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# The Autonomous Region of Sardinia

*The Tropics in the Mediterranean*

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*“This is very different from Italian landscape. Italy is almost always dramatic, and perhaps invariably romantic. (...) Sardinia is another thing. (...) Lost between Europe and Africa and belonging to nowhere. Belonging to nowhere, never having belonged to anywhere. (...) Left outside of time and history.”*

*D.H. Lawrence, Sea and Sardinia, 1921*

The English novelist D. H. Lawrence found the island exotically different when he visited it in 1921 and it is still true that the island, relatively free of large cities and heavy industry, boasts some of the cleanest and most unspoiled beaches in Italy. Besides these, Sardinia is also famed for its fascinating history. The island has survived countless invasions over many centuries by the Phoenicians, the Carthaginians, the Romans, the Arabs, the Byzantines, and the Spaniards. All these cultures are reflected in the rich tradition of local festivals<sup>1</sup>, the prehistoric defensive structures known as *nuraghi*<sup>2</sup>, and the villages, temples, and tombs that dot the countryside.

Sardinia, with an area of about 24,000 km<sup>2</sup>, is the second largest island in the Mediterranean Sea after Sicily. The island reaches 270 kilometers in length at its longest part and 145 kilometers at its widest. About 70% of the island is constituted by hills and rocky plateaus giving the island its typical moor-like scenery. Sardinia features 1,849 kilometers of coastline and is surrounded by many suggestive isles.

Sardinia is surrounded by the French island of Corsica about 25 kilometers to the north, the Italian peninsula and Tunisia approximately 200 kilometers to the east and to the south, respectively, and the Balearic Islands<sup>3</sup> about 400 kilometers to the west. Marseille, Barcelona, and Algeria are also in a range of 300 to 500 kilometers off the coasts of Sardinia.

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<sup>1</sup> The “Cantu a Tenore” is a polyphonic folk singing that was inscribed in the Intangible Cultural World Heritage in 2005.

<sup>2</sup> The complex at Barumini, the finest and most complete example of this form of prehistoric architecture, was inscribed in the World Heritage Sites in 1997.

<sup>3</sup> Islands belonging to Spain and including Ibiza, Mallorca and Minorca, Cabrera, and Formentera.

### Indicative Map of Sardinia



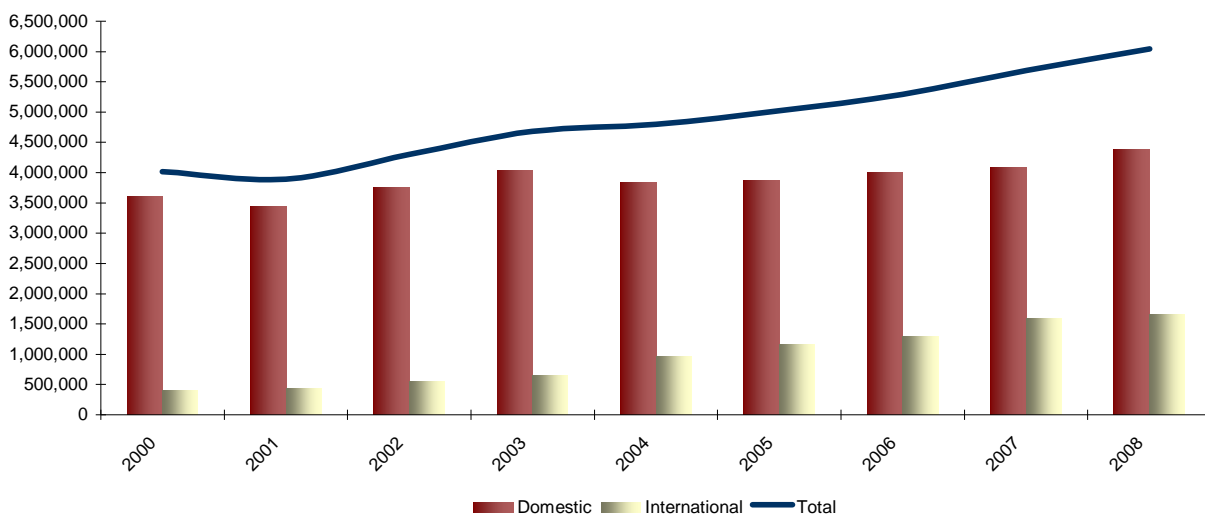
Sardinia, due to its location, has been off most tourist itineraries of Italy. The recent development of low cost air carriers and new marine routes has significantly improved its connectivity to the mainland and several other destinations. These improvements, easing the access to the island, had a positive effect on tourist visitation. The positive trend in visitation is illustrated in the next paragraphs through the analysis of airport and seaport arrivals and arrivals and bednights at lodging facilities.



## Visitation

Airport arrivals to Sardinia have been constantly increasing due to the increase in international arrivals, as illustrated in Graph 1.

**Graph 1 Domestic and International Airport Arrivals, Sardinia 2000 – 08**

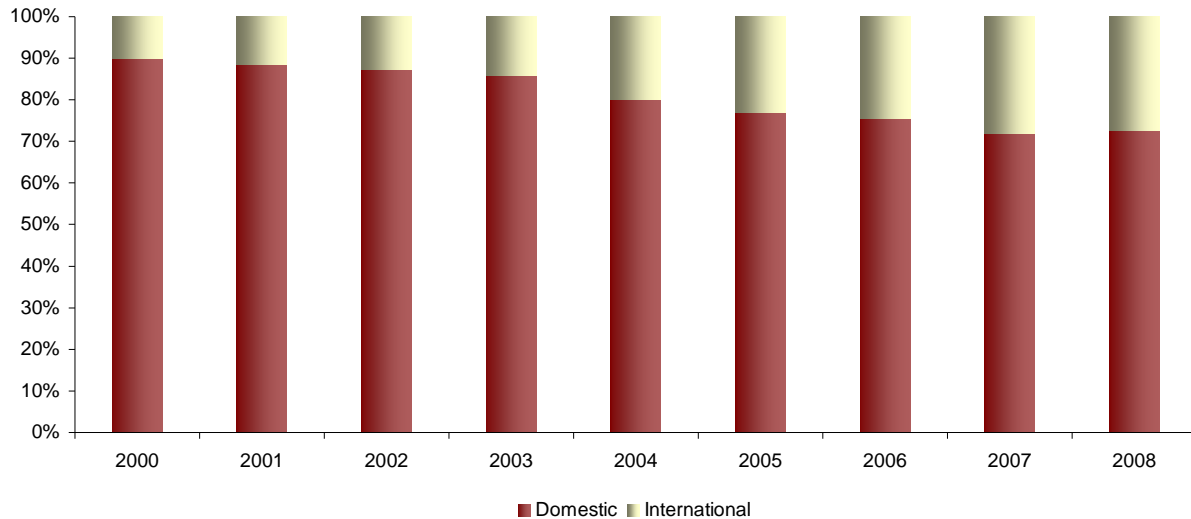


Source: Italian Airport Association

Whereas domestic airport arrivals have maintained consistency throughout the period considered, international arrivals show a 46% increase in 2004 over 2003 and a 23% increase in 2007 over 2006. The steep increase in 2004 is attributed to the introduction of low cost air carriers such as Ryanair. These types of carriers, besides offering low fares to their customers, were also able to expand connections within Europe, bringing tourists in areas once hardly accessible. Overall, international airport arrivals have increased in the nine years considered by more than 300%, whereas domestic airport arrivals show an increase of about 22%. Despite the steep increase in international arrivals witnessed in recent years, tourism to the island is still mainly domestic, as illustrated in Graph 2.



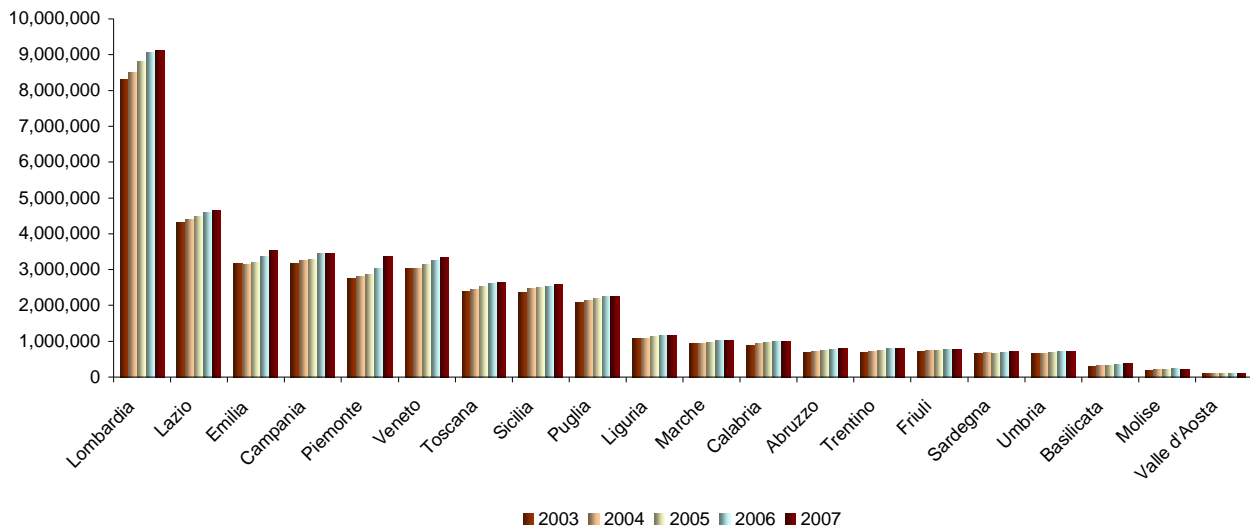
**Graph 2 Share of domestic and International Airport Arrivals, Sardinia 2000 – 08**



Source: Airport Association

Beginning in 2004, the share of international airport arrivals shows a steady growth over domestic. Worth noticing is that this increase in international share is not to the detriment of domestic arrivals which, as shown in Graph 1, also increased over the same years.

Domestic demand constitutes a stable and secure source of tourism to Sardinia. It is composed of a variety of visitors including leisure groups usually staying at rental houses, families usually staying at organized summer villages that offer care and entertainment for children, high net-worth individuals including celebrities and politicians, and also Sardinians now living on the mainland who go back for their summer vacation. Italian regions generating the highest number of arrivals at hotels in Sardinia are Lombardia, followed by Lazio, Emilia, Campania, Piemonte, and Veneto. The following graph shows the evolution of domestic arrivals at hotel establishments in Sardinia by Italian region from 2003 until 2007.


**Graph 3 Arrivals at Hotels per Italian Region, Sardinia 2003 – 07**


Source: Statistical Institute of Italy

Lombardia is by far the region generating more arrivals at hotels with approximately nine million arrivals in 2007. It is also one of richest regions in Italy together with Emilia and the autonomous province of Bolzano, the capital city of Trentino. Lazio comes second with about half the arrivals of Lombardia. Emilia, Campania, Piemonte, and Veneto are third with around three million arrivals.

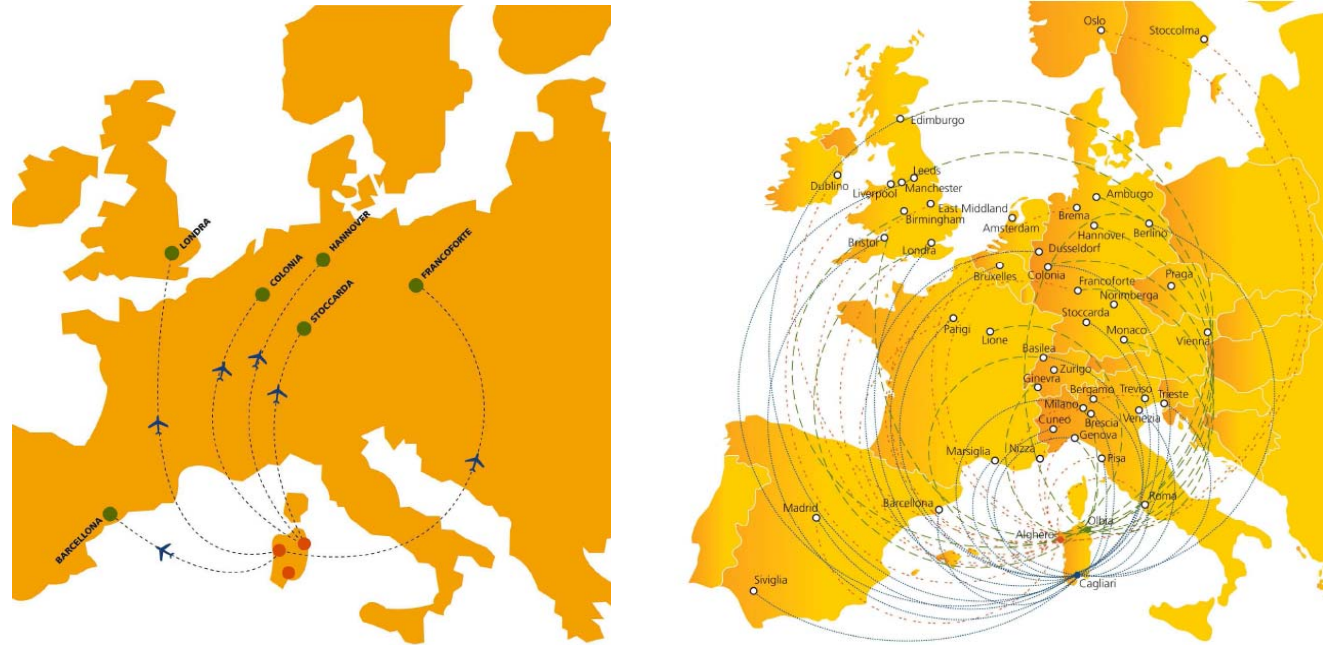
### Accessibility

Regarding air connectivity of Sardinia, low cost carriers, besides increasing the arrivals of lower-“net-worth” tourists, they also made the island more easily accessible to the high-end visitors.<sup>4</sup> The maps below show the few connections to Sardinia before July 2004 and as of 2009. In 2004 the only air connections available to the Italian mainland were Milan and Rome.

<sup>4</sup> Easing the accessibility also means making information easily accessible (especially in a situation that is under continuous development with new routes constantly made available). This is well achieved by the Airport of Cagliari web site on which the user can not only check schedules but also book the flight: [http://www.aeroportoicagliari.com/mappa\\_rotte\\_aeroporto\\_cagliari.htm](http://www.aeroportoicagliari.com/mappa_rotte_aeroporto_cagliari.htm)



## Air Connections – Sardinia in 2004 and in 2009



In 2009 the three international airports of Cagliari, Olbia, and Alghero offer direct connections to ten European countries and 14 Italian airports. Other connections to Italy not shown are to Parma, Ancona, Pescara, and Bari. Other connections to Europe not shown are to Denmark and Russia.

Regarding maritime connectivity, arrivals have also increased. Table 4 shows arrivals to the island by ferry, including both international and domestic travelers, from 2004 to 2007. Ports surveyed were those of Cagliari, Olbia, Golfo Aranci, Porto Torres, and Arbatax.

**Table 4 Ferry Arrivals (000s), Sardinia 2004 – 07**

Year	Ferry Arrivals	% Change
2004	5,519	—
2005	5,799	5.1 %
2006	5,829	0.5
2007	6,028	3.4

Source: Region of Sardinia Statistical Service

Seaport arrivals further indicate an increase in 2007 over 2004 of about 9%. With new routes introduced and the termination of the monopoly of state carrier Tirrenia, seaport arrivals are expected to further improve.

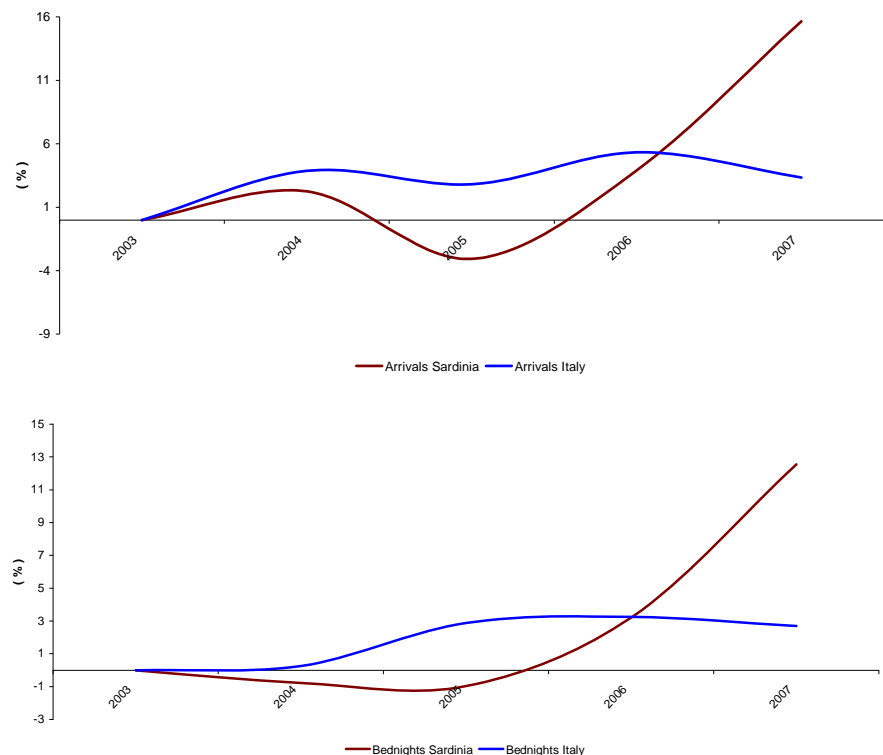


Besides ferry arrivals, marine tourism has shown a healthy increase, notwithstanding a tax on moorings for vessels over 14 meters passed by the region in 2006. In the period June-August 2007 moorings had indeed shown a growth of 29% over the same period in 2006.

### Arrivals at Lodging Facilities

It is worth noticing that total arrivals to Sardinia in 2007, including airport and seaport arrivals, add up to 11.7 million. In fact, in 2007 Sardinia was the Italian region that recorded the highest increase in tourist arrivals compared to 2006. The island showed an increase of about 16% in arrivals and 13% in bednights against a national average increase of about 3% in both arrivals and bednights. Graph 4 illustrates the growth of arrivals at any type of accommodation facility for Sardinia and for Italy between 2003 and 2007.

**Graph 5 Percentage Change in Arrivals and Bednights at Lodging Facilities, Sardinia and Italy 2003 - 07**



Source: Statistical Institute of Italy





As these two graphs illustrate, Sardinia witnessed a steep increase in arrivals and bednights in 2007, performing well above the national Italian average. Specifically, the statistical service of Sardinia reported that the increase in international arrivals and bednights (24% and 20% respectively) exceeded the domestic ones (15% increase in arrivals and 12% increase in bednights).

Looking at the 2008 performance, tourism in Sardinia kept growing in spite of the global economic crisis. The regional statistical service reports that arrivals at hotels were up 1.4% while bednights increased by 1.1%. For 2008, the airports of the island registered an increase in passenger movements of 1.24% over 2007. It is interesting that data published by the Bank of Italy on international tourism to the island for 2008 show a decrease in international bednights at hotels of about 13%. Also, data provided by the Bank of Italy for the first three months of 2009 show a decrease in international bednights of approximately 48% compared to the same period the previous year. The fact Sardinia shows an overall growth in tourism for 2008, despite the decrease in international bednights, can be ascribed to the strong impact that domestic travelers have on the island's tourist pattern.

#### **Arrivals at Hotels**

About 78% of the 2007 arrivals at accommodation establishments concerned hotels, whereas the remaining 22% was absorbed by other lodging facilities such as rental houses, camp sites, and the like. More specifically, the Statistical Institute of Italy reports that in 2007 four- and five-star properties registered an increase of approximately 13% in arrivals and 12% in bednights and three-star hotels witnessed an increase of about 25% in arrivals and 17% in bednights. Of significance is also the data concerning the increase in arrivals and bednights at rental houses which reached about 43% and 41%, respectively.

Table 6 shows domestic and international arrivals at hotels in Sardinia between 2003 and 2007. Over the period considered, about 70% of arrivals at hotels are generated by domestic travelers.

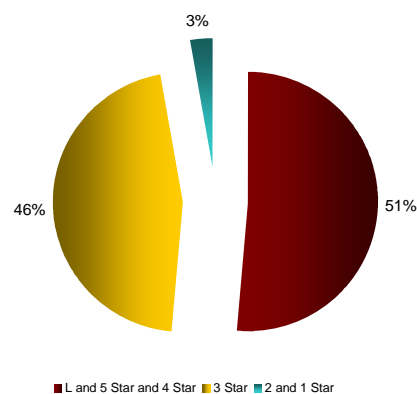

**Table 6 Domestic and International Arrivals at Hotels (000s), Sardinia 2003 – 07**

Year	Domestic	International	Total	% Change	
				Domestic	International
2003	1,066	394	1,461	—	—
2004	1,083	441	1,524	1.6 %	11.8 %
2005	1,063	434	1,497	-1.9	-1.6
2006	1,052	499	1,552	-1.0	15.0
2007	1,184	603	1,787	12.5	20.8
<b>Growth 2003-07</b>	<b>11.0%</b>	<b>52.9%</b>	<b>22.3%</b>		
<b>Compound Annual Growth Rate 2003-07</b>	<b>2.6%</b>	<b>11.2%</b>	<b>5.2%</b>		

Source: Statistical Institute of Italy

Growth in domestic arrivals in 2007 against 2003 has been 11% whereas growth in international arrivals over the same years is approximately 53%. Compound Annual Growth Rate (CAGR) is approximately 3% for the domestic arrivals and 11% for the international, indicating a consistent domestic tourist flow and a rapidly growing international market since 2003.

In 2007, about 97% of the total arrivals hotels were at luxury, five-, four-, and three-star properties. Only 3% of hotel stays were at properties of lower category. Graph 7 illustrates total arrivals at each hotel category in 2007.

**Graph 7 Total Arrivals at Hotels per Hotel Category – Sardinia 2007**


Source: Statistical Institute of Italy

In 2007, approximately half of the total arrivals at hotels have been absorbed by five-star and luxury properties. More in detail, share of international arrivals at luxury, five-, and four-star hotels was about



70%, while at 3-star properties it was approximately 45%. Two- and one-star units were mainly chosen by domestic travelers and showed a decrease in total arrivals between 2002 and 2007 of approximately 48%.

### International Arrivals

As illustrated from all the data analyzed thus far, international travelers visiting Sardinia are mainly luxury travelers. An article about international travelers published on Hospitality Net on 19 May 2009 <sup>5</sup>, points out that the luxury travelers to be least affected by the current economic crisis are those from Switzerland, the Middle East, Austria, and Scandinavia (including Norway, Sweden, and Denmark). Table 8 shows the main international countries generating tourism to Sardinia. Among the first 10 source countries are Switzerland, Sweden, and Austria, further confirming the high-end type of tourism that characterizes the island.

**Table 8 International Arrivals at Hotels, Sardinia 2003 – 07**

Country	2003	2004	2005	2006	2007	CAGR 2003-07
Germany	84,584	103,331	101,262	112,406	147,723	15.0 %
UK	63,557	64,135	75,222	80,872	92,261	9.8
France	77,790	74,775	60,159	69,827	86,562	2.7
Switzerland	41,279	49,742	41,395	47,318	56,089	8.0
Spain	8,557	22,683	23,325	25,848	28,070	34.6
Netherlands	8,425	9,364	10,638	13,955	20,924	25.5
Austria	15,317	15,714	21,602	22,774	20,292	7.3
USA	18,234	17,509	16,695	18,823	17,549	-1.0
Sweden	8,139	9,967	7,773	8,460	15,007	16.5
Russia	5,002	6,361	7,094	9,206	14,373	30.2
Belgium	8,862	10,337	9,425	10,050	11,577	6.9
Ireland	6,051	6,028	5,668	6,503	10,348	14.4
Other	48,545	50,867	53,699	73,164	82,228	14.1
<b>Total</b>	<b>394,342</b>	<b>440,813</b>	<b>433,957</b>	<b>499,206</b>	<b>603,003</b>	<b>11.2 %</b>

Source: Statistical Institute of Italy  
Ranking according to 2007 data

Traditionally, the main international markets for Sardinia were Germany, the UK, France, and Switzerland. Nonetheless, beginning in 2004, Spain shows an increase in hotel arrivals of a record 165% over 2003. Other countries follow the same pattern shortly thereafter. In 2005, Austria increases arrivals to the island by 37% over 2004. In 2007, Sweden shows a 77% increase over 2006, while Ireland, Russia, and the Netherlands show an increase of 59%, 56%, and 50%, respectively, over 2006.

Other target markets in the regional marketing plan for 2008-09 presented by Sardinia are Russia together with the USA and Brazil. Tourism from Russia is constantly increasing: in 2008 arrivals and

<sup>5</sup> <http://www.hospitalitynet.org/news/154000320/4041484.html>

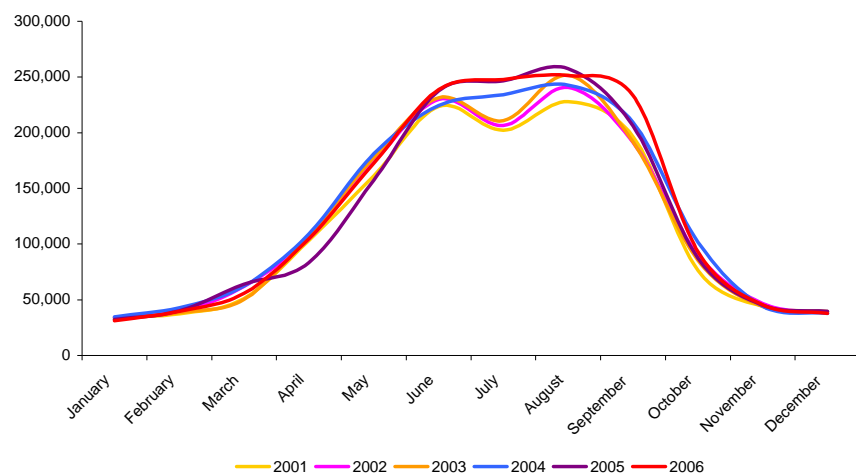


bednights at hotels and other types of accommodation facilities grew by 3.8%. Various initiatives have been undertaken in 2008 to develop the relationship of the regional tourist board with North American tour operators. The Italian National Tourist Board (ENIT) estimates Brazil has 1.8 million wealthy people looking for an 8-10 day refined vacation which, if in Europe, encompasses mainly France, Italy, and Spain. Sardinia's selling points would be its cultural and culinary heritage and its historical relationship with Brazil (more than 20 million Brazilians have Italian descent).

### Seasonality

Besides accessibility, another issue concerning the hospitality market in Sardinia is the highly seasonal pattern of tourist arrivals as illustrated in Graph 9.

**Graph 9 Total Arrivals at Hotels by Month, Sardinia 2001 - 06**



Source: Statistical Institute of Italy

Traditionally, peaks were reached in June and August. This was due to the highly domestic nature of tourism to Sardinia: a traditional destination for families in June when the academic year is over and in August a fashionable destination for the national and international jet set such as soccer players, politicians, and entrepreneurs. It is likely that this type of high net-worth domestic, and partly also international, tourism is not going to be much affected by the current global economic crisis.

From 2004 onwards, data show a change in the seasonality and an extension of the peak season from June until August. Moreover, in 2007 the peak season stretched until September. The change in the seasonality



from 2004 and the extension of the peak season until September in 2007 are attributed to the growth in international arrivals.

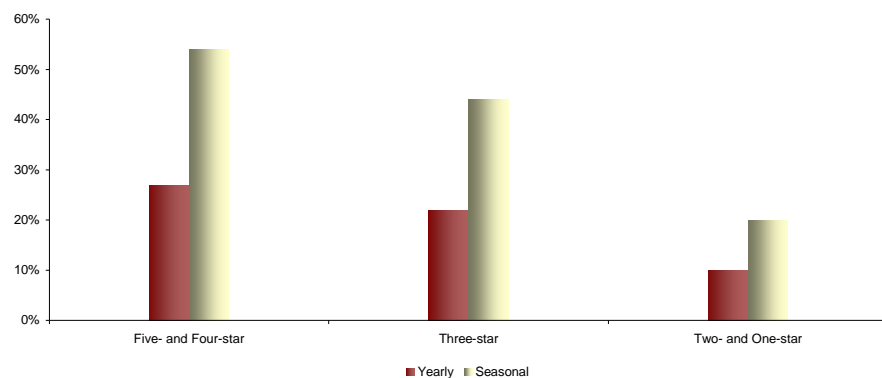
## Occupancy

Hotel occupancy is defined as the percentage of all rental units (rooms or beds) that are occupied or rented at a given time. The occupancy rate achieved is one of the measures of performance for a hotel property. In calculating hotel occupancy, an annual operating period is usually assumed. However, in some cases, in locations where tourist seasonality is very high, hotel properties might operate only seasonally, deciding to suspend operations during the off season since operating costs would exceed revenues.

This is the case for Sardinia where the tourist season begins in April with the first tourist arrivals on Easter break and goes until September when the weather is still good. For this reason, we have taken into consideration bed occupancy rates both on a yearly (share of occupied beds spread over a year) and on a seasonal basis (share of occupied beds spread over the number of days the hotel is actually operating).

Graph 10 shows yearly bed occupancy per hotel category compared to seasonal bed occupancy.

**Graph 10 Yearly and Seasonal Bed Occupancy per Hotel Category – Sardinia 2007**



Source: Statistical Institute of Italy

Five- and four-star properties have been the best performers. Data available from the Statistical Institute of Italy show an increase in bednights for these types of properties in 2007 over 2003 of approximately 8%. Bed occupancy at three-star properties, after slightly declining each year from 2003 to 2006, show a growth in 2007 which sets it back to 2003 values. With regards to two- and one-star properties, their bed occupancy shows a steep decline of approximately 56% in the period 2003-07.



## Hotel Supply

The hotel supply in Sardinia has shown an increase in the years from 2003 to 2009. Table 11 compares hotel supply in 2003 and in 2009.

**Table 11 Increase in Hotel Supply – Sardinia 2003 and 2009**

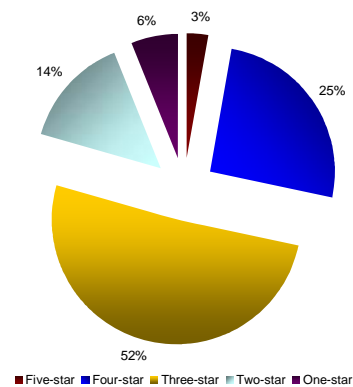
Hotel Category	Units		Growth
	2003	2009	
Five-star	12	25	108.3 %
Four-star	133	224	68.4
Three-star	409	453	10.8
Two-star	125	128	2.4
One-star	57	53	-7.0
<b>Total</b>	<b>736</b>	<b>883</b>	<b>20.0 %</b>

Source: Region of Sardinia Statistical Service

Five- and four-star properties show the highest increase over the period considered. Five-star properties have more than doubled, while four-star hotels show a growth of almost 70%. Three-star hotels also show an increase of 11% whereas lower category properties show overall a decrease. In particular, data available show an overall 6.3% growth in hotel supply between 2005 and 2006. Five-star properties show the highest growth with a 50% increase, four- and three-star show a 40% and a 5% growth, respectively, whereas lower category properties show a decrease of about 2%. In our opinion this is a symptom of the tourism growth that the island is currently experiencing. Sardinia is perceived as a high-end destination and the region is currently marketing itself as niche destination for the discerning tourist.

Graph 12 shows hotel supply by category in 2009.

**Graph 12 Hotel Supply Sardinia – 2009**



Source: Region of Sardinia Statistical Service



Five-star properties still represent only 3% of the total supply while the largest part is represented by three-star properties.

International chains present on the island are Starwood Hotels and Resorts with three Luxury Collection properties and one Sheraton on the northeastern coast (the famed Emerald Coast) as well as IHG with a Holiday Inn in the city of Cagliari.

#### **New Hotel Supply**

In January 2009 the regional board of Sardinia announced the future development of an international sailing center on the Asinara Island located off the northwest coast of Sardinia. This project is envisaged to also require the development of some lodging facility.

#### **Conclusion**

Sardinia is a very charming island, featuring unspoiled natural beauty, Caribbean-like white sand beaches washed by turquoise sea waters, an ancient culture, mountains, beautiful villages, and a distinctive typical cuisine.

The island has traditionally been a destination for domestic tourism, characterized by a steady flow of visitation with a highly seasonal pattern reaching its peak in the summer months. However in the last five years, due to a well-improved accessibility to the island, visitation to Sardinia shows a steady increase and an extension of the peak season primarily determined by an increase in the share and number of international tourists.

International tourists are also the main generator of accommodated bednights at luxury and five-star properties, which show the largest increase in supply and the best performance. In spite of the recent increase in the number of units, luxury and five-star properties still constitute a very small share of total supply, representing a good opportunity for further growth.

Seasonality is still high and not likely to change radically since tourism to the island is mainly represented by summer vacationers. However, the domestic market has shown resilience to economic downturns and the recent increase in international demand seems to have assured growth in hotel performance and the need for additional hotel supply.

Sardinia is expected to maintain the healthy traditional domestic tourism while the ground seems ready for it to become a luxury destination for the international hip traveler looking for *“some vision, some memory, something that has passed away.”*<sup>6</sup>

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<sup>6</sup> D.H. Lawrence, *Sea and Sardinia*, 1921



### 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.

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