



EXPERTS ON THE FUTURE OF REAL ESTATE

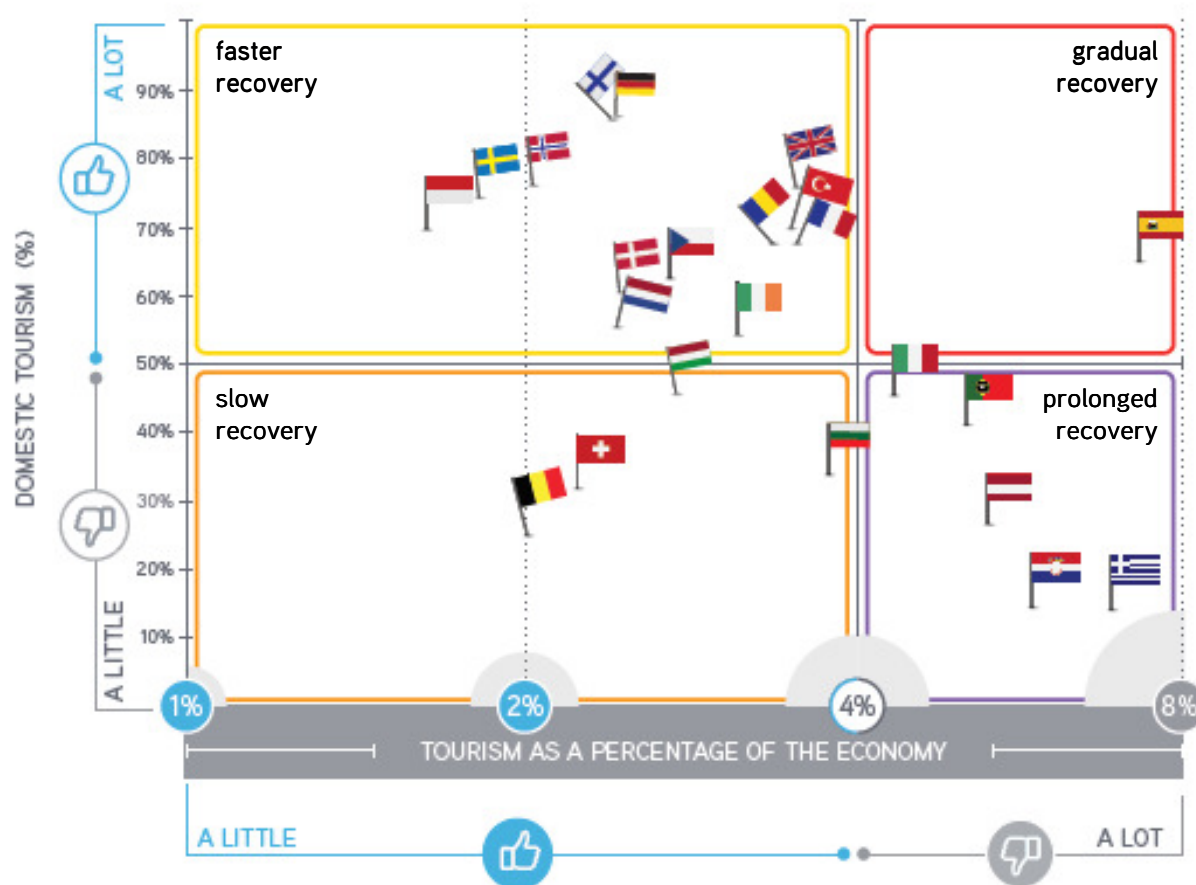
# IMPACT OF COVID-19 HOTEL ITALIAN MARKET

14 APRIL 2020

## EUROPE | IMPACT OF NATIONAL AND INTERNATIONAL TRAVELLERS ON COUNTRIES RECOVERY

The impact that covid-19 will have on the national economy depends on two factors: a) the size of the tourism sector as a whole; b) the country's dependence on foreign tourists. Countries that strongly depend on international travellers will be suffering economically. As a result, countries with a significant amount of domestic tourism are better off in this situation. Once covid-19 measures are eased, domestic tourism will recover much faster than cross-border tourism.

Italy recorded about 429 million of stays composed by an equal percentage of domestic and international flows. Tourism represented about 5% of GDP (direct contribution only, but more than 13% if we also consider indirect and induced contribution). It means that Italy risks facing a prolonged recovery.



### PURPLE – Prolonged Recovery

*Significant impact on the hotel industry and economy*  
The tourism sector in this group of countries largely depends on international travellers. In the event of a major reduction or even total loss of income from tourism, the impact will be felt in the hotel industry in these countries and it will have a strong effect on the rest of their economies as well. This will lead to issues such as higher unemployment and soaring national debts.

### ORANGE – Slow Recovery

*Significant impact on hotel industry but less on the economy*  
In these countries, tourism plays a smaller role in their economy. The share of the tourism sector is relatively limited, at between 2 and 4%. These countries are however strongly dependent on an influx of foreign guests, which will slow down recovery. The hotel industry in these countries must take lower turnover figures into account for a prolonged period of time.

### RED – Gradual Recovery

*Significant impact on the hotel industry and economy*  
Spain is the only country that falls in this category. It can still count on domestic tourism and is less reliant on international tourism. However, at first, the impact will be as significant as the group in the purple category. The degree to which tourism in Spain will be hit will depend to a large extent on how quickly the virus is under control. Once the borders are reopened, their tourism sector will find its way back a little faster.

### YELLOW – Faster Recovery

*Significant impact on hotel industry but less on the economy*  
There are countries that depend to a large degree on domestic tourists and tourism represent a limited part of the economy. These countries will come out on top in terms of staying afloat and will be among the fastest to recover, although the effects of the virus will lead to considerable financial losses there too.

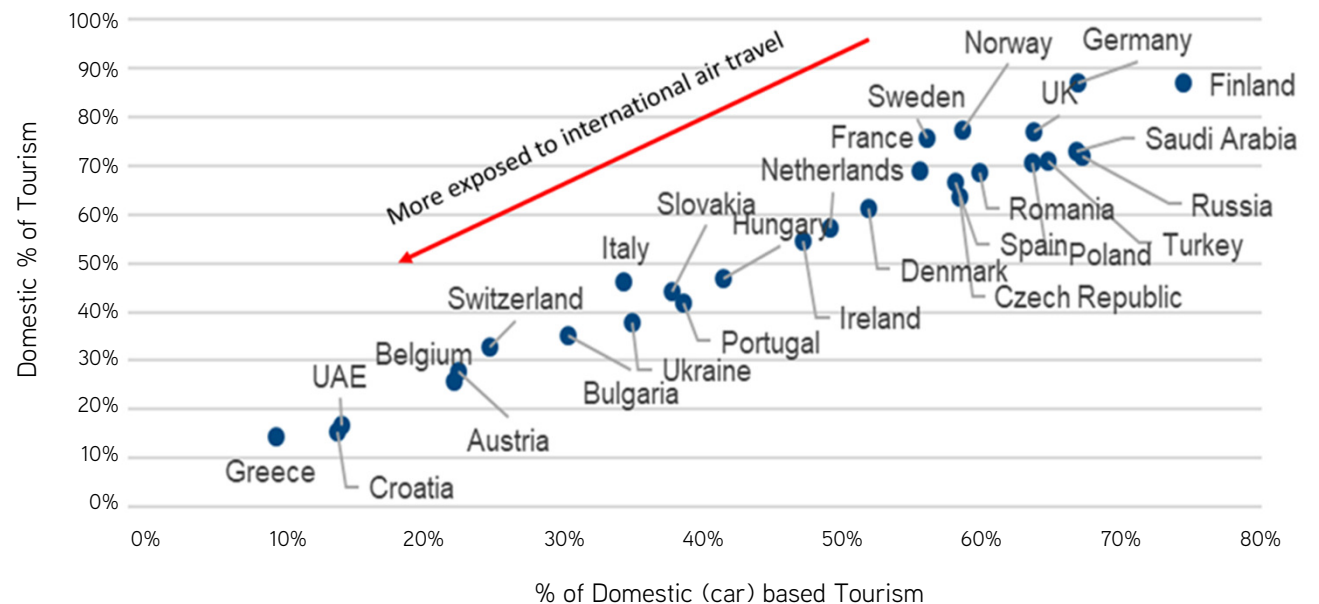




TOURISM EXPOSURE: TOTAL ARRIVALS VS DOMESTIC LAND (CAR) BASED TRAVEL

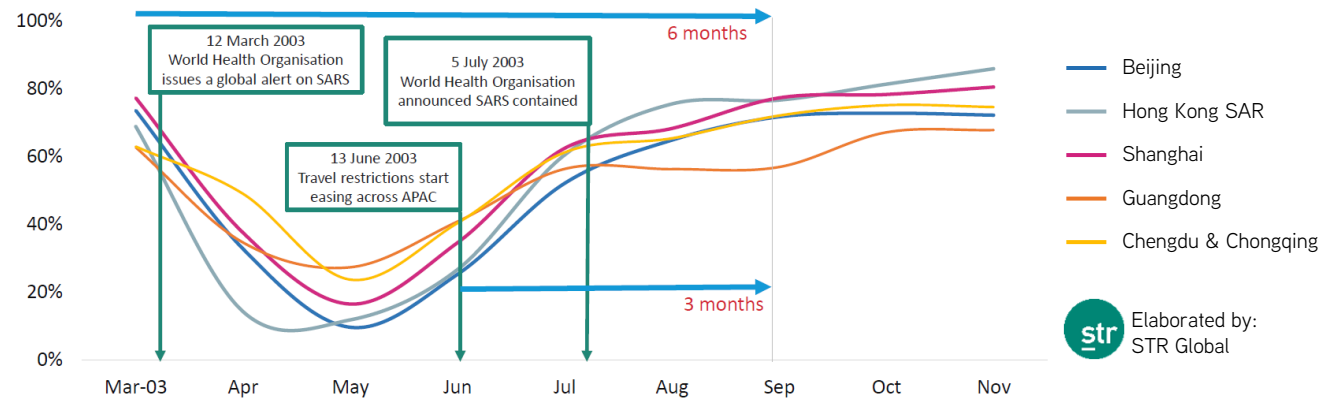
## EUROPE | IMPACT OF AIR OR CAR-BASED TRAVEL

As international air travel is curtailed, markets more prone to demand from international air travel are most likely most exposed to a sharp downturn. Markets that can function on domestic car-based travel are probably the most resilient. There is, of course, a significant seasonality element to factor in here. If the covid-19 virus can be controlled over the next quarter, then the European summer season destinations could recover. If the covid-19 virus is controlled, but travel remains restricted within borders, then countries that are driven more by car-based, domestic tourism are likely to be more resilient locations for business.

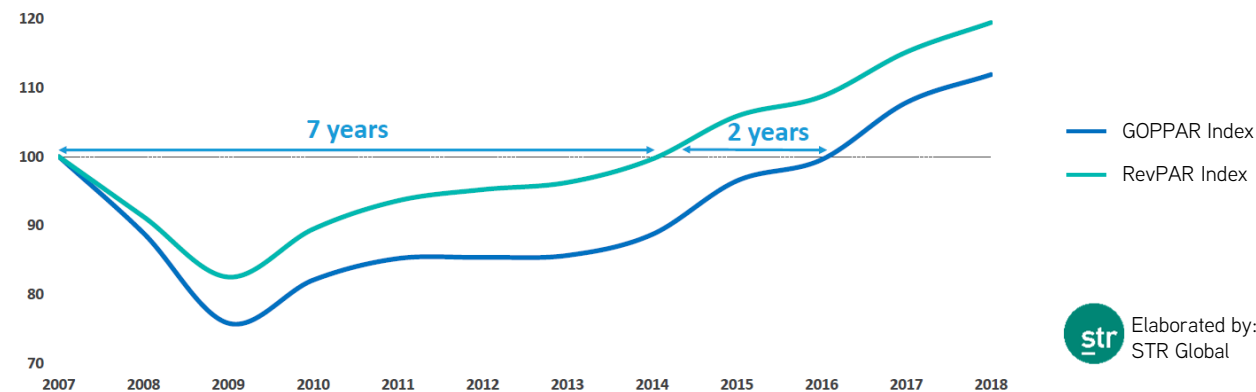


Source: Colliers International. For more information visit <http://covid-19.338c.brandcast.io/>

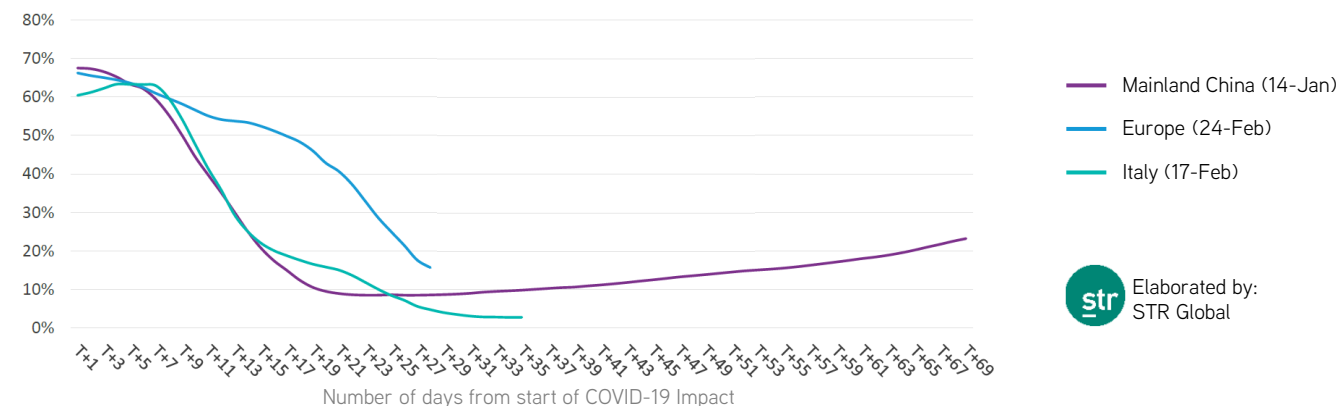
## PERFORMANCE AFTER SARS. MARCH-NOVEMBER 2003 OCCUPANCY IN CHINA



## EUROPE, REVPAR AND GOPPAR INDEXED TO 2007, EUR, CONSTANT CURRENCY



## OCCUPANCY RATE PER DAY IN CHINA, EUROPE AND ITALY SINCE CORONAVIRUS OUTBREAK



Source: STR 2020 "COVID-19hotel performance update"

## EUROPE | IMPACT OF RECOVERY TIMING

How hotel industry responded after past recessions might provide some information on how and how long it will take to get a complete recovery after covid-19. For this reason, to understand the recovery timing, we might analyse other recent crisis/events that had a deep impact on hotel industry and economy more in general like the Sars virus and the 2008 economic crisis.

### RECOVERY AFTER SARS

When the Sars outbreak was contained in China, the occupancy rates for the cities that were hit the worst showed recovery up to their former levels within six months. Due to increasingly stricter lockdown measures, we expect recovery to take longer this time. The fact that this virus affects far more countries than the previous Sars virus has resulted in the global economic crisis that is currently going on.

### RECOVERY AFTER GFC 2008

Occupancy recovery took longer in the 2008 global financial crisis (3.5 years in Europe). In the immediate aftermath of the crisis there was a great recession: people cancelled or reduced their plans for vacations. This situation affected all hospitality divisions. After a significant contraction in 2009, hospitality industry showed a prolonged recovery. During this time, hotel sector faced numerous challenges and only in 2012 tourism industry experienced a sustained recovery.

### RECOVERY AFTER COVID-19

The question is whether the virus will make a resurgence once lockdowns are lifted and societies go back to 'business as usual'. We should keep close watch on the situation in China for a clearer idea of what the future might hold.

Moreover, the monitoring of the ongoing European governments responses and measures will be crucial to determinate recovering timing, general economic impacts and borders reopening.



## ITALY | POSSIBLE FUTURE SCENARIOS

In three months, it will be summer season. If the virus is not stable or under control at that time, then the consequences will be even more significant for the tourism industry and the world economy since summer is the most profitable season, especially for Italy. Putting together the main aspects (Tourist origin, timing and mean of transport) we can define three different recovery scenarios.

### SCENARIO 1

#### TIMING

STABLE *BEFORE JUNE*

#### DESCRIPTION

Hotel industry is used to seasonal variations. The option of reducing corporate costs is an effective short-term strategy.

In this scenario, it can be expected a revival in the second part of the year. People will be taking holiday leave and going on vacation despite the reduction of vacation day or disposable income.

### ITALY

Summer season will be partially saved, and we will see a recovery in the last months of the year.

### SCENARIO 2

#### TIMING

UNDER CONTROL *AFTER THE SUMMER*

#### DESCRIPTION

If tourism does not make a comeback during the peak season, then this will have a massive impact on most national economies in Europe. The losses for the tourism sector will quickly run up in this scenario, and at that time hotels may not be able to meet their payment obligations.

No income or much reduced revenue in the summer months will prove disastrous.

### ITALY

Slow recovery starting from September. Leisure destinations in Italy will have suffered greatly, meanwhile destination with a corporate demand will see a slow recovery that could take a year.

### SCENARIO 3

#### TIMING

UNDER CONTROL *FROM 2021*

#### DESCRIPTION

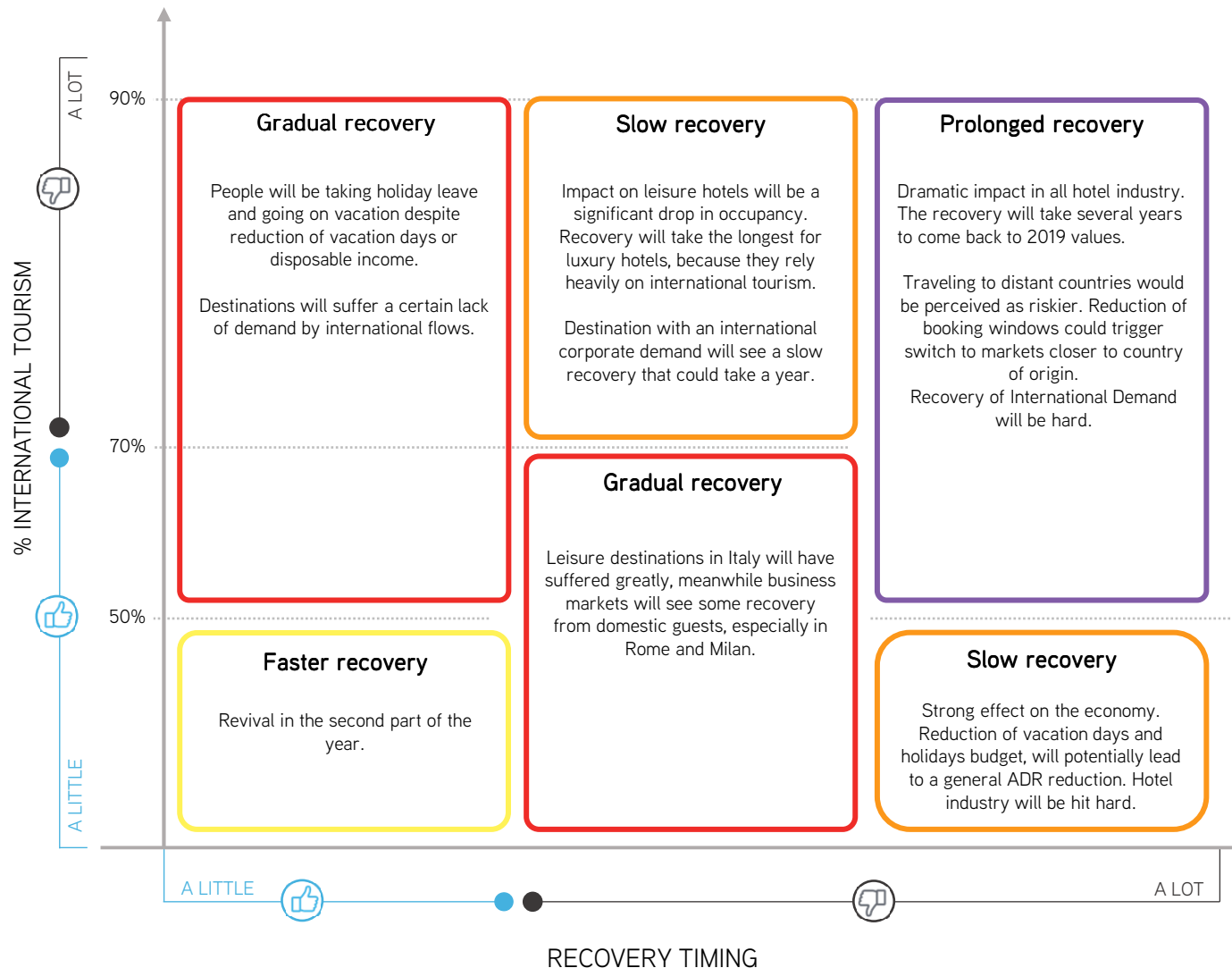
The worst-case scenario is one where the virus continues to spread all over the year and won't be under control until a vaccine becomes available. In this grave scenario, hotel industry will be hit hard and it will have a strong effect on the rest of the economy as well. In this case, most probably recovery would take years to recovery as in the 2008 global financial crisis.

### ITALY

Dramatic impact in all the industry. Recovery will take several years to come back to 2019 values.

## ITALY | POSSIBLE FUTURE SCENARIOS

For all three scenarios the questions is how different will be the tourism sector. For example, how the corporate tourism will change (as many business trips have been replaced by videoconferencing and the first digital events are already being organised) and what will be the impact of the long-haul travel on the leisure tourism demand.





**17,000**

EMPLOYEES

**68**

COUNTRIES

**€108**

BILLION  
TRANSACTION  
VALUE

**69,000**

TRANSACTIONS

**€ 2.8**

BILLION TURNOVER

**175**

MILLION SQM  
UNDER MANAGEMENT

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