancy Rate)	Ratio of number of rooms sold and number of rooms available within a specific time period.
RevPar (Revenue Per Available Room)	Average revenue per available room. Total revenues from the sale of rooms during a specific period divided by the total number of available rooms. Revenues are net of VAT and breakfast.
ADR (Average Daily Rate)	Average daily rate or average revenue per occupied room. Total revenues from the sale of rooms during a specific period divided by the total number of rooms sold.
Arrivals	Number of guests arrived, distinguished by foreign country or Italian region of residence, who checked in at the hotel establishment during the period considered. (Istat)
Overnight stays	Number of nights spent by guests in the hotel establishments during the period considered. (Istat)
Hotel establishments	According to Istat, this category includes 1- to 5-star hotels, resort hotels, apart-hotels, guest houses, motels, period homes/hotels, so-called “meublè or garni” hotels (larger B&B facilities), historic residences, chain hotels, wellness centres (beauty farms), conference centres and all other types of accommodation which, according to regional regulations, are classified as being like hotels.
Non-hotel establishments	This category includes campgrounds and equipped areas for campers and caravans, holiday resorts, mixed campgrounds and resorts, vacation rental properties, agricultural tourism facilities, holiday homes, youth hostels, mountain refuges, other accommodation facilities not otherwise classified and bed & breakfast facilities.
Budget	At the international level, indicates the “super cheap” category and essentially includes new generation hostels and 1-star hotels.
Economy	At the international level, indicates the “low” category, essentially 2 stars.
Midscale	At the international level, indicates the “average” category, essentially 3 stars.
Upper Midscale	At the international level, indicates the category between “average” and “standard”, essentially “superior” 3-star hotels and lower-end 4-star hotels.
Up-scale	At the international level, indicates the “standard” category, essentially traditional 4-star hotels.
Upper Up-scale	At the international level, indicates the “superior” category, essentially 5 stars.
Luxury	At the international level, indicates the “maximum” category, essentially luxury 5-star hotels.

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Leaseholds



Prestigious Homes Market



Investment Overview



Office Market Overview



Office Quality Focus



Hotels



Building Renovation



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