

Hotel Market Snapshot Italy

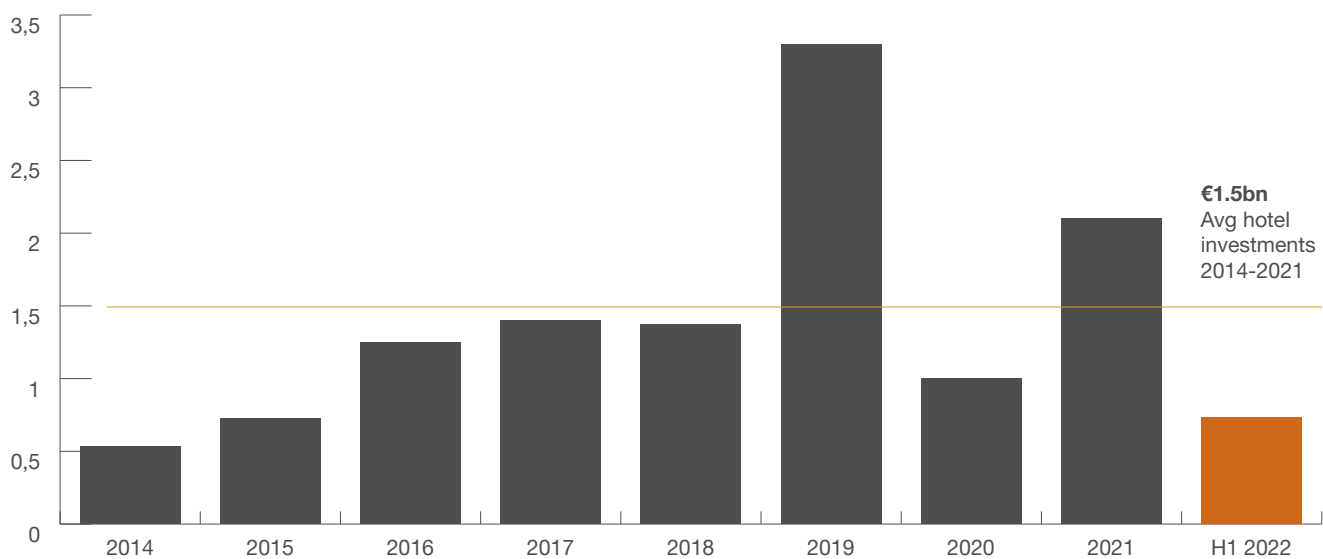


Hotel Investments (€ bn)

The best year on record for hotel investments in Italy was in 2019 with €3.3 bn, thanks in part to the Belmond portfolio transaction. However, investments significantly decreased in 2020 from the start of the pandemic, but still close to previous volumes seen in 2015 and 2016.

Investor appetite returned in 2021 with investments reaching around €2 bn which is higher than the average over the last 7 years and continued into H1 2022 with €730 mln of investments recorded so far.

In H1 2022, the majority of traded rooms were located in Rome, the primary hotel investment market in Italy, and seaside destinations, such as Sardinia, which have attracted substantial capital since the start of the pandemic.



Recent transactions

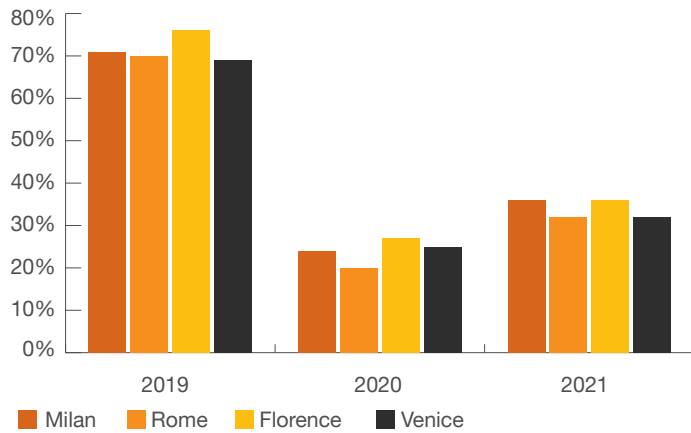
The trend of transactions between the last half of 2021 and the first half of 2022 confirms the growing interest of institutional investors in both major markets represented by large cities and iconic properties that embody the country's traditions. The strategy of foreign investors is of the value add type, whereby certain assets of historical importance, such as the case of Palazzo Marini in Rome, are converted into luxury hotels. This strategy is aimed at highlighting the historical relevance of the property and the location.

The following table indicates the main transactions in the Italian hospitality real estate segment between H2 2021 and H1 2022:

Date	Property Name	Location	Owner/Buyer	Seller
H1 22	Palazzo Marini	Rome	Cascade Investment	Tristan Capital Partners
H1 22	Hotel Milano	Madonna di Campiglio	JP Immobilien	N.A.
H1 22	Hotel Majestic	Rome	Edmond de Rothschild	Alberghi Riuniti Via Veneto SRL
H1 22	Giustiniano Imperatore	Rome	N.A.	Acqua Marcia Immobiliare Srl
H1 22	Hotel Annamaria	Dimaro	Pendragon SIF	N.A.
H1 22	Sheraton Diana Majestic Hotel	Milan	N.A.	Starwood Hotels & Resorts
H1 22	Castioglioni del Bosco	Montalcino	Family office	Chiara e Massimo Ferragamo
H1 22	NH Milano Palazzo Moscova	Milan	Kervis SGR, Aermont Capital	Allianz Insurance Plc
H1 22	7-Pines Sardinien	Arzachena	Engel & Volkers Capital	N.A.
H1 22	Le Palme Hotel & Resort	Arzachena	Eidos Partners, Sixth Street	N.A.
H1 22	Me Milan Il Duca	Milan	Blackstone	Reale Compagnia Italiana S.p.a.
H1 22	Hotel Ai Cavalieri e Ai Reali	Venice	Illimity Bank SpA	AMCO United Holding, Intesa Sanpaolo, Prelios SGR SPA
H2 21	Hotel Valtur Santo Stefano	La Maddalena	DeA Capital Real Estate	Amundi RE Italia
H2 21	Grand Hotel de La Minerve	Rome	Barletta Group	Balli Family
H2 21	Best Western Plus Tower Hotel Bologna	Bologna	La Nuova Asiago Immobiliare Srl	N.A.
H2 21	Four Points by Sheraton Milan City Center	Milan	Castello Sgr	Aina Hospitality
H2 21	25hours Firenze	Florence	Invesco UK	Art Invest
H2 21	Hotel Britannia Excelsior	Lake Como	Kryalos, Bain Capital Credit, Omnam Group	Doros Real Estate Srl
H2 21	Grand Hotel Savoia	Cortina d'Ampezzo	Quinta Capital Sgr	Bain Capital
H2 21	Hotels part of Project Dream portfolio	Various	Apollo Global RE	ENPAM
H2 21	Hilton Garden Inn Milan Malpensa	Somma Lombardo	Prodea Investments	Bain Capital Credit

Main Italian cities performance recovery

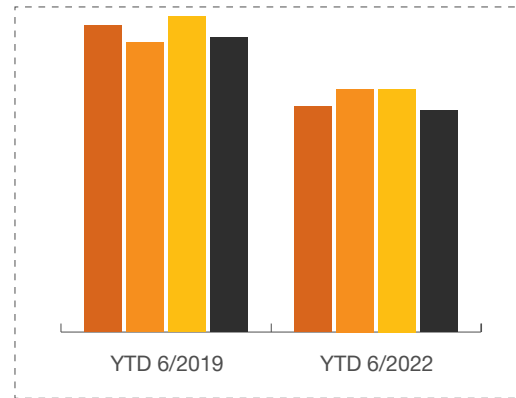
Occupancy trend 2019 - 2021



Occupancy trend YTD 06/19 06/22

Var % YTD 6/19 - YTD 6/22

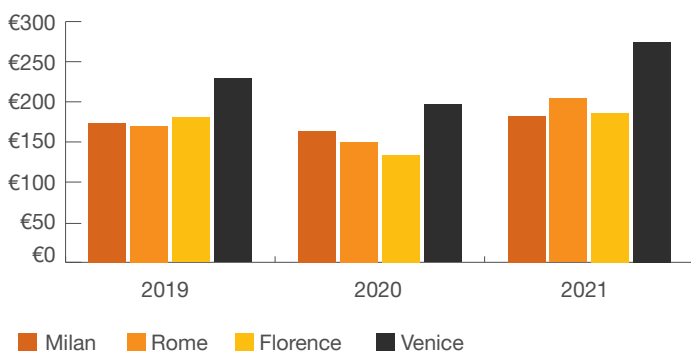
Milan	-27%
Rome	-16%
Florence	-24%
Venice	-25%



In the cluster of the four main Italian cities **monitored**, all markets are still struggling to increase occupancy to 2019 levels. However, ADR has substantially increased across all markets.

In terms of **ADR**, the city with the best performance in both the 2020-2021 and YTD comparisons is **Venice**:

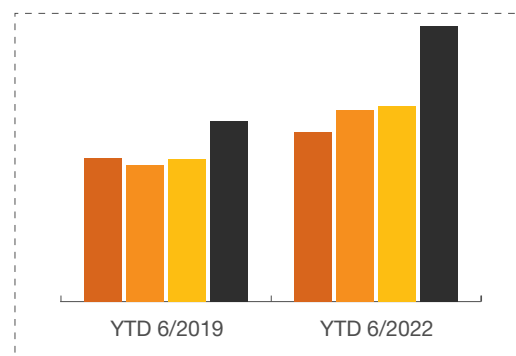
ADR trend 2020 - 2021



ADR trend YTD 06/19 - 06/22

Var % YTD 6/19 - YTD 6/22

Milan	18%
Rome	41%
Florence	37%
Venice	52%



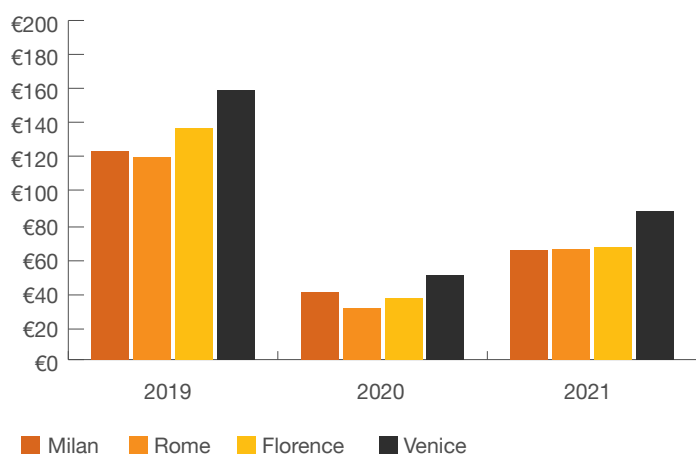
Source: PwC analysis based on AICA

Main Italian cities performance recovery

Venice and Rome recorded in terms of **RevPAR** the **strongest recovery** from the pandemic (+14% and +18%, respectively).

Milan is still below the performance levels reported in the pre-COVID-19 period, but it showed a marked increase during the first part of the summer 2022 due to the Salone del Mobile held in June.

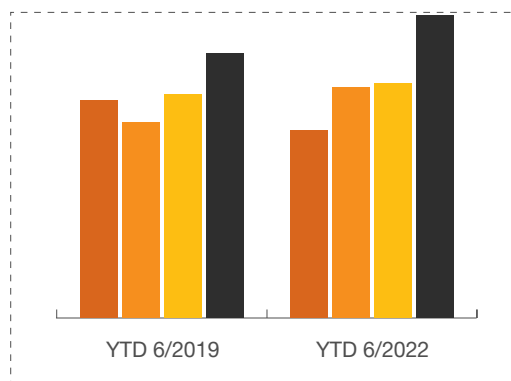
RevPAR trend 2019 – 2021



RevPAR trend YTD 06/19 – 06/22

Var % YTD 6/19 - YTD 6/22

Milan	-14%
Rome	18%
Florence	5%
Venice	14%



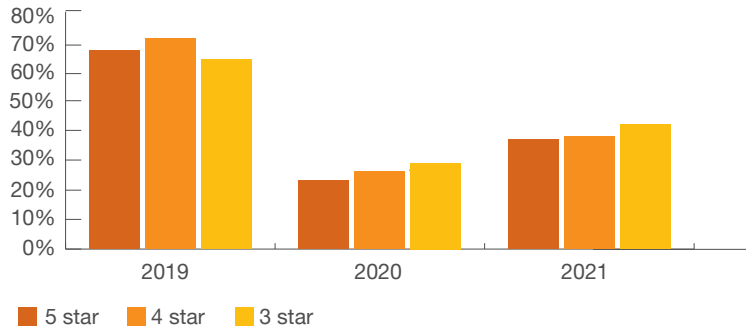
Source: PwC analysis based on AICA



Hotel categories performance recovery

The 5-star category has shown the best recovery, surpassing 2019 RevPAR.

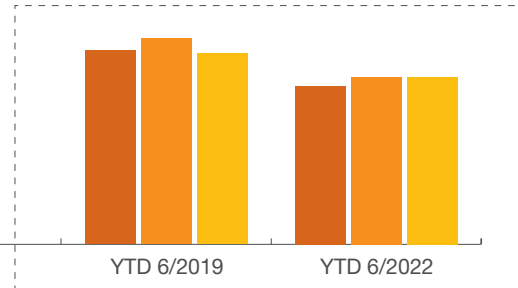
Occupancy trend 2019 - 2021



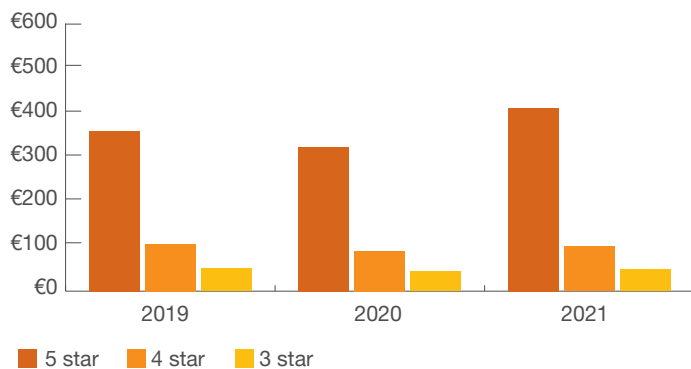
Occupancy trend YTD 06/19 – 06/22

Var % YTD 6/19 - YTD 6/22

5 stars -19%
4 stars -19%
3 stars -12%



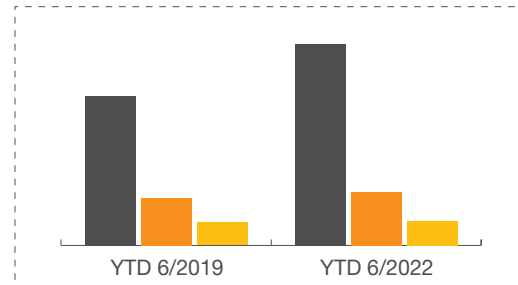
ADR trend 2019 - 2021



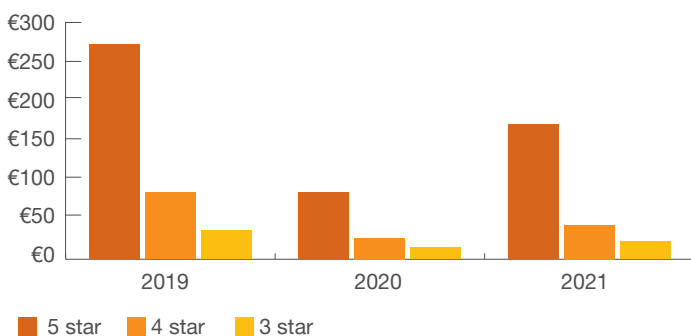
ADR trend YTD 06/19 – 06/22

Var % YTD 6/19 - YTD 6/22

5 stars 35%
4 stars 13%
3 stars 7%



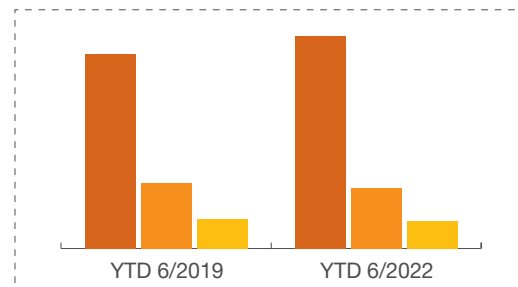
RevPAR trend 2019 - 2021



RevPAR trend YTD 06/19 – 06/22

Var % YTD 6/19 - YTD 6/22

5 stars 9%
4 stars -8%
3 stars -6%



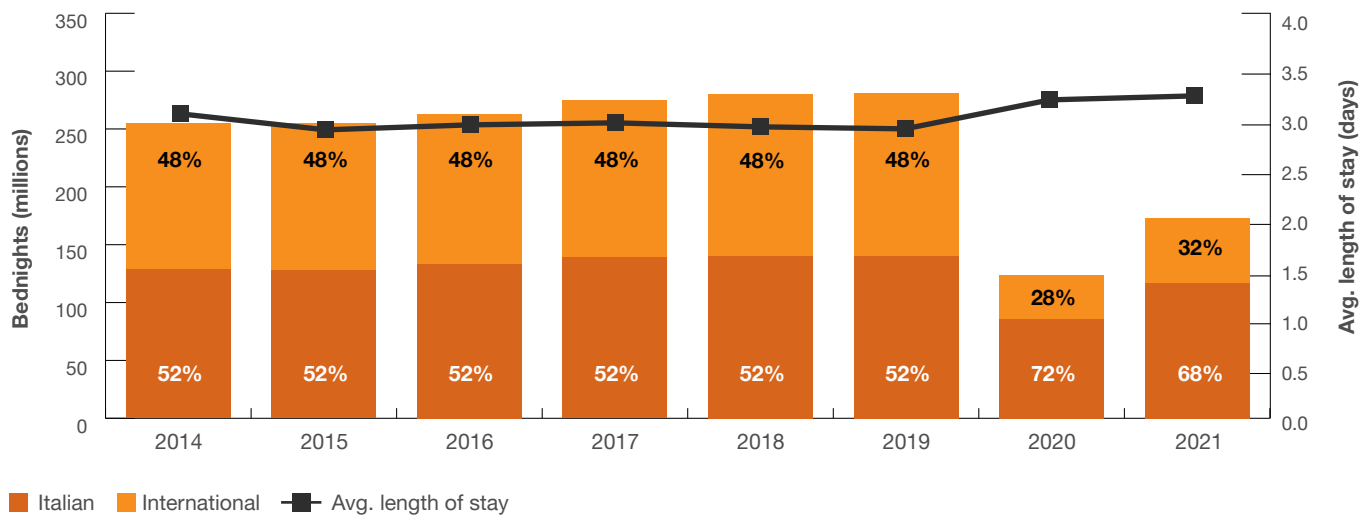
Source: PwC analysis based on AICA

Hotel demand overview

Total demand in terms of night spent 2013 – 2021

The data for 2021 confirms that hotel demand in Italy in returning following the pandemic from both Italian and international tourist, however total demand still

remains below 2019 levels (40% lower than 2019 levels), especially for international demand (60% lower than 2019 levels).



Source: PwC analysis on INSI data

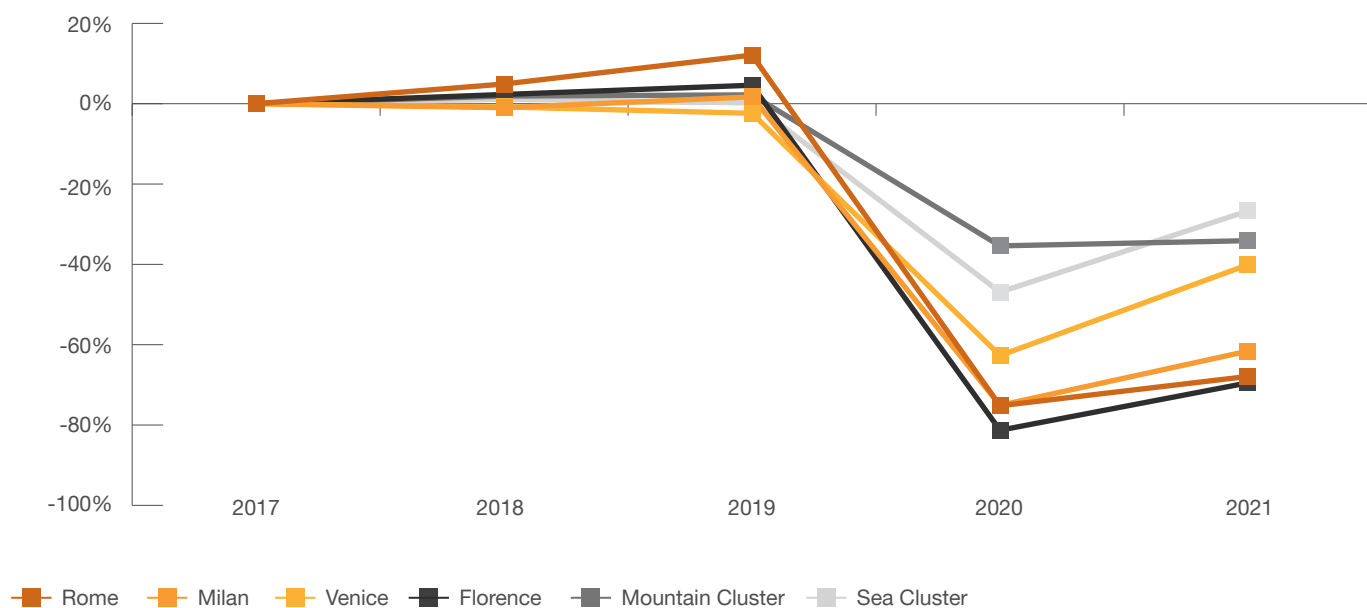


Hotel demand recovery

Total hotel demand by location

We have monitored the following locations to track the recovery of the market and have found that on the basis of total demand, the seasonal destinations (seaside and mountain) have weathered the storm better than the traditional hotel markets (Rome, Milan, Venice, and Florence).

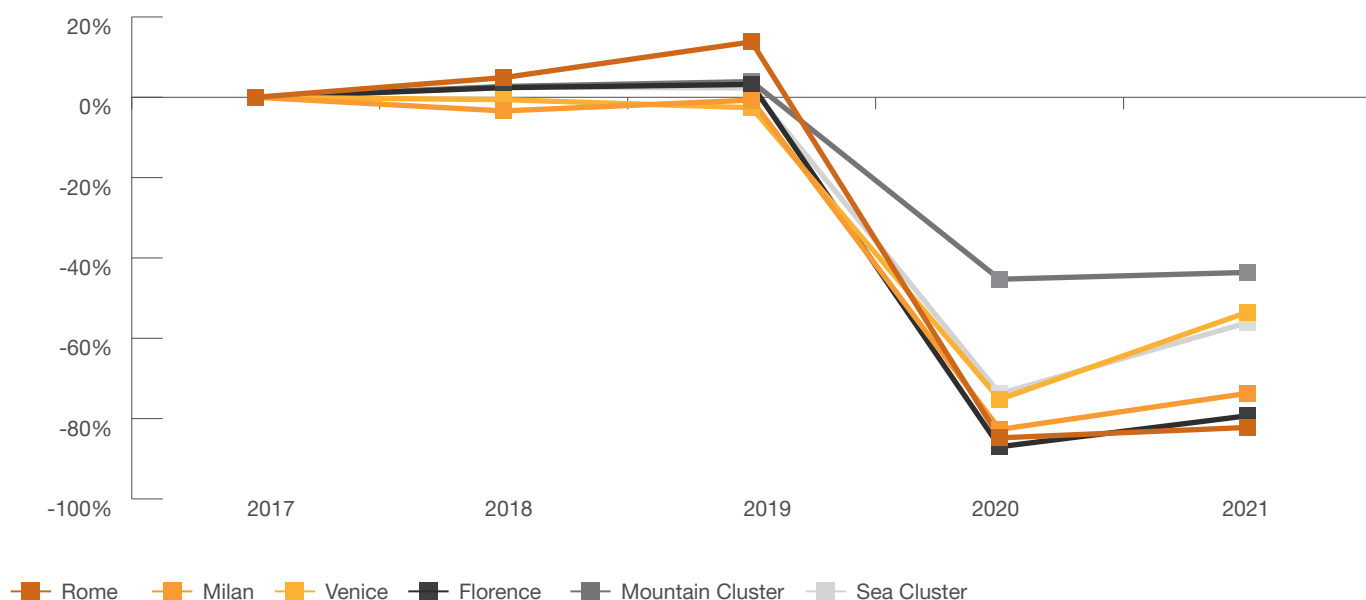
Although the traditional markets showed strong gains in 2021 from the previous year they are still below the seasonal destinations.



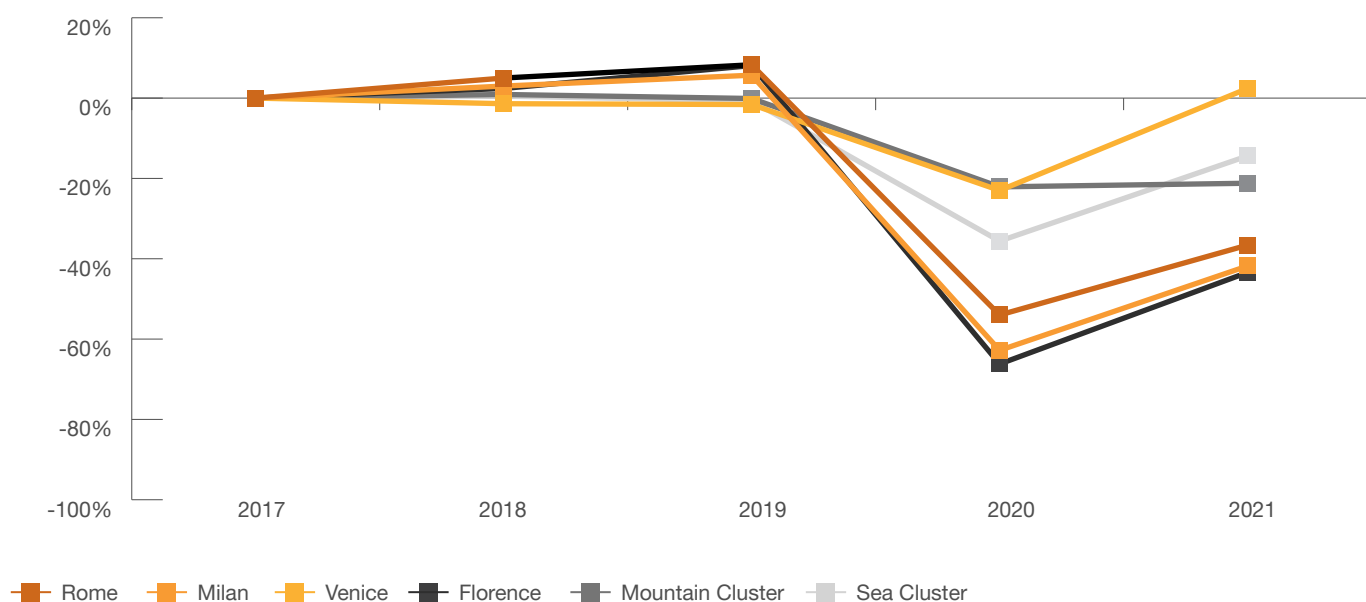
Source: PwC analysis on INSI data



International demand by location



Domestic demand by location



Source: PwC analysis on INSI data

Analysing the different components, it is clear that the domestic demand was more resilient during the peak of the pandemic and is recovering faster than the international component. In fact, the national demand for Venice has already surpassed 2017 levels and for the seaside segment it is only 15% off of 2017 levels.

The mountain segment, although resilient during the pandemic compared to the other markets, has remained stagnant in 2021 for both the domestic and international demand.

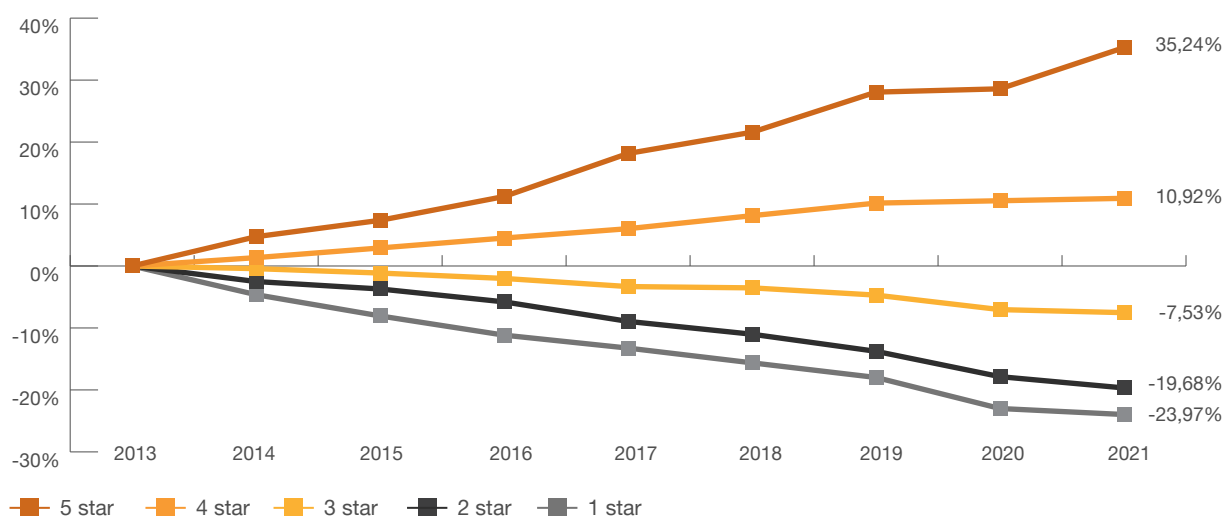
Hotel Supply Overview

The supply of hotel facilities in Italy is dominated by 3 and 4 star hotels. In recent years in particular, a general repositioning of the hotel supply has been taking place in large cities and popular tourist destinations.

The number of 4-star rooms has grown by circa 11% since 2013, while the 5-star category has grown by approximately 35%.

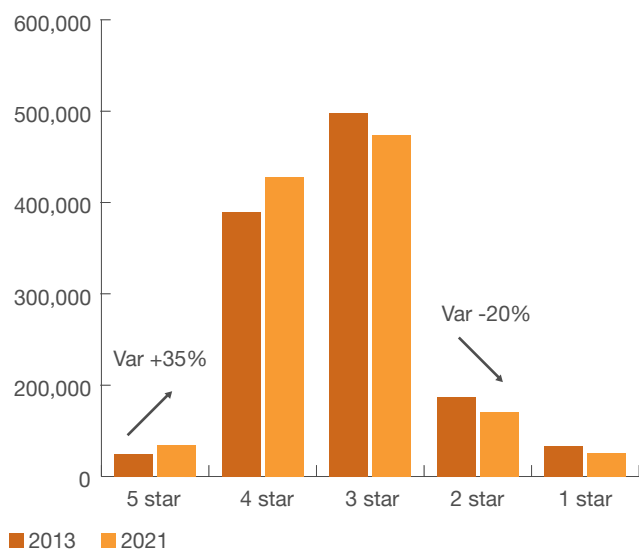
The trend shows that the Italian hotel market is seeking to change its target clientele, with the main investors making significant investments to acquire historic hotels and, through significant capex, reposition the supply. The Italian hospitality market is expected to have a profound transformation, as local and national players will have to compete with large international chains that offer an increasingly tailor-made service that hotels in the midscale segment will not be able to meet.

Supply trend number of rooms by categories (2013 = 100)

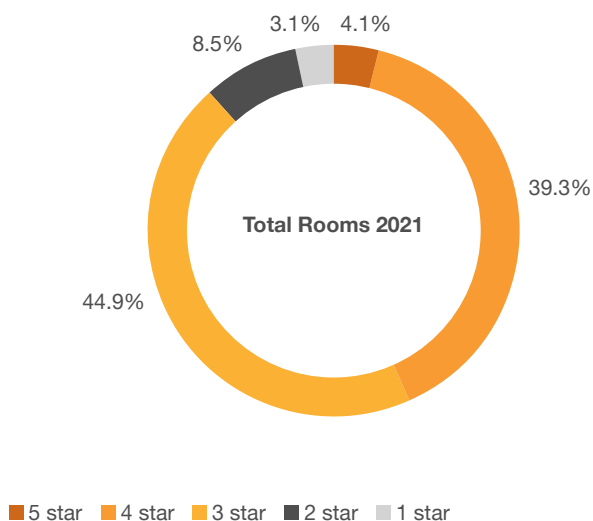


Source: PwC analysis

Supply in terms of number of rooms 2013 vs 2021

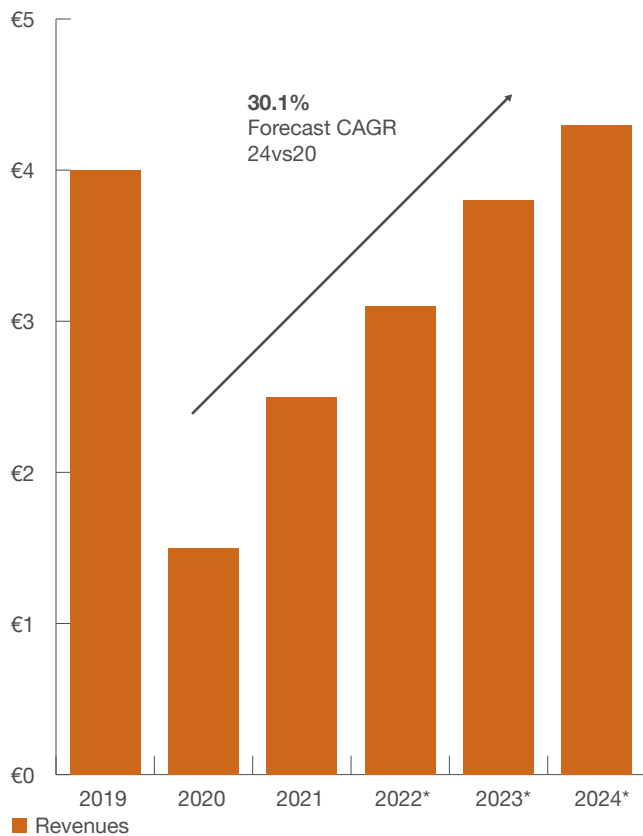


Supply in terms of number of rooms 2021



Source: PwC analysis

Historic revenues and forecast trend in Italian hospitality sector (€ bn)



Source: PwC analysis on Scenari Immobiliari data

The overall revenue trend of the hotel industry is expected to rise in the coming years with 2022 certifying the definitive recovery after the pandemic period. The future scenario could foresee a gradual growth of the business with the offer changing its structure. The entry into Italy of some international groups, particularly in the city of Rome, is repositioning the hotel offer towards a higher target clients. By 2024, the total revenues of the Italian hotel market should again reach pre-COVID-19 revenues volumes with a profoundly different offer.

Expectations for revenue growth in the hotel segment in Italy will be strongly influenced by the flow of international tourists, which is expected to significantly increase over the next decade.



Key takeaways

- Hotel investment volumes in 2021 in Italy were around 2 bn euro, surpassing the 7 year average of €1.5 bn as well as levels recorded from 2014-2018.
- In H1 2022, €730 mln of investments were registered and the majority of hotel transactions were executed by international private equity investors, snapping up properties in Rome and seaside destinations.
- Main investment strategy of leading players is focused on upgrading hotels in strong locations to be operated by international brands. New openings are expected across the country, but with a concentration in Milan and Rome.
- Seaside destinations are leading the recovery in Italy, as shown by the increasing demand trend in 2021. The preliminary results for the summer season indicates performance above 2019 levels in terms of RevPAR.
- Based on YTD June 2022 data, the traditional hotel markets are all showing significantly higher ADRs over the same period 2019, however, operators are still struggling with occupancy leading to variations in RevPARs by market: Venice, Rome and Florence have higher RevPARs than 2019, while Milan remains lower.
- 5-star hotels are showing the strongest signs of recovery in Italy. Even as occupancy continues to remain low, ADR has substantially increased leading to higher RevPAR levels than 2019.
- Hotel revenues in Italy are expected to surpass 2019 levels by 2024 and operators and investors remain optimistic on the fundamentals of the Italian hotel market.
- Evolving economic and geopolitical risks need to be closely monitored for hotels and hotel developments (inflation, rising energy and construction costs, interest rates, Russian invasion of Ukraine).

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