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Italy

# Hotel Snapshot

October 2021



# Hotel Investment In Italy

## Investment concentrated in prime locations

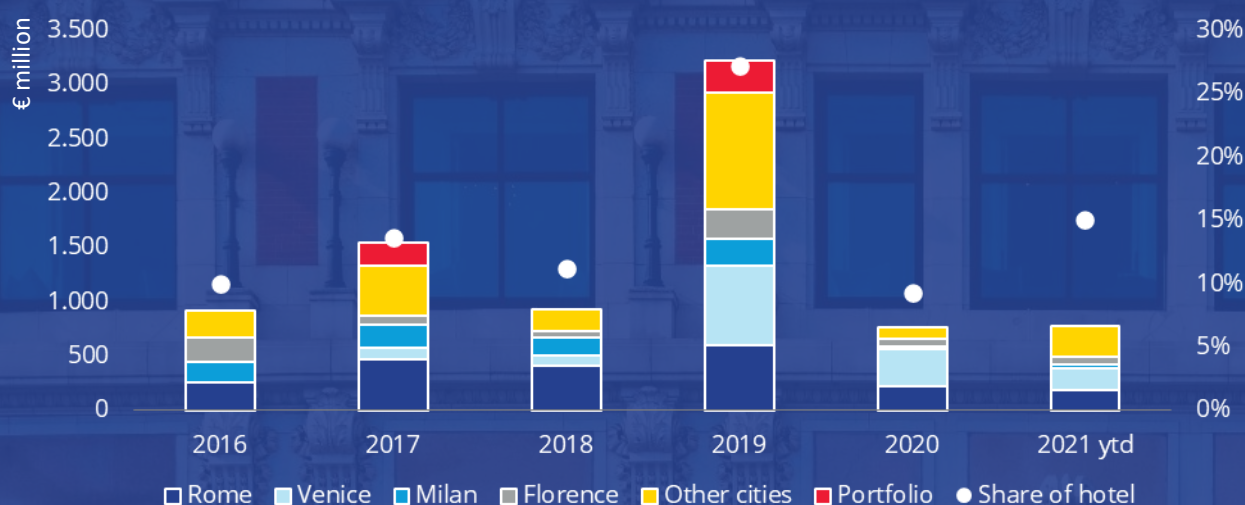
Even if tourism was the first industry impacted by Covid 19, and the number of tourists is not yet back at 2019 levels, hotel operators and real estate investors are confident that the market will come back at the pre-Covid level (and even exceed those levels) quite quickly, since the pandemic is starting to be under control, at least in some countries.

The vaccination campaign is giving the expected results, and the green pass is becoming more and more used. Therefore, tourism is increasing, and the preliminary results of the summer are encouraging for the rest of the year. As previously forecasted, 2022 will finally represent the full recovery with some cities close to 2019 levels.

Therefore, interest in the Italian hotel sector remains high. The strategies adopted by investors are to take advantage of this period to renovate existing hotels and to create new products. These strategies are aimed to be ready for recovery with the correct product in line with the new demand.

Looking at the real estate market, investments in this asset class represented about 10% of the total market, without considering the record year of 2019. In the first nine months of the year, with a volume close to € 800 million, the hotel asset class represents 15% of the investments recorded in Italy.

## Hotel investment volume by cities



## Hotel investment volume in the Big-4 cities by nationality (2016-2021 ytd)

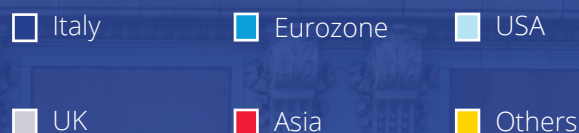
### An international market

This year, a strong activity was observed in the city of the doges, confirming a trend that started in 2019.

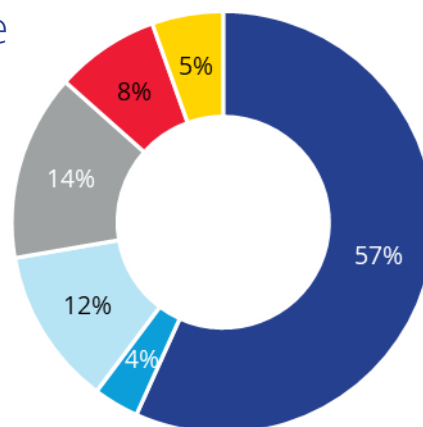
On the contrary, the city of Rome, the first destination in the past years, has recorded lower activity since investors have not yet found the right product. The few deals closed concerned reconversion and refurbishment projects. An important deal is under closing, and concerns the sale & leaseback of a 5\* family hotel to be repositioned with a new brand.

Similarly, activity in Florence and Milan was low. In the later, the 2026 Olympic games could represent a flywheel, boosting the investment through the creation of new hotels and the refurbishment of the existing ones.

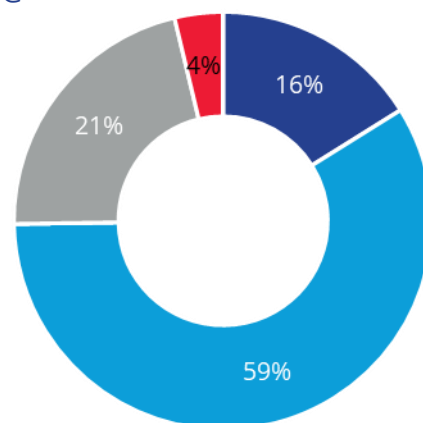
Looking at the nationality of the investors in Italy, 72% of them are foreigners, coming mainly from the Eurozone. Focusing just on the Big 4 cities, the situation is quite different. Rome is the most Italian city, while Venice is the most international. Moreover, the investors' nationalities are different. The British are the most active in Venice, the Asians (including the Middle East ones) "dominate" Florence, and Milan is attracting investors from the Eurozone, mainly Germany and France.



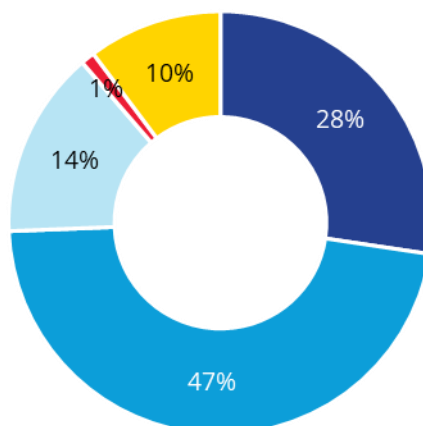
Rome



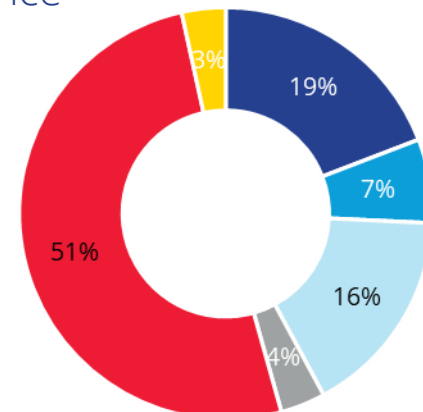
Venice



Milan

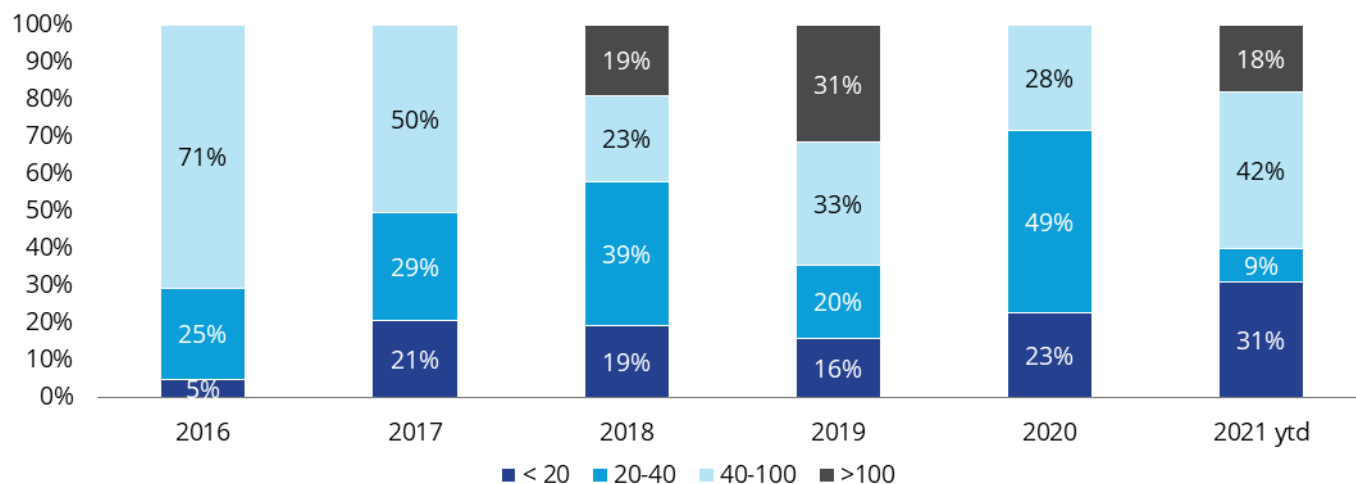


Florence

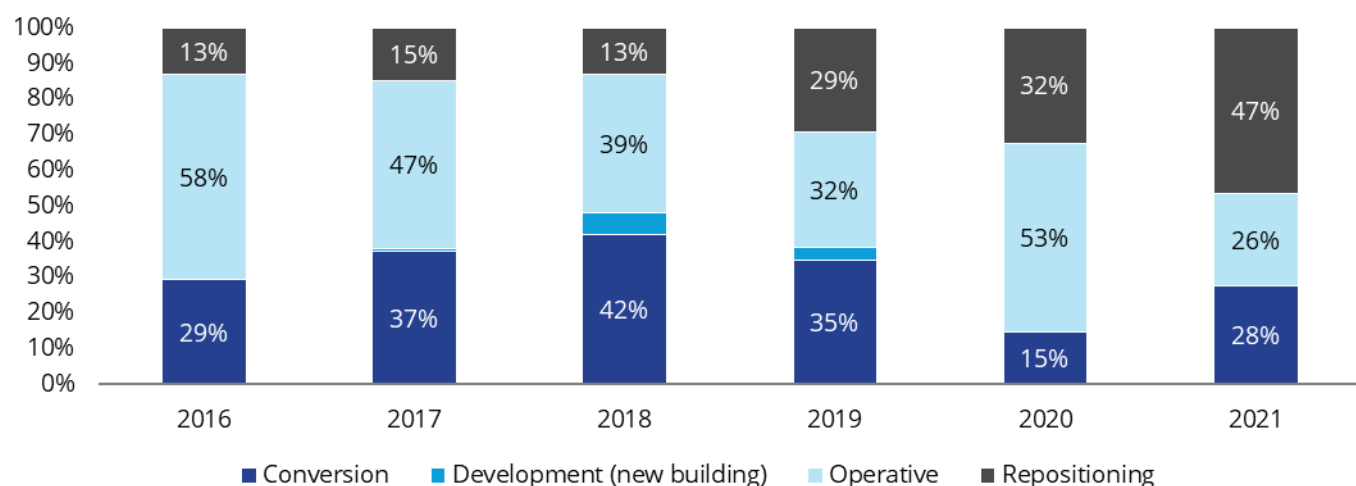




## Hotel investment volume by cities – all deals



## Hotel investment volume by cities – single asset deals



## Repositioning is the key strategy

The most frequent size for the hotel deals in Italy stands around € 20-40 million. In 2021, the number of large deals (i.e., €40-100million) increased and represented 42% of the market and deals above € 100 million were again recorded, after the break of 2020.

Looking at the different cities, deals above € 40million are mainly concentrated in the Big-

4 markets: 86% of them are closed in Rome, Venice, Florence, and Milan. The largest ones (i.e., above € 100 million), concerning core or built-to-core assets, are not registered in Milan.

Looking at the kind of operations, repositioning of existing hotels are becoming more and more common. In our view, conversion and repositioning will continue to

be the more significant operations, with value add/built to core capitals. These operations will allow the market to renovate its existing stock.

However, granting the building permit for the conversion and getting new licenses are two aspects that have to be assessed carefully.



# Outlook for 2021

- 1** In our view, thanks to deals under closing, the market should arrive above 1 billion at the end of the year, representing a very good volume for the hotel investment market in Italy.
- 2** The investors' appetite is high, even if no significant price reduction was observed over the last two years (similarly to what happened in the other European countries). The operations profile will remain value add/built-to-core.
- 3** The Grand Tour – Rome, Venice, and Florence – will keep on being the main destinations. Milan, still on the radar by investors and operators, especially in view of the 2026 Olympic games, remains more complicated.
- 4** The focus appears to be increasingly oriented towards leisure hotels. Indeed, people will continue to go on holidays “no matter what”, while business trips will resume but could become more selective.
- 5** Luxury and ultra-luxury hotels will remain of interest for the investors. Moreover, new models will continue entering the market, such as serviced apartments, mixed-use, and hybrid hotels.

The outlook for hotel investment is very promising

People will continue to go on holidays “no matter what”



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