

Italy Hotel investment snapshot 2017 (full year)

Highlights

Record high transaction volume €1.6bn (+7% yoy)	Top Deal 2017 Boscolo Hotels	Cross-border 2017 €1.1bn (70%)	Top City 2017 Rome (€470m)
Hotel investments in 2017 reached a record of € 1.6 billion (up 7.2% year-on-year), the highest transaction volume ever recorded in Italy	Acquisition of Boscolo Hotels Group by Värde Partners (9 luxury hotels for a total of 1.300+ rooms across key cities in Italy and Europe)	Cross border activity remain high with Private Equity (63% of total investment volume) mainly from USA and Europe seeking for opportunities in prime cities and trophy assets	The most active city is Rome with investments in excess of €470 million (29% of total volume) followed by Venice (13%) and Milan (12%)

Transaction volume

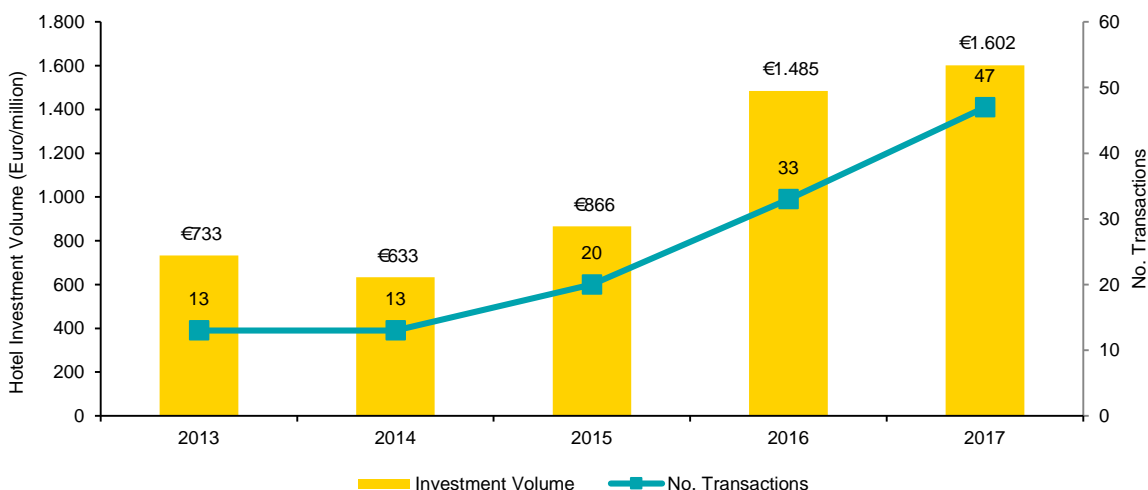
Hotel investment market marks another record year in 2017, reporting a growth for the third consecutive year (+7%) and transaction volume of €1.6 billion, up from €1.48 billion in the previous year.

We recorded 47 hotel transactions involving approx. 10,500 hotel rooms across Italy, confirming the increasing liquidity of the Italian hotel market.

Strong market fundamentals are fueling the interest of international and domestic investors confirming that Italy is now perceived as a more solid and safe market. Hotel investments in 2017 include the sale of the Boscolo Group to Värde Partners, trophy assets (such as Casta Diva in Lake Como, Westin Milan/Venice), core assets and developments (hotel conversion projects).

The hotel investment market is also benefiting of a positive attitude from banks to finance hotel acquisitions and new developments.

Hotel investment volume in Italy (2013-2017)



Investors profile

Over the last years sales of prime assets in Italy has been almost exclusively to international investors. In 2017 the most active investors are international Private Equities (67% of total investment volume) although we register an increasing interest from core investors and private investors/family offices seeking graded yielding investment products.

Domestic investors represent 26% of total volume in 2017, mostly composed by acquisitions of leased assets by core investors.

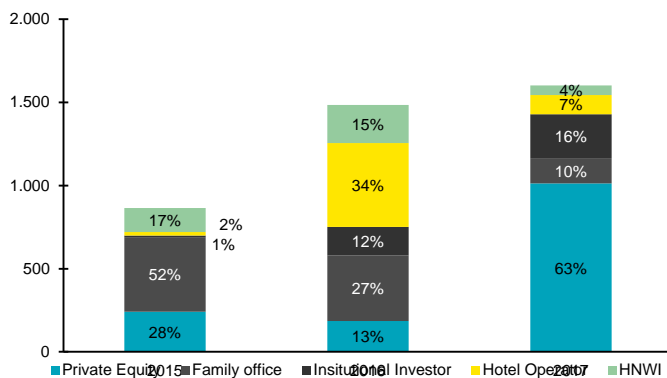
A solid pipeline of office building conversions into hotels is running in Rome and Florence driven by private equities (W Rome) and real estate developers.

Cross-border capital flows

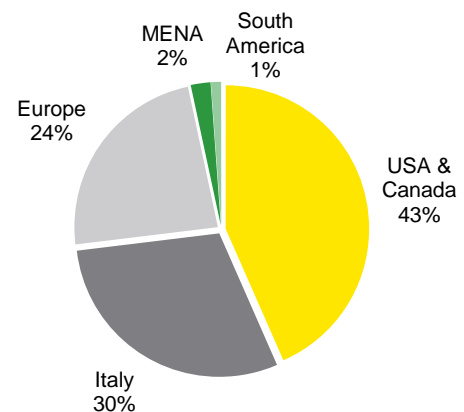
Cross-border interest has been historically high in the Italian hotel market, with foreign sovereign funds, HNWI and hotel operators seeking trophy assets and presence in Italian main destinations.

In 2017, cross-border investment volume returned at approx. 70% due to the activism of US and Europe-based Private Equities, including the acquisition of Boscolo Hotels by Värde Partners, Westin Portfolio by Capital France and the Casta Diva Lake Como by Attestor Capital.

Investors profile (2015-2017)



Hotel investment by buyer origin (2017)



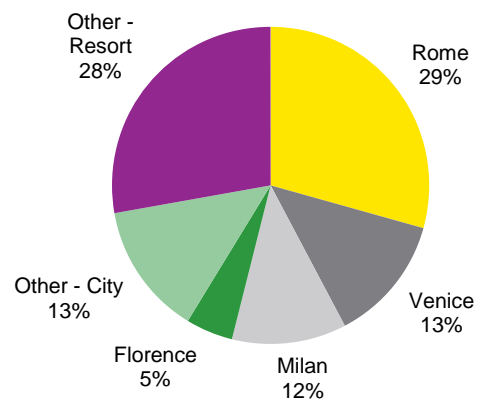
Top destinations

Rome confirms itself as a capital also in the hotel transactions ranking with 2,200 hotel rooms that changed hands in 2017 for a total investment in excess of €470 million, followed by Venice with €207 million (23%), Milan (10%) and Florence (5%).

Venice - in terms of value of a hotel room - is the most expensive city (€450k+ per room on average), followed by Rome (€220k/room) and Milan (€180k/room).

We are experiencing an increasing interest both from investors and operators for leisure destinations in seaside resorts, mainly due to the shift of travelers from North Africa, Middle East and Turkey to Southern Europe, with resorts that accounted for 25% of the total transactions volume.

Hotel investment by destination (2017)



Italy Hotel investment snapshot

2017 (full year)

Notable transactions (size in excess of €40m)

Financial Year	Name	City	Vendor	Buyer	Stars	Rooms
2017	Boscolo Hotels	Various locations	Boscolo Family	ITA Varde Partners	USA	4/5 1,302
2017	2x Westin Hotels	Venice, Milan	Benson Elliot / Algonquin / Walton Street Capital	USA/FRA Capital France Hotel	FRA	5 185
2017	Casta Diva Resort	Lake Como	Private	ITA Attestor Capital Partners	USA	5 73
2017	NH Leonardo	Rome	Private	ITA Cattolica Assicurazioni	ITA	4 244
2017	Hotel Via Liguria (Development)	Rome	Fratelli D'Amico Armatori	ITA King Street + Omnam Group	USA/ISR	5 154
2017	NYX Hotel	Milan	Caltagirone Family	ITA Dea Capital SGR	ITA	4 300
2017	Nova Yardinia Resort	Taranto	Gruppo Putignano	ITA Serenissima SGR	ITA	4 790
2017	3x Valtur Resorts	Various locations	Valtur Hotels & Resorts	ITA CDP Fondo FIT	ITA	4 945
2017	Terme di Saturnia Spa & Golf Resort	Saturnia	Manuli Family	ITA York Capital Management	USA	5 140

Hotel trading performance

According to AICA-Confindustria, in the 12-month period to November 2017, Italy has recorded a prominent increase in terms of RevPAR (+8.4%) hauled both by ADR (+4.8%) and occupancy rate (+2.3 bps), in line with the trend in the last few years.

The growth is led by Venice with an impressive +14.8% increase in RevPAR (mainly due to Biennale Exhibition), but a number of secondary destinations recorded a double-digit increase including Naples (+11.9%), Bergamo (+11.5%), Padua (+11.0%) and Verona (+10.0%).

Italian hotel market is consolidating its position among European main destinations attracting corporate and trade fair demand while increasing leisure demand. The growth has been mainly influenced by the weakening of Euro currency which has supported the international demand, the shift of travelers from North Africa, Middle East and Turkey to Southern Europe and the increasing penetration of professional operators and international brands in the Italian market.

City	Occupancy	ADR (€)	RevPAR (€)	RevPAR Change 2017 vs. 2016 (*)
Venice	73%	242	177	14.8%
Rome	71%	168	119	2.6%
Florence	73%	140	102	8.5%
Milan	68%	144	97	8.3%
Naples	81%	83	67	11.9%
Catania	75%	87	65	7.6%
Genoa	67%	90	60	4.5%
Turin	64%	92	59	1.5%
Bologna	64%	90	57	6.7%
Bergamo	77%	72	56	11.5%
Padua	70%	64	45	11.0%
Verona	72%	63	45	10.0%
Italy	69%	146	101	8.4%

(*) Rolling 12 months to November

Source: AICA-Confindustria

Italy Hotel investment snapshot

Outlook for 2018

2017 is the third-in-a-row record year for hotel investments achieving the highest peak in transaction volume in Italy.

The outlook for 2018 is expected to remain positive thanks to positive and solid market fundamentals. Therefore the interest of international and domestic investors is expected to remain high. In particular, Private Equity investors are expected to remain active, particularly on the NPLs market (conversion of debt to equity purchased from the banks or directly from the borrower). While major Private Equity investors are already positioned on the big tickets, we expect an increasing interest from domestic private investors and family offices - as well as small local operators - in purchasing assets from court auctions across the country.

New international hotel operators, particularly from Asia, continue to seek presence in the main markets such as Rome, Milan, Florence and Venice with strong preference for existing assets rather than developments.

Driven by operators' appetite, a number of investors—mainly core and value-add investors—are looking at leisure destinations. Core are mainly focused on mass market and large resorts with lease contracts and value-add are focused on trophy and luxury assets in top destinations to be repositioned, such as Capri, Taormina, Sardinia.

EY

Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

About EY Hospitality

The EY Hospitality practice includes more than 250 professionals globally, providing multidisciplinary services, including support with strategic planning, acquisitions, debt/equity raising and restructuring, operations and development for every hospitality-related segment.

The Italian Hospitality team includes 9 full-time dedicated professionals, boasting a long-standing experience and knowledge of the market, having worked on more than 300 hospitality projects across Italy. Our service offering represents a unique one-stop shop opportunity to support every player in the hospitality industry, including M&A, Transaction support, Operator selection, Valuation, Development advisory and Construction Advisory Services.

© 2018 EY S.p.A.

All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

For more information, please contact:

Marco Zalamena
EY | Partner, Hospitality
Tel: +39 02 806693711
E-mail: marco.zalamena@it.ey.com

ey.com/hospitality