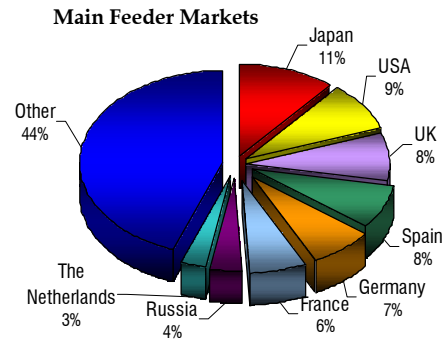


Milan is a predominantly commercial market, home to some of the biggest Italian banks, more than 40 foreign banks and the Italian stock exchange (Borsa Italiana). Milan is renowned as a centre of design and fashion, centred on Quadrilatero della Moda, in the heart of the city.



Source: IATS Milan

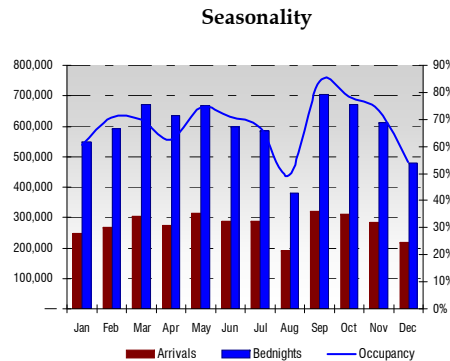
The city's exhibition centre and trade fair complex drives a considerable amount of business for the region and is considered to be the largest trade fair complex in the world. The main source markets for Milan are Japan, the USA and the UK.

The general stability of the Milan hotel market is due mainly to a fairly diversified demand generated by the corporate and meeting markets and, to a lesser extent, by leisure travellers, who typically include Milan as part of a tour of Italy's main cities, rather than visiting solely the city of Milan. Despite its many cultural attractions, Milan still has the potential to improve the levels of leisure demand. The most recent transaction in the market was the sale of the Nhow Hotel in December 2007. The sale of the Four Seasons Milan in 2006 was a record for a single asset in terms of price per room: almost €1.7 million.

Property Transactions	Sale Date	Rooms	Sale Price (€)	Price/Room (€)
Nhow Hotel	Dec-07	245	97,000,000	396,000
Excelsior Hotel Gallia	Nov-06	237	100,000,000	422,000
Four Seasons Milan	Apr-06	118	200,000,000	1,695,000

Source: HVS Research

The hotel market in Milan relies primarily on significant volumes of business demand (approximately 60-70% of the total hotel demand), with peak demand from Tuesday to Friday. The periods of lowest occupancy are, consequently, the traditional holiday months of July, August and December. A weekdays/weekend seasonality factor exists. Luxury hotels, however, have been able to attract the Middle Eastern market in the summer months to mitigate the reduced domestic demand. Room rates typically peak in March, April and September, with the arrival of events such as the annual furniture fair and the women's fashion weeks.



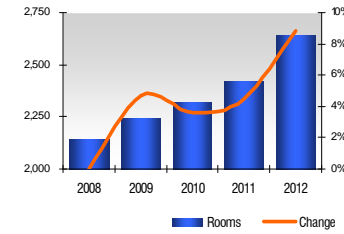
Source: HVS Research



Market Snapshot Milan, Italy

August 2009

Upscale Rooms Supply

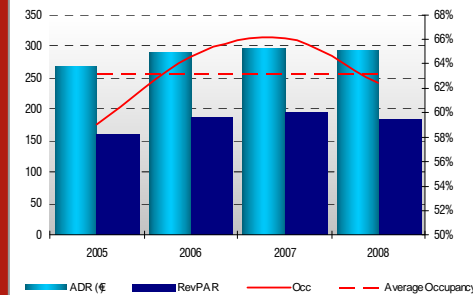


Source: ISTAT, HVS Research

Rooms supply in Milan has remained fairly stable over the last few years. However, like European markets such as Paris, the Milan market is expecting significant additions to its luxury hotel supply over the next three years. A Bulgari Hotel opened in 2004, and the world's first Armani Hotel will open in 2010 on Via Manzoni.

Over the last ten years the Milan market has seen a consolidation of its supply around leading international brands. The absorption of this new supply will have to be underpinned by increased efforts in promoting Milan as a leisure destination and the interest surrounding the World Fair hosted by the city in 2015 for six months.

Upscale Hotel Performance

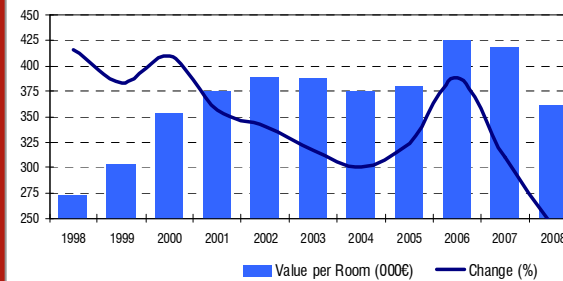


Source: HVS Research

Average daily rate (ADR) increased by around 2% a year and revenue per available room (RevPAR) by 4% a year from 2005 to 2008, indicating the stable levels of demand of recent years. Any increase in occupancy, however, is still constrained by low

demand at weekends and in the summer months. The second half of 2008, however, saw a severe decline in occupancy due to the reliance of hotels on business demand. In the first quarter of 2009, occupancy has continued to decline, and pressure on average rate has caused RevPAR to decline, according to some estimates, by more than 20%.

Value per Room



Source: HVS Hotel Valuation Index

Milan's values per room grew at a compound annual rate of 0.3% from 2000 to 2008. Milan's trading results have been negatively impacted by the current economic downturn because of the city's reliance on international visitation and the drop in domestic business demand. An occupancy-led 3.9% drop in RevPAR caused values to slump by 13.6%, to €361,400, in 2008. Since there has been no significant economic improvement in the Milan market, we expect hotel values to continue to decline further in 2009.