



Market Area Overview – Basilicata, Italy

Two Worlds Separated by the Apennines

Liliana Ielacqua, Consulting & Valuation Analyst

HVS – Athens Office

10 Panepistimiou Street, 3rd Floor

GR-10671 Athens

Greece

Tel: +30 (210) 36 12 085

Fax: +30 (210) 36 16 689

May 2009

NORTH AMERICA - Atlanta | Boston | Boulder | Chicago | Dallas | Denver | Mexico City | Miami | New York | Newport, RI | San Francisco | Toronto | Vancouver | Washington, D.C. | EUROPE - Athens | London | Madrid | Moscow | ASIA - Beijing | Hong Kong | Mumbai | New Delhi | Shanghai | Singapore | SOUTH AMERICA - Buenos Aires | São Paulo | MIDDLE EAST - Dubai



Overview

The region of Basilicata, the insole of Italy's boot, lies to the west of Puglia and to the east of Campania. For this peculiar location in between the two regions, the language and the economic structure of the villages in Basilicata are geared to Apulia in the east and to Campania in the west. Basilicata is mountainous and arid with 47% of its area covered by mountains, 45% by hills, and 8% made up of plains. It has two coastlines, one in the centre of the Gulf of Taranto on the Ionian Sea, and a tiny one on the Tyrrhenian Sea, where the famous resort area of Maratea lies. Maratea is considered to be comparable to the renowned Positano but at more accessible prices.

The variable climate, continental on the mountains and Mediterranean along the coasts, is influenced by three coastlines (Adriatic, Ionian, and Tyrrhenian) and the complexity of the region's physical features. Overall the landscape is rugged and primitive, making it a perfect place to get back in touch with nature. The charm of Basilicata lies in the numerous small ancient villages decorating the region, the small churches and medieval castles, and some of Italy's finest archeological ruins along the coastline.

Indicative Map of the Region of Basilicata





Administratively, the region of Basilicata includes the capital province of **Potenza**, which is the highest regional capital and one of the highest provincial capitals in Italy, and **Matera**, a modern city of 60,000 inhabitants. Matera is the most interesting town in the region and has been named “The Town of Sassi” (rocks) for its very ancient quarters with rock-hewn homes that are enlisted into the UNESCO World Heritage Sites. Nowadays, the cave dwellings known as Sassi are undergoing a spectacular reinvention. The guru of hip travel, Herbert Ypma, has declared certain parts of old Matera “the new place to be” in Italy. Because of the ancient and primitive scenery in and around the Sassi, the city has been used by filmmakers as the setting for ancient Jerusalem. The famous film “The Passion of the Christ” by Mel Gibson was shot on the rocky hills surrounding the town.

Not far from Matera, the hill town of **Bernalda** clings to the steep slopes of the Basento valley. In August, a costumed procession of knights carries the statue of miracle-working San Bernardino around the tiny town in a painted wooden cart. Bernalda's most famous grandson, Francis Ford Coppola, recreated this festival in the Godfather III. In 2004, Coppola acquired the 19th-century Palazzo Margherita with the plan of converting it into a 12-room hotel. Coppola and his nephew Nicolas Cage also had plans to support an experimental centre for visual and musical arts to be developed in **Metaponto**. The ancient Metapontum (meaning “between two seas”) was founded on the site that lies between the estuaries of the Basento and Bradano rivers and features several archaeological sites.

Research released by the Tourist Board of Basilicata resulted in the area of Metaponto being the preferred tourist destination with about 33% of total arrivals, followed by Matera (17%), Vulture and Maratea (10%), Potenza (9%), and the area of the National Park of Pollino (7%). The Tourist Board is also promoting various special types of tourism (e.g. religious, naturalistic, etc.) to the region in order to reduce the highly seasonal pattern of visitation.

Economy

Basilicata, more than any other of the Italian regions, has been an emblem of the Italian South since the Italian unification in 1861. This rural region – impoverished, underdeveloped, and, due to emigration, sparsely populated – used to represent the quintessence of the “mezzogiorno” (south) and a very distant region from the emphatically European north.

Agriculture plays a major role in the regional economy despite the fact that dry weather and scarce underground water supplies make farming



difficult. Thanks to irrigation, crops of citrus fruits, grapes, olives, and vegetables grow alongside cereal crops. In addition, some typical local products such as mushrooms, truffles, and medicinal plants that were previously only appreciated on a local level are growing in importance. Sheep and goat **farming** are practiced on a large scale. With regard to energy and natural resources, the region produces **hydroelectric** energy and deposits of **natural gas** and **oil** were recently discovered, making Basilicata one of the most dynamic regions in the south of Italy. The **industrial** sector is oriented towards car and furniture production. The **FIAT** automobile plant in Melfi is one of the most modern and productive in Europe and is famous among industrial conglomerates. In the late 1990s Matera, and the surrounding cities, became the centre of the production of upholstered **furniture** thanks to big design and manufacture firms (Natuzzi, Divani & Divani) established in the region. The **services** sector has only recently begun to develop and is mainly oriented towards tourism.

Similar to other regions in the south of Italy, the per capita GDP is well below the national average and represents around 73% of the EU average, making Basilicata eligible for receiving many of the EU subsidy programs.

Subsidies

Through the European Union Cohesion policy, implemented via the 4th Community Support Framework, Italy aims to improve productivity, competitiveness, and innovation throughout the country. One of the main beneficiaries of the Cohesion Policy allocations is the region of Basilicata. Basilicata is expected to receive approximately €430 million over the programmed period from 2007 to 2013 to promote its natural and cultural resources, enhance tourist attractiveness and development, and diversify its product offer in order to reduce the seasonality of visitation.

In 2005 and 2006, the European Investment Bank already provided two loans to the provinces of Matera and Potenza of €30 million and €40 million, respectively. These funds helped finance the European interest components of public work programs concerning the upgrading of local road network in order to enhance the regional infrastructure endowment which seriously hampers economic development.

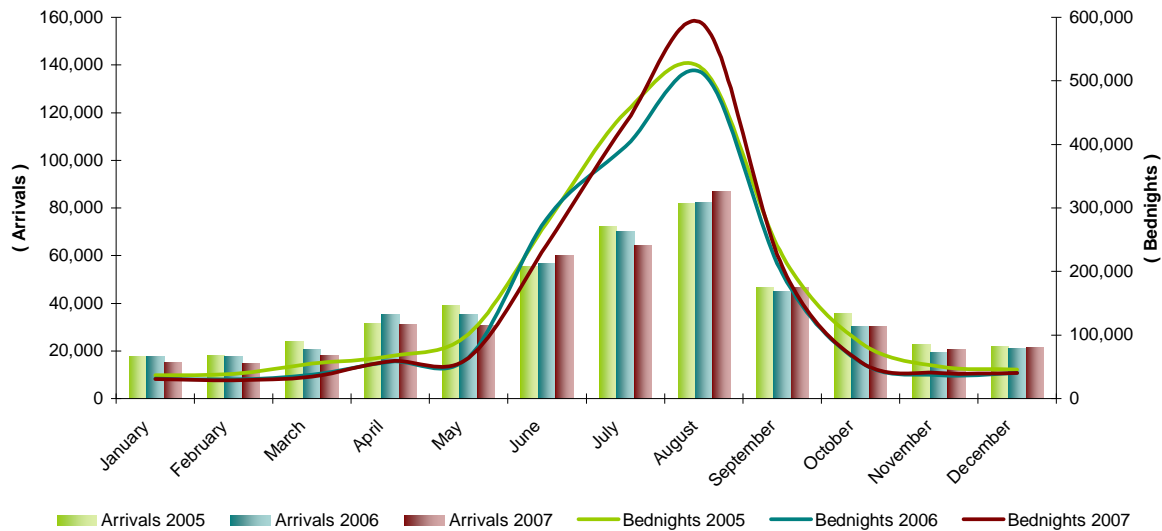
Demand for Transient Accommodation

Arrivals at lodging facilities in Basilicata between the years 2005 and 2007 show a highly seasonal pattern with the highest number of visitors concentrated in the summer months. Graph 1 illustrates arrivals and



bednights at hotels and complementary accommodation units¹ in Basilicata from 2005 to 2007.

Graph 1 Arrivals and Bednights at Lodging Facilities – Basilicata 2005-07



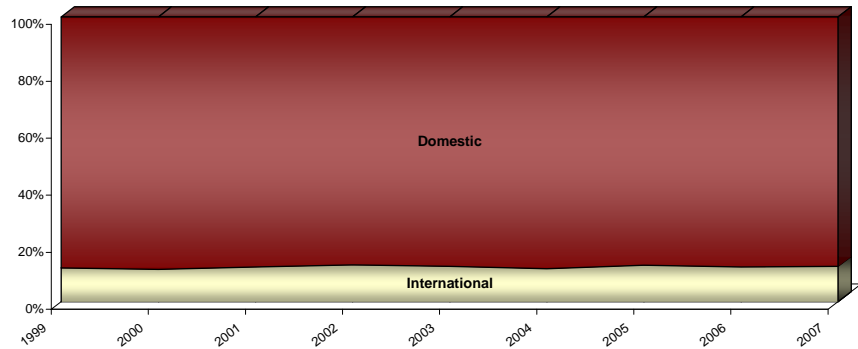
Source: National Statistical Service of Italy

The pattern of visitation to the area has its peak in August, with high levels in June and July, medium levels in April, May, and September, and low levels from November through March. The prevailing domestic nature of tourism to the region can explain the high seasonality and the fact that it is related to the summer vacation period when most Italians take their vacation and schools are closed.

Tourism to the region is mainly generated by domestic demand which accounts for an average of 88% of total arrivals over the nine years from 1999 to 2007. International demand has witnessed a healthy growth over the same period.

Graph 2 illustrates domestic and international arrivals at hotels from 1999 to 2007. Table 3 shows arrivals at hotels, bednights generated by international and domestic visitors, and the average length of stay that characterizes the two groups over the same period.

¹ Complementary accommodation units include: apartments for rent, campsites, holiday villages, agrotourism developments, country houses, hostels, holiday-homes, mountain shelters, and bed and breakfast units.


Graph 2 Domestic and International Arrivals at Hotels – Basilicata 1999 - 2007


Source: Tourist Board of Basilicata

Domestic demand is especially originating from the nearby regions of Puglia and Campania and from the northern region of Lombardia.

From the total number of arrivals to the region of 374,000 in 2007, 46,000 were generated by international travelers, recording a growth rate of 35.5% compared to 1999. Domestic arrivals also show a healthy growth rate of 28.0% compared to 1999. The region has witnessed an overall compound annual growth rate (CAGR) of 3.2% resulting from a growth in both international and domestic arrivals. Total bednights show a CAGR of 2.1% that is mainly generated by a 2.4% CAGR in the domestic bednights.

Table 3 Arrivals at Hotels and Bednights (000s) and Average Length of Stay (days) – Basilicata 1999 - 2007

Year	Total Arrivals		Total Bednights		International			Domestic		
					International Arrivals	International Bednights	Average Length Of Stay	Domestic Arrivals	Domestic Bednights	Average Length Of Stay
1999	290	—	1,086	—	34	154	4.5	256	931	3.6
2000	320	10.2 %	1,147	5.7 %	36	150	4.1	283	998	3.5
2001	355	11.2	1,350	17.6	43	200	4.6	312	1,149	3.7
2002	342	-3.7	1,263	-6.4	44	196	4.4	298	1,068	3.6
2003	374	9.4	1,273	0.8	47	193	4.1	327	1,080	3.3
2004	375	0.2	1,243	-2.3	43	179	4.1	332	1,064	3.2
2005	396	5.6	1,327	6.8	51	188	3.7	345	1,139	3.3
2006	394	-0.4	1,232	-7.2	48	150	3.1	346	1,083	3.1
2007	374	-5.2	1,284	4.2	46	161	3.5	328	1,123	3.4
Growth 1999 - 2007	28.9%		18.2%		35.5%	4.4%		28.0%	20.5%	
Compound Annual Growth Rate 1999 - 2007		3.2 %		2.1 %	3.9 %	0.5 %		3.1 %	2.4 %	

Source: National Statistical Service of Italy



Whereas domestic arrivals account for a growing number of bednights, international arrivals show a decrease of one day in the average length of stay for 2007 when compared to 1999. This might be due to the fact that many international travelers visit Basilicata as part of a larger tour including the already-established tourist destinations of southern Italy (either Campania with Naples and the Costiera Amalfitana, or Apulia with its typical white round houses called Trulli and part of the UNESCO World Heritage Sites since 1996).

Visitation

Table 4 illustrates the domestic and international arrivals at hotels and complementary types of accommodation from 1999 to 2007, indicating compound annual growth rates of 4.13% and 4.97%, respectively. The top three regions generating demand for Basilicata are Puglia, Campania, and Lazio. This is determined by the proximity and ease of access from these nearby regions. Also, Lombardia plays an important role due to summer tourism reaching Basilicata with charter flights landing at the airport of Bari.

Table 4 Domestic and International Arrivals at Lodging Facilities – Basilicata 1999 - 2007

Region	1999	2000	2001	2002	2003	2004	2005	2006	2007	Compound Annual Growth Rate 1999-2007	% Share of Total (2007)
Puglia	71,247	74,807	79,469	82,496	92,703	100,448	99,720	100,743	103,392	4.76 %	26.19 %
Campania	45,063	47,211	55,453	53,662	61,084	64,677	68,862	67,216	71,449	5.93	18.10
Lazio	30,305	34,553	38,936	39,007	42,350	41,045	44,985	48,935	42,590	4.35	10.79
Basilicata	28,893	30,826	34,205	32,580	36,227	32,551	35,488	33,567	33,758	1.96	8.55
Lombardia	20,562	24,138	27,197	26,549	28,293	28,694	28,423	27,374	27,601	3.75	6.99
Others	89,622	104,018	116,593	108,293	115,454	120,984	131,750	118,405	116,035	3.28	29.39
Total	285,692	315,553	351,853	342,587	376,111	388,399	409,228	396,240	394,825	4.13 %	100.00 %
Change over Previous Year (%)	—	10.45	11.50	-2.63	9.79	3.27	5.36	-3.17	-0.36		

Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	Compound Annual Growth Rate 1999-2007	% Share of Total (2007)
Germany	5,828	6,928	7,374	7,763	7,446	6,841	7,920	8,959	8,795	5.28 %	16.37 %
France	9,590	9,544	11,278	11,667	12,022	9,580	12,075	7,421	8,154	-2.01	15.18
USA	2,901	3,388	4,326	4,489	4,744	5,421	5,377	6,700	6,210	9.98	11.56
UK	4,568	4,725	5,074	6,008	6,601	5,375	7,207	5,405	5,025	1.20	9.35
Switzerland	1,860	1,693	2,139	2,693	2,714	2,750	2,860	2,857	3,124	6.70	5.82
Belgium	1,174	1,466	2,221	1,956	2,108	1,744	2,151	2,263	2,941	12.16	5.47
Netherlands	1,106	1,283	1,279	1,369	1,394	1,841	2,070	2,626	1,792	6.22	3.34
Canada	347	504	600	771	731	744	829	1,260	1,368	18.71	2.55
Japan	786	858	903	1,138	1,436	1,427	1,302	1,573	1,309	6.58	2.44
Austria	1,306	1,143	1,228	1,246	1,444	1,141	1,392	1,394	1,250	-0.55	2.33
Spain	698	701	915	861	969	1,317	1,506	1,340	1,204	7.05	2.24
Australia	204	225	350	449	484	755	972	1,020	1,187	24.62	2.21
Others	6,088	6,464	8,492	8,143	9,082	10,928	12,141	11,998	11,362	8.11	21.15
Total	36,456	38,922	46,179	48,553	51,175	49,864	57,802	54,816	53,721	4.97 %	100.00 %
Change over Previous Year (%)	—	6.76	18.64	5.14	5.40	-2.56	15.92	-5.17	-2.00		

Source: Tourist Board of Basilicata
Ranking according to 2007 data

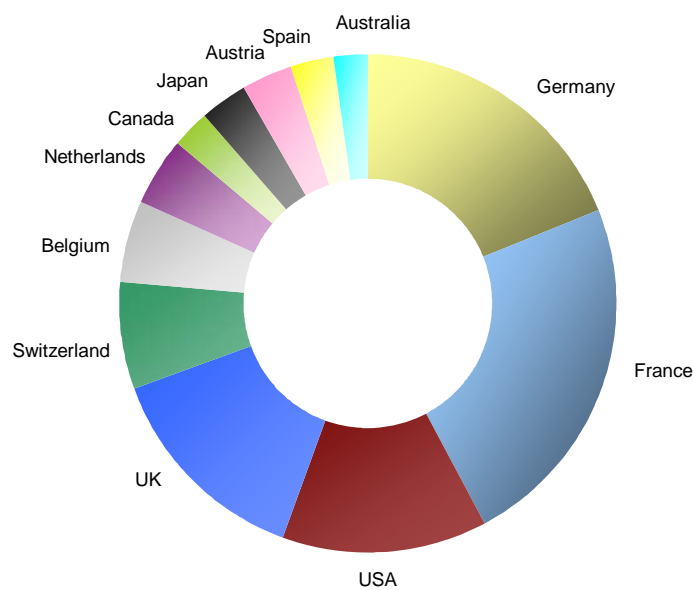
With regards to international visitation, worth noticing is that besides traditional source countries of tourism for Italy such as Germany, France, and the northern European countries, other more uncommon



countries represent a good share of visitation to the region. Uncommon for the area are Japan, Australia, and to a certain degree the USA.

Graph 5 illustrates the main source countries for tourism to Basilicata as an average of arrivals for the five years from 2003 to 2007.

Graph 5 International Arrivals - Basilicata 2003-07



Source: National Statistical Service of Italy

Japanese and North American visitors have become mature tourists for Italy. These tourists, having visited all the main destinations such as Rome and Milan, are now expecting a more enriching and true experience from their vacation in Italy and demand the chance to feel part of the Italian lifestyle in areas not yet touched by the tourist masses of cities like Florence and Venice. In particular, worth noticing is the number of **Japanese** visitors to Basilicata. Research determined that Basilicata and many other secondary Italian regions are the subject of a popular Japanese TV show that displays the Italian traditions and culture and raises awareness of these “secondary” destinations in the Japanese audience. Moreover, Japanese tourists are attracted by recognized destinations such as those included in the UNESCO World Heritage Sites. Recently, **Australian** visitors to Italy have greatly increased and keep growing in number. The Tourist Board of Basilicata has made efforts to attract this segment by promoting the region and its products to the descendants of the early 1900s migrants who settled in Australia.



The promotion of Basilicata as a brand is one of the main concerns of the Regional Tourist Board that is working effectively towards an increase and diversification in offer and demand in order to alter the current seasonality pattern and attract more high-net-worth clientele. The recently-published triennial plan for tourist development of the region, besides maintaining the traditional visitation, also illustrates the aim of attracting visitors from Russia and Sweden. Many steps have been already taken from the Regional Tourist Board in order to reach these markets.

Accessibility

The region of Basilicata is not currently serviced by any regional airport even though there are plans to open an international airport in the area of Pisticci. Table 6 shows the indicative distances and driving time between the area's airports and the region of Basilicata.

Table 6 Approximate Distance and Driving Time between the Region of Basilicata and Regional Airports

Airport	Distance (km)			Driving Time (minutes)		
	Matera	Metaponto	Maratea	Matera	Metaponto	Maratea
Bari	65	120	260	70	90	220
Brindisi	145	120	260	140	110	240
Lamezia Terme	270	220	145	220	180	150
Napoli	250	270	220	195	195	180

Source: HVS Research

For its peculiar shape and location in between Apulia, Campania, and Calabria, the region of Basilicata can be serviced by four airports depending on the destination. The Tyrrhenian coast of the region can be more easily reached from the international airports of Naples in Campania or Lamezia Terme in Calabria. Matera and the Ionian coast are closer to the two airports of Bari and Brindisi in Apulia.

Bari is the closest international airport and the most utilized to reach the region of Basilicata. Many international and low-cost carriers have routes to Bari Airport such as Ryanair, MyAir, Easyjet, TUIFly, Air Berlin, British Airways, Lufthansa, Luxair, and Virgin Express among others. In 2007, about €8 million were allocated by the Regional Government for the development of a regional airport in Pisticci. The airport was expected to open by 30 January 2009 but there is no information about the actual state of works.

Other ways of access to the region are railway and road. The Italian railway system is quite capillary and almost every little town can be reached by train. Moreover, railways in the southern part of Italy



(Campania, Calabria, Apulia, and Basilicata) run along the coastline making it easy to access the main sea side destinations. By road, the region can be easily reached from the north through the National Highways A1 (Milan-Naples) and A14 (Bologna-Taranto). From the nearby regions, a thick network of national, regional, provincial, and municipal roads make the area easily accessible.

Existing Hotel Supply

The only international brands operating in Basilicata are Club Méditerranée, Best Western, and Hilton Garden Inn. There are plans to develop the resort sector towards more luxurious standards by the Italian-based resort operator Tivigest Hotels and Resorts.

As Table 7 indicates, only two five-star properties operate as of 2007 and the supply is mainly constituted by four- and three-star properties accounting together for 65% of the total supply.

Table 7 Hotel and Bed Supply - Basilicata 1999 - 2007

Hotels	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Share (2007)
5*	1	1	2	2	2	2	2	2	2	0.9%
4*	23	23	30	31	32	33	34	34	37	15.9%
3*	82	83	86	93	95	102	106	103	114	49.1%
Residences (3* and 4*)	1	1	2	3	3	3	3	3	3	1.3%
Other	84	89	94	88	81	85	86	81	76	32.8%
Total	191	197	214	217	213	225	231	223	232	100.0%
Beds	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Share (2007)
5*	65	65	95	95	95	95	95	95	95	0.4%
4*	3,619	3,582	5,545	5,690	6,111	6,476	7,315	7,323	8,135	36.3%
3*	8,142	8,200	8,295	8,820	8,937	9,215	9,515	9,379	9,759	43.6%
Residences (3* and 4*)	320	320	1,523	1,900	1,900	1,900	2,312	2,312	2,312	10.3%
Other	2,331	2,350	2,571	2,443	2,099	2,324	2,429	2,338	2,086	9.3%
Total	14,477	14,517	18,029	18,948	19,142	20,010	21,666	21,447	22,387	100.0%
Hotel Supply Increase	—	3.1%	8.6%	1.4%	-1.8%	5.6%	2.7%	-3.5%	4.0%	
Bed Supply Increase	—	0.3%	24.2%	5.1%	1.0%	4.5%	8.3%	-1.0%	4.4%	

Source: Tourist Board of Basilicata

In September 2008, a new addition to the five-star hotel category, the *Palazzo Gattini*, opened inside a 16th century historic house in the city centre of Matera. It features 20 rooms, a conference room for up to 55 people built inside a late 19th century church, and a spa.

The hotel supply is overall characterized by three types of properties:

- Small stylish boutique hotels – with an average of approximately 25 rooms – realized inside historic houses or in rock-hewn



dwelling. The renovation of historic houses into hotels has been assisted by the subsidies directed at improving the lodging offer;

- Bigger resort-type properties that in some cases exceed 450 rooms. These larger properties, located on the Ionian coast between Pisticci and Metaponto, are dependent on the tour operator demand of the summer months and operate seasonally from March/May to September/October;
- Lower classification, family-run properties with an average of about 15 rooms and generally operating on a yearly basis. These are the kind of properties that overall generally characterizes the Italian market.

Other very popular lodging facilities are constituted by manor farms and agro-tourism properties scattered in the rural areas that usually offer an alternative type of accommodation, closer to the traditions and the daily life of local communities.

Occupancy

Table 8 shows the bed occupancy for the five years from 2003 to 2007.

Table 8 Bednights and Bed Supply (000s) and Bed Occupancy – Basilicata 2003-07

Year	Bednights	Bed Supply	Bed Occupancy
2003	1,762	6,987	25%
2004	1,780	7,304	24%
2005	1,953	7,908	25%
2006	1,744	7,828	22%
2007	1,827	8,171	22%

Source: Tourist Board of Basilicata, HVS Analysis

The decrease in bed occupancy, besides being determined by the lower length of stay of international travelers, could also be attributed to: (1) the oversupply determined by the spur of property development triggered by the availability of subsidies and (2) the seasonality of operations of some of the existing hotel units.

New Hotel Developments

Three new developments are expected to begin operations in 2009 in the broader region of southern Italy, including Basilicata, Apulia, Campania, Calabria, and Sicily.

The Albergo Diffuso project is an 18-room hotel property located in region of Basilicata. Rooms are spread out in the oldest part of Matera into the rock-hewn ancient caves. It is an innovative concept that



preserved the integrity of the original space carefully restoring the ancient dwellings and turning them into hotel rooms.

The Verdura Golf Resort & Spa (a Rocco Forte development) is located in a small village on the southern coast of Sicily about an hour drive from the international airport in Palermo and 30 kilometres from Agrigento and the Temple Valley. The development, involving the restoration of several existing buildings and new construction which will reflect the history and character of Sicily and the region, will consist of a 200-room ocean-view hotel, two championship golf courses, a hydrotherapy spa, sports facilities, and a relatively large real estate development.

The *Doubletree by Hilton Acaya Golf Resort* is located on 300 acres of unspoiled countryside, 20 minutes east of the historical town of Lecce in the region of Apulia. This luxury resort hotel, offering an 18-hole golf course and a state of the art conference centre, is expected to open in June 2009.

Conclusion

Basilicata represents an opportunity for investment since it is still mostly untouched and recently experienced a boost in development. Boasting a natural environment, which in many respects is still unpolluted, and very interesting historical and archaeological remains, it is a destination geared towards attracting a niche market of high-net-worth discerning tourists. The recent development is being supported by both the Italian Government and the European Union with programmed capital injections to develop the region infrastructure and accommodation supply. Moreover, the Regional Tourist Board of Basilicata is being active in promoting the region and many efforts have been successfully undertaken to attract international tourists during the shoulder months as well.



About the Author

Liliana Ielacqua is a Consulting & Valuation Analyst with the Athens Office of HVS specializing in hotel valuation and consultancy. She joined HVS in September 2008 after completing her Master of Management in Hospitality Degree at Cornell University's School of Hotel Administration. Since joining HVS, she has completed numerous feasibility studies and market research analyses throughout Greece and the broader Mediterranean Region.

For further information, please contact the Athens Office of HVS:

Ms. Liliana Ielacqua, Consulting & Valuation Analyst at lielacqua@hvs.com

Mr. Demetris Spanos, Managing Director at dspanos@hvs.com

Or visit our website at www.hvs.com

No investment decision should be made based on the information in this article.

Copyright © HVS – Athens Office 2009. No part of this article may be reproduced in any medium without the express written permission of the copyright holder.