

Italian Hospitality Market Snapshot 2024

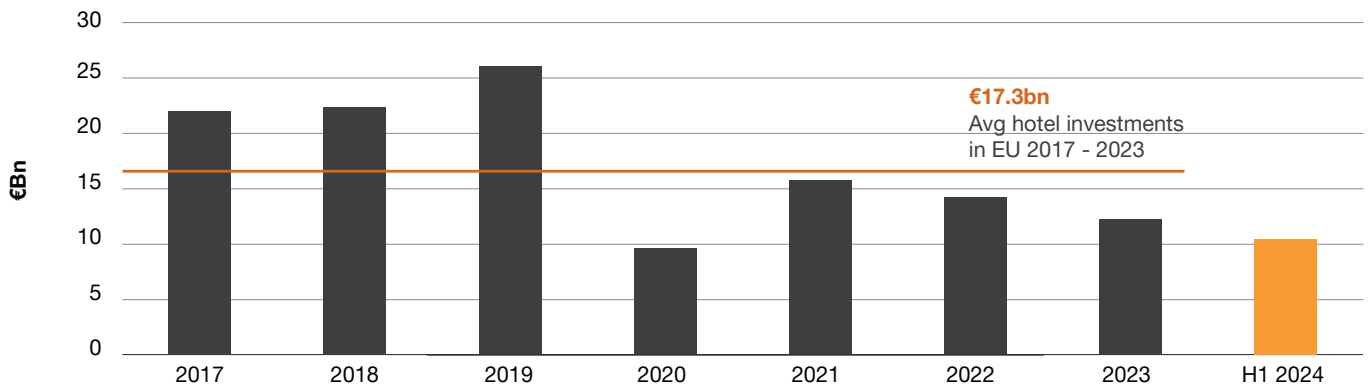


Hotel Investments in the European Markets

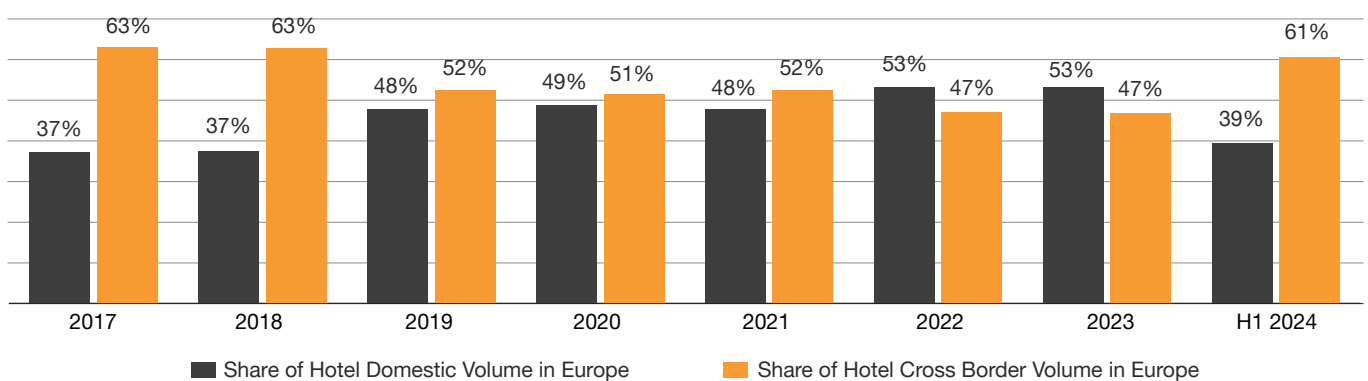
The European hospitality market continues to be a highly attractive investment destination for institutional investors. The **first half of 2024 has witnessed substantial investment volumes** in various European countries, **totaling €10 billion**. One notable trend observed across the majority of hotel markets in Europe during 2023 was the **significant growth in average daily rates (ADRs)**. This upward trajectory in ADRs has contributed to the overall performance of the European hotel industry.

When looking at RevPAR (revenue per available room) performance for the year, several key markets stand out. **Rome and Paris, in particular, have demonstrated remarkable growth**, with ADRs reaching 50% above equivalent 2019 levels. Additionally, occupancy rates in these cities have shown strong recovery, stabilizing at or near pre-pandemic levels. These positive performance indicators make Rome and Paris attractive destinations for investors and highlight the resilience and potential of the European hospitality market.

Trend of hotel investment volume in Europe (2017 – H1 2024)



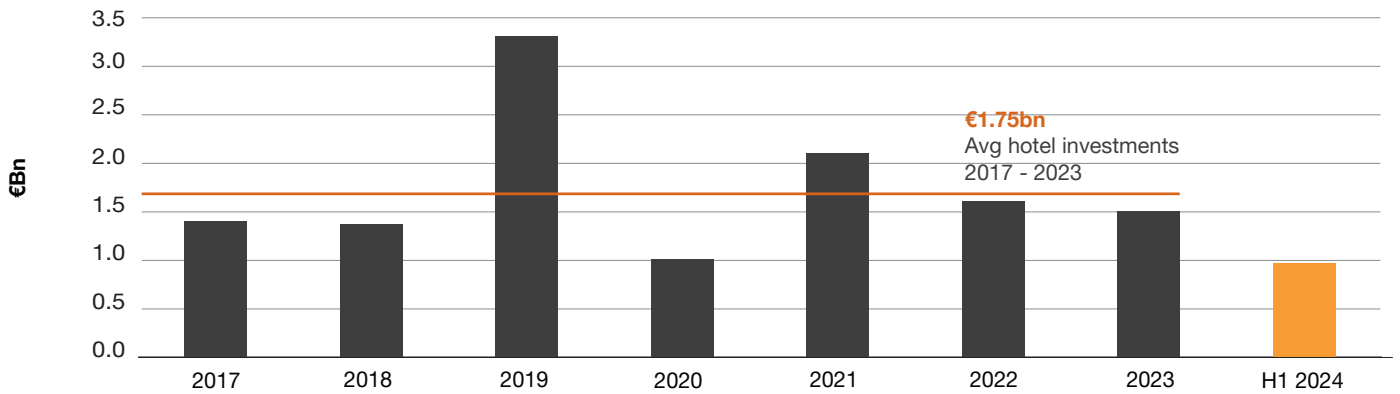
Breakdown of origin of capital for hotel investments in Europe (2017 – H1 2024)



The European real estate market historically relied heavily on cross border investments, which include global investors in Europe and European players acquiring property elsewhere on the continent outside of their country. From 2019, the origin of capital became more balanced with an increase in local investments, which actually accounted for the majority in 2022 and 2023.

However, in H1 2024, cross border investments returned to historical levels with more than 60% of the total investment volume in the European hospitality market. This indicates the significant role played by outside investors in driving the growth and development of the local hospitality market.

Hotel Investments in the Italian Market



Source: PwC analysis

The hospitality sector experienced positive performance **in the first half of 2024**, with a total of **€950 million invested**, marking a significant increase compared to the same period in 2023.

This growth highlights the attractiveness and potential of the hospitality investments.

In fact, the hospitality asset class in H1 2024 accounted for 30% of commercial real estate investments, which makes it the leading asset class (historically office investments account for the largest share).

Moreover, the investments in the hospitality sector were geographically diversified, with transactions taking place across various regions.



Noteworthy transactions in the Italian hospitality sector (H2 2023 – YTD 2024)

Date	Property Name	City	Owner/Buyer	Seller
H2 2024	Hilton Garden Inn Venice Mestre	Venice	Gruppo Della Frera (GDF Group SpA)	Venezia Capitol Srl
H2 2024	La Rocca Incatenata	Moneglia	Phoenix Asset Management SpA (IT)	Corsonizza3 srl
H2 2024	Algila Ortigia Charme Hotel	Syracuse	REAM SGR S.p.A.	Algila Srl
H1 2024	Hotel Arenella	Syracuse	Alpitour Group	York Capital
H1 2024	Hotel Ritter	Milan	N.A.	Montello SpA
H1 2024	Hotel Corso Padova	Padua	Urban Homy	N.A.
H1 2024	Sofitel Roma Villa Borghese	Rome	Extendam	AccorInvest
H1 2024	Midas Palace Hotel Roma	Rome	Barcelo Hotels & Resorts	Zeitgeist Asset Management
H1 2024	Crociferi 44	Rome	Coima SGR	Intesa Sanpaolo
H1 2024	Hotel Cicerone	Rome	Fattal Hotels	Banco Popolare
H1 2024	Holiday Inn Napoli	Naples	CDC Holding SpA (City Hotels Company)	N.A.
H1 2024	My One Hotel Bologna	Bologna	CDC Holding SpA (City Hotels Company)	N.A.
H1 2024	CDH Hotel Villa Ducale	Parma	CDC Holding SpA (City Hotels Company)	N.A.
H1 2024	Villa del Golfo	Arzachena	Limestone Capital	N.A.
H1 2024	Grand Hotel Poltu Quatu	Arzachena	Castello Sgr	Pulcini Group
H1 2024	Golden Palace Hotel	Turin	REAM SGR S.p.A., Gruppo Della Frera (GDF Group SpA)	Banco Popolare, BPER Banca, Intesa San Paolo, Mapi SpA
H2 2023	Castello di Urìo	Carate Urìo	LVMH	Opus Dei
H2 2023	Hotel Torino Lingotto Congress	Turin	SCPI Eurion, Corum	IPI Spa
H2 2023	Six Senses	Rome	Gruppo Statuto	CDS Holding, Orion Capital Managers

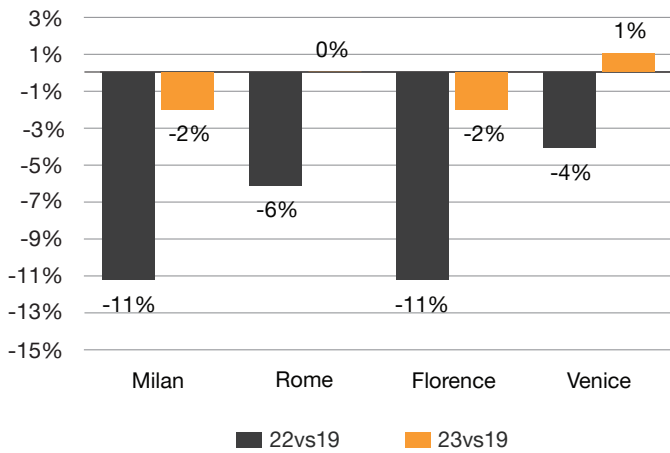
There was a **notable concentration of investments in Rome and locations that were historically considered secondary** (Bologna, Turin, Sicily, Sardinia, etc.) during the first half of 2024, which shows investor interest has expanded outside the traditional hospitality markets (Milan, Florence, Venice).

Overall, the hospitality industry's strong investment activity and geographic dispersion demonstrate its resilience and attractiveness to investors, signaling positive prospects for the sector.



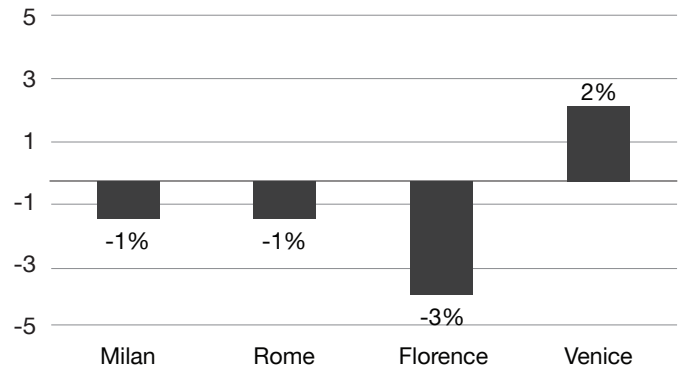
Main Italian cities performance indicators

Occupancy rate variation (%) by city 22/23 compared to 2019



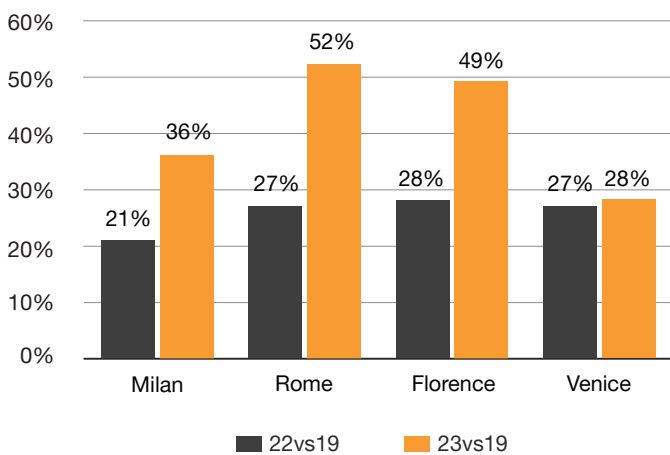
While 2022 showed a remarkable recovery in terms of occupancy from the low levels recorded during the pandemic, it was still short of 2019 performance. 2023 saw a return to occupancy levels comparable to those seen in 2019.

Occupancy rate variation (%) YoY by city YTD June 24



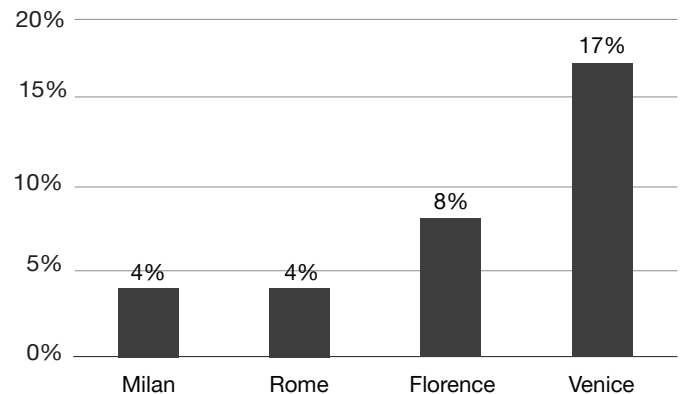
The first 6 months of 2024 confirm that occupancy rates have overall remained stable compared to 2023.

ADR variation by city 22/23 compared to 2019



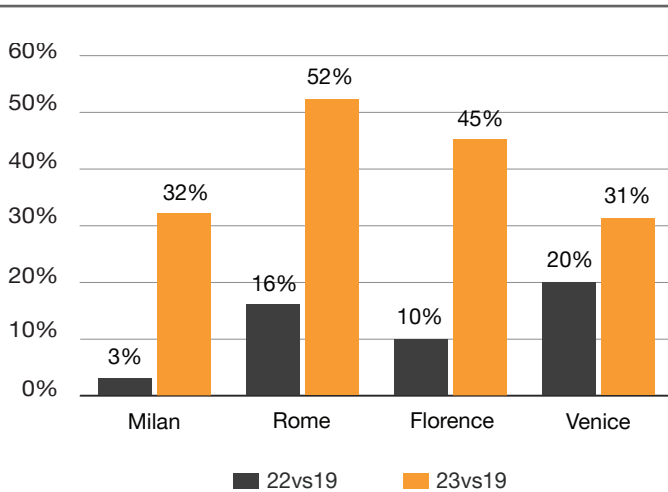
The observable **trend within the Average Daily Rate (ADR) in 2022 and 2023** clearly presents a notable **increase** across the four tourism markets compared to 2019.

ADR variation (%) YoY by city YTD June 24



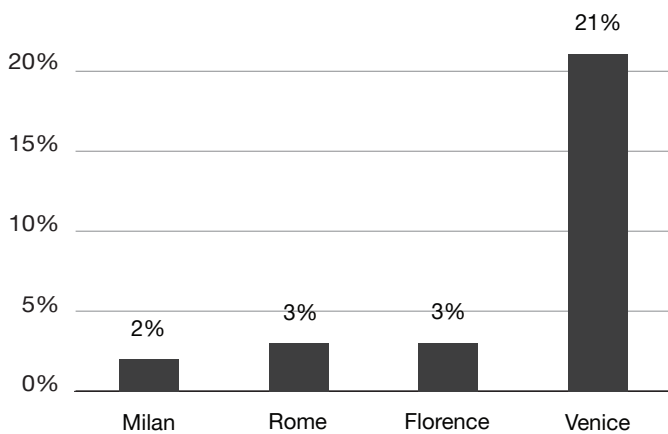
The first 6 months of 2024 confirm an additional increase in ADR compared to 2023.

RevPAR variation (%) by city 22/23 compared to 2019



The analysis of the four prime tourist cities during 2023 showed **impressive growth rates ranging from 30% to 50% when compared to the levels recorded in 2019**, which was driven by ADR.

RevPAR variation (%) YoY by city YTD June 24



The data recorded for the first half of 2024 continues the upward trend observed in 2023.

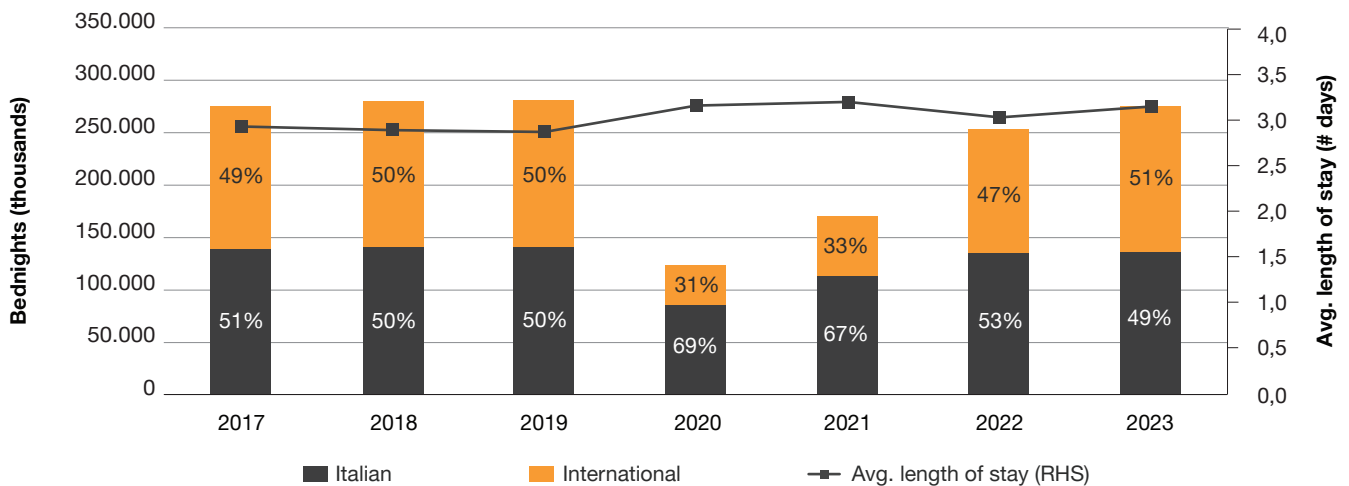


Demand analysis (1/4)

Hotel demand in Italy in 2023 **almost fully recovered compared to 2019 reaching circa 275 million nights spent with 86 million arrivals.** The return of tourism demand to Italy is in line with the global trend, indicating a strong desire for travel and exploration among tourists. Following the period of the pandemic (2020-2022), **in 2023, international tourists have regained dominance over the domestic component**, accounting for 51% of the total nights spent in Italy.

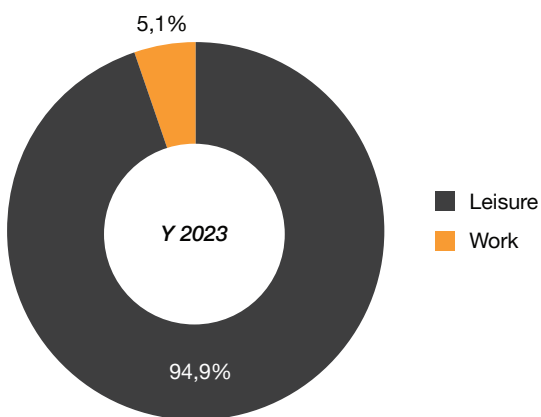
This shift reflects the recovery and attractiveness of Italy as a destination for international visitors and emphasizes the importance of foreign tourism in the country's tourism industry.

Total demand in Italy terms of nights spent 2017 – 2023



Source: PwC analysis on INSI data

Number of nights spent in Italy by travel motivation



During 2023, **5% of nights spent were for work purposes.** This figure is in line with the trend observed in the previous year, indicating that there has been no significant change in the number of work-related trips.

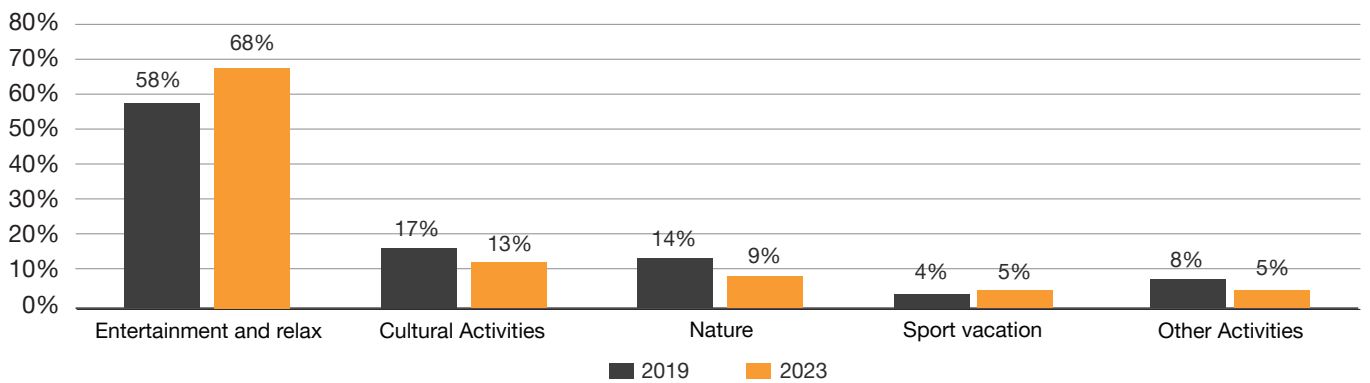
However, work-related travel continues to show slow signs of recovery, as the levels remain at about half of those recorded in 2019. Additionally, the **average duration of work trips** remains similar to that of 2022, with an **average of 4 nights.**

Source: PwC analysis on INSI data

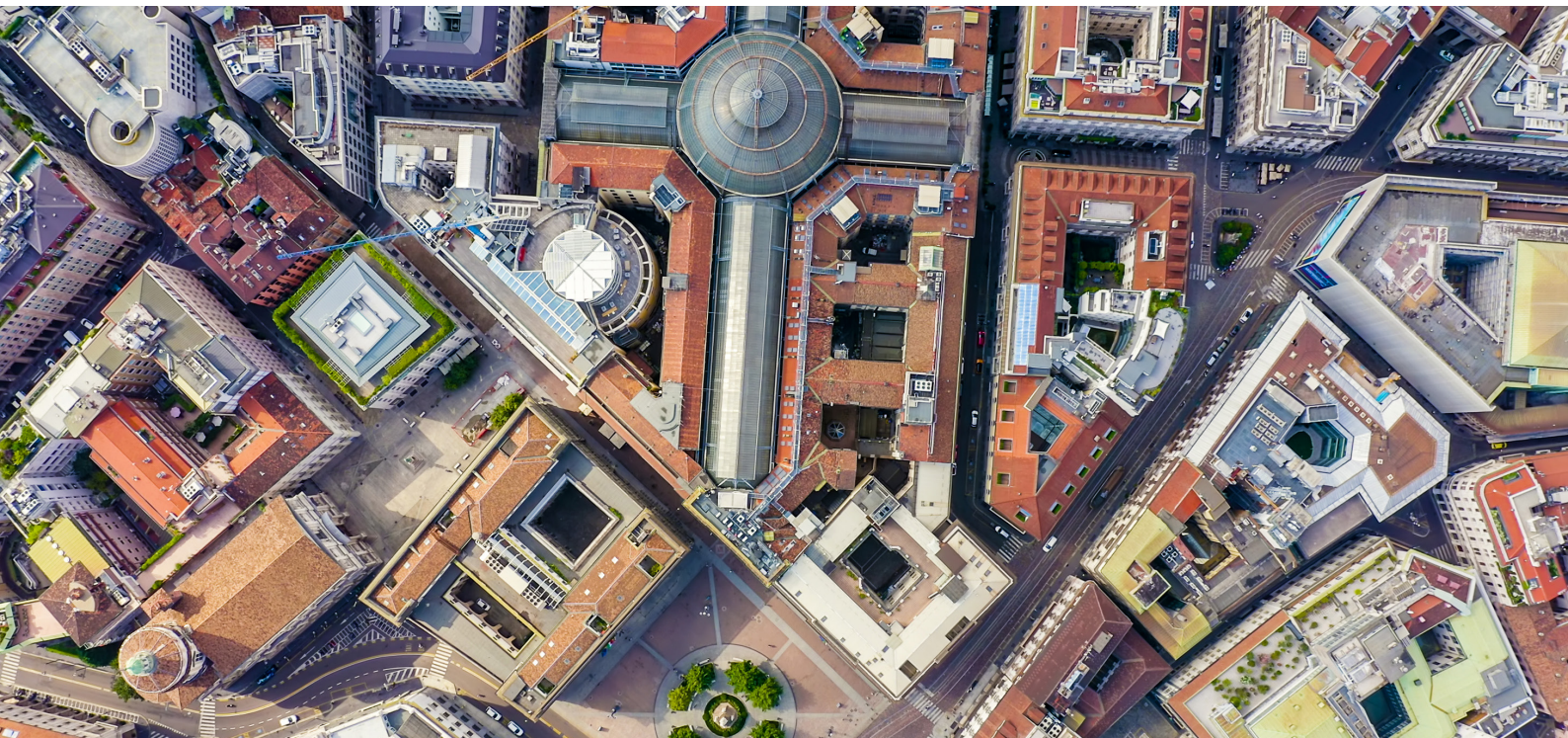
The proportion of **vacations dedicated to city visits**, particularly for first-time visitors, has now reached parity with beach vacations, which together account for **49% of total vacations**. The gradual recovery of city tourism continues, primarily driven by the resurgence of international visitors.

Compared to 2019, there is an upward trend in vacations focused on entertainment and relax, and sport vacations, while vacations centered around cultural activities and nature have decreased.

Leisure vacation by prevailing type of activity engaged in



Source: PwC analysis on INSI data

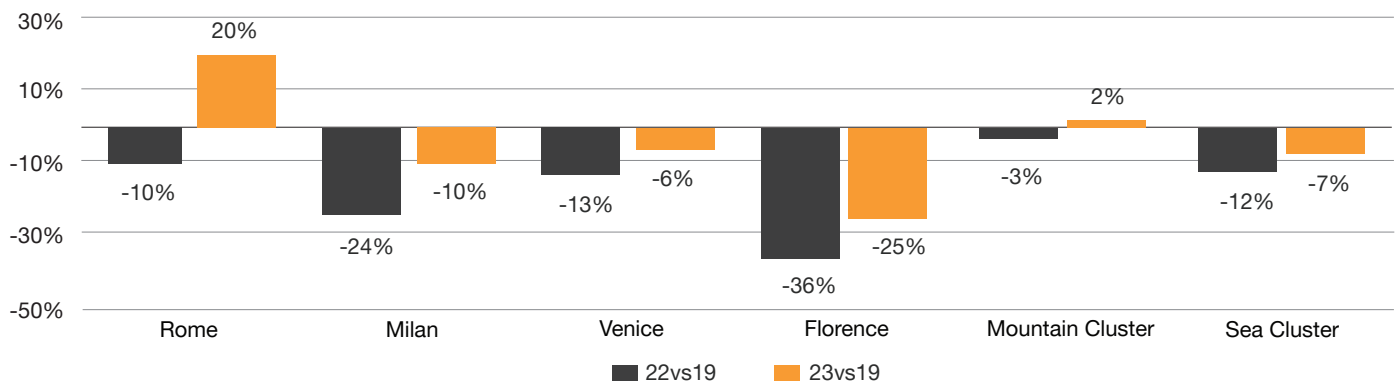


Demand analysis (2/4)

PwC is monitoring the recovery of hotel demand to identify key trends in the market. The following section analyzes total nights spent also subdivided by domestic and international components. We have monitored the following locations and have found that on the basis of nights spent in hotels, the mountain cluster and Rome have recorded the strongest recovery.

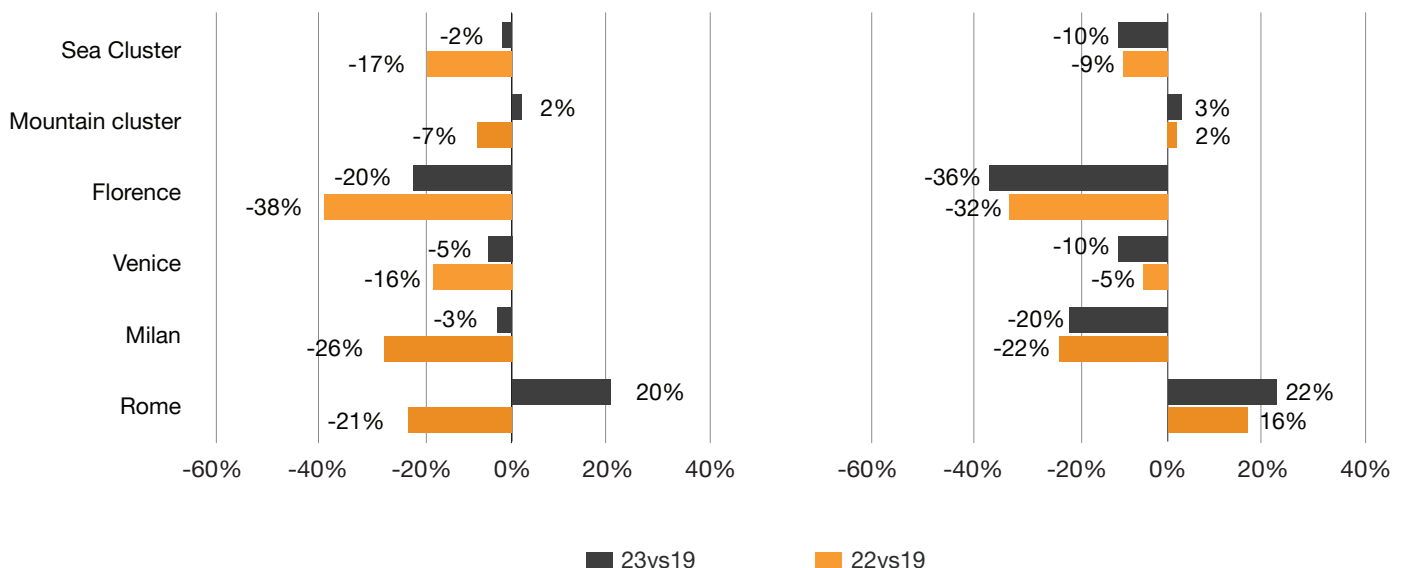
In 2023, the tourism sector in Italy has shown a resurgence in demand, with some clusters experiencing positive performance. Among the major cities, **Rome stands out with a significant increase in tourist attendance**, while other Italian tourist destinations have not yet reached the same levels of visitors pre-pandemic. Additionally, the **mountain cluster in Italy has recorded positive results**.

Variation (%) of hotel demand by location in terms of nights spent 22/23vs19



Variation (%) of International hotel demand by location in terms of nights spent 22/23vs19

Variation (%) of Domestic hotel demand by location in terms of nights spent 22/23vs19

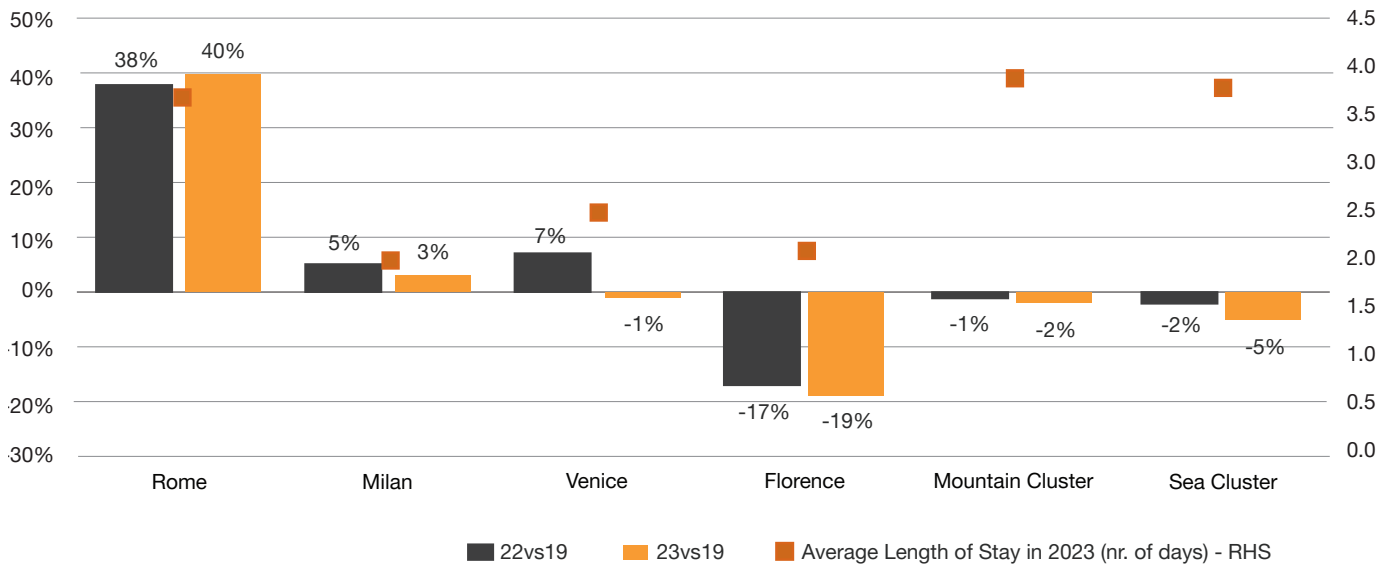


Demand analysis (3/4)

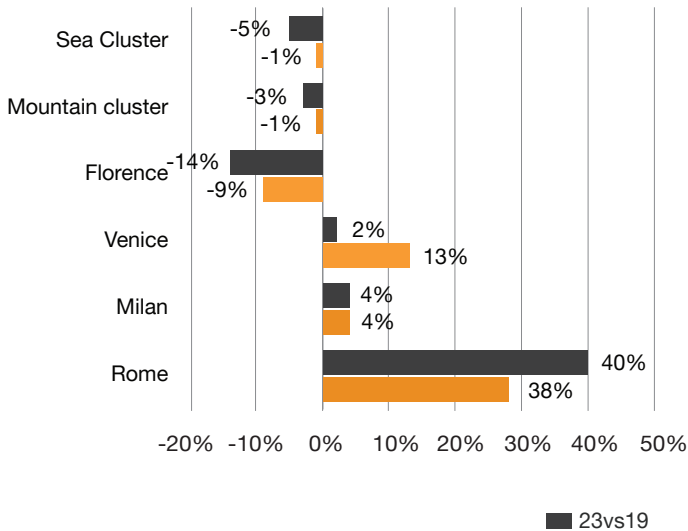
A critical component of demand analysis in the tourism industry is the **Average Length of Stay**, where the number of nights spent is divided by the number of arrivals. This metric reveals divergent trends among various markets when compared to 2019.

Rome emerges as a destination experiencing a significant upsurge in the average durations of stay, in stark contrast to Florence, which sees a considerable decline in this ratio for both domestic and international demand.

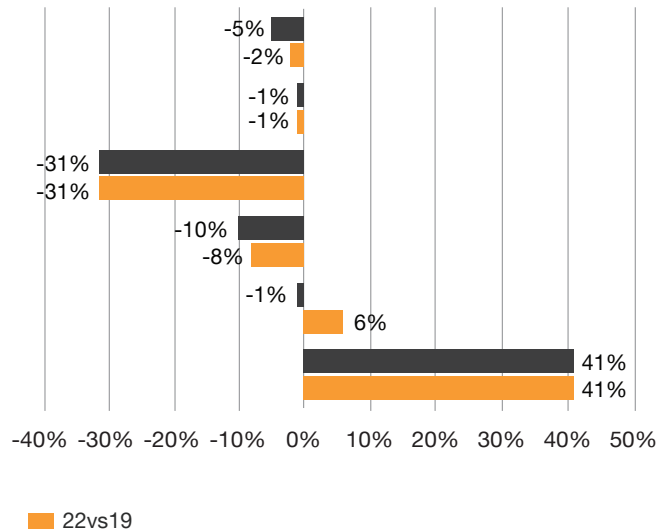
Variation (%) of average length of stay by location 22/23vs19



Variation (%) of average length of stay International hotel demand by location 22/23vs19



Variation (%) of average length of stay Domestic hoteldemand by location 22/23vs19



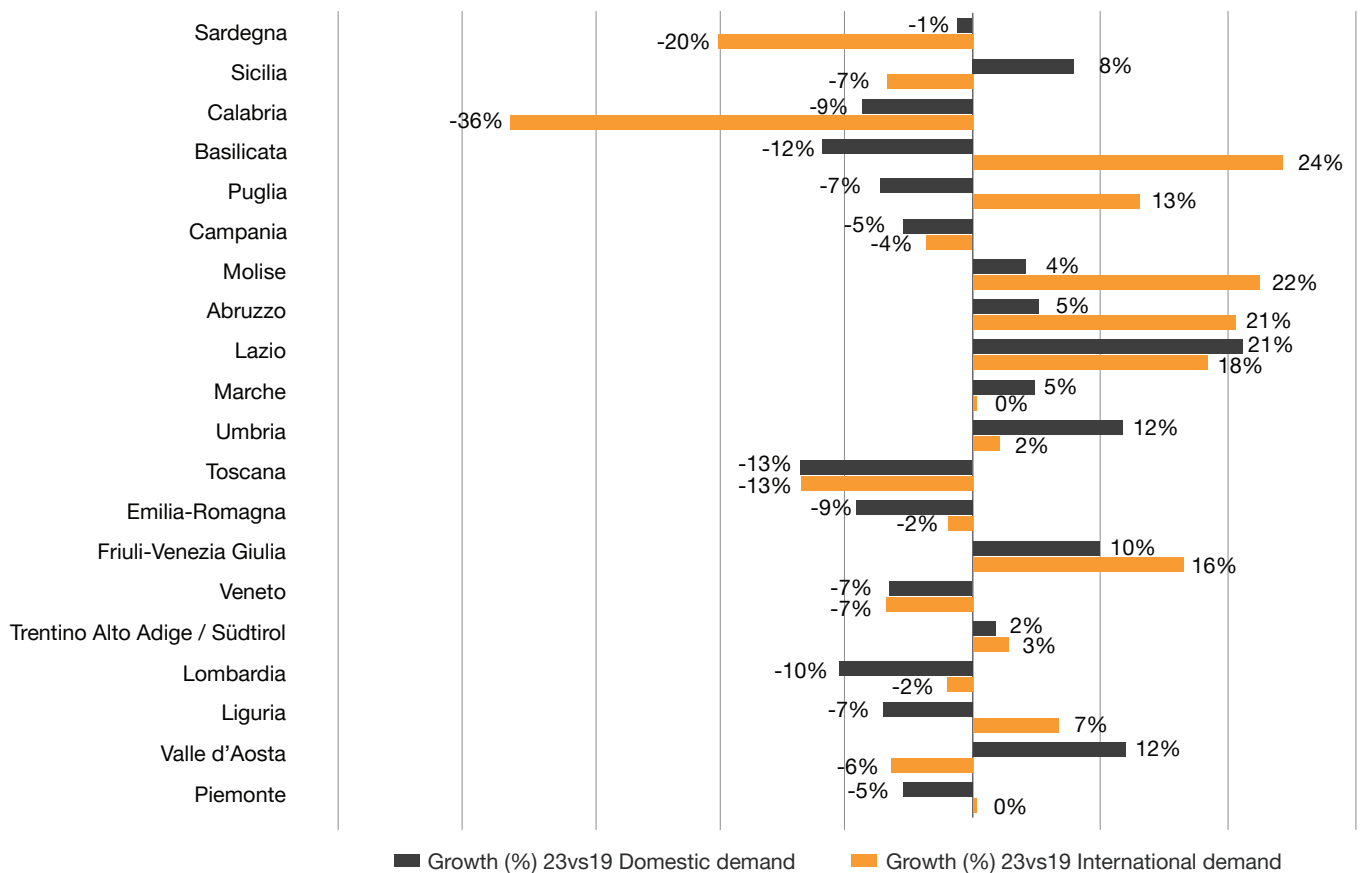
Source: PwC analysis on INSI data

Demand analysis (4/4)

In 2023, total nights spent in hotels in Italy showed almost a full recovery (still slightly under pre-pandemic levels), but not every region recovered equally, indicating that a small share of tourists are shifting their interest towards new markets.

In fact, the **international component in some regions has shown noteworthy growth compared to 2019**, while other traditional markets haven't recovered yet.

Variation (%) of International and domestic demand by Italian region in terms of nights spent 2023vs2019



For Lazio, a region that has seen a substantial increase in tourist activity, a feat largely driven by the tourist-inviting appeal and inflated growth of Rome, its crowning city which has driven the recovery of the total nights spent in Italy.

Equally intriguing is the **noteworthy appreciation of attention towards mountainous vacation retreats**, prominently Trentino Alto Adige/Sudtirol, that have managed to capture and sustain the interest of individuals seeking a harmonious blend of adventure and relaxation. Concurrently, a distinct pattern has surfaced in a few other regions.

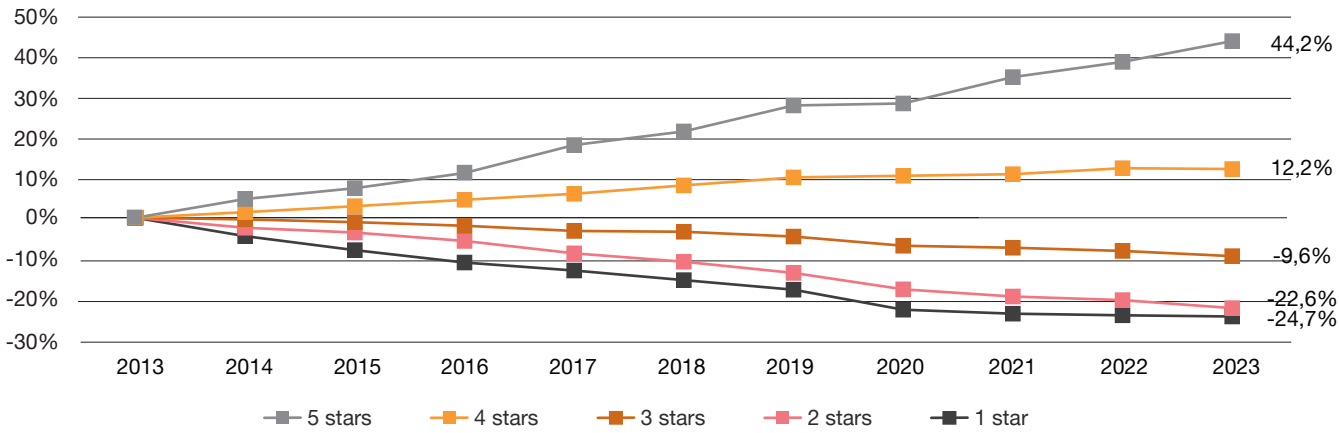
For example, Valle d'Aosta has been subject to an observable escalation in its domestic demand, most likely from surrounding regions and possibly stimulated by locals and residents opting for 'staycations' and exploring their homeland's offerings. Contrastingly, **Puglia's allure has extended beyond the country's borders, witnessing a positive upswing in its international demand** as it increasingly positions itself on the global tourism map. Notwithstanding these positive trends, however, there are certain regions that portray a different narrative. These historically tourist-heavy regions, such as Tuscany - famous for its rich artistic legacy, breath-taking landscapes, seem to be experiencing a slower recovery in demand which is most likely impacted by the significant increase in prices.

Supply analysis Hotel establishments

In the last years, there has been a **notable shift in investors' interest towards hotel facilities in the 4 and 5 star categories in the Italian market.** This shift is driven by the objective to reposition the supply

of hotel facilities, particularly in major cities such as Rome and in emerging markets. The increased interest in the 4 and 5 star categories is evident in the growing number of offerings in these segments.

Supply trend number of rooms by categories (2013 = 0%)



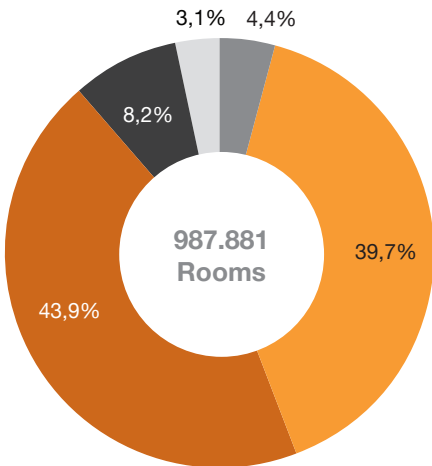
Investors recognize the potential and value in the luxury and upscale segments of the hotel industry.

They are actively investing in upgrading and expanding existing properties, as well as developing new ones, to meet the demands of discerning travelers seeking high-quality accommodations.

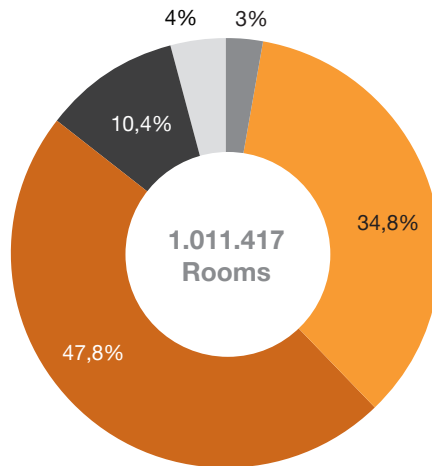
The emphasis on the 4 and 5 star categories is supported by market data, which indicates a significant rise in the availability of 5-star hotel facilities. This reflects a strategic response to cater to **the increasing demand for luxury experiences and premium services** from both domestic and international travelers.

Supply in terms of number of rooms 2023 vs 2013

2023



2013



- 5 stars
- 4 stars
- 3 stars
- 2 stars
- 1 star

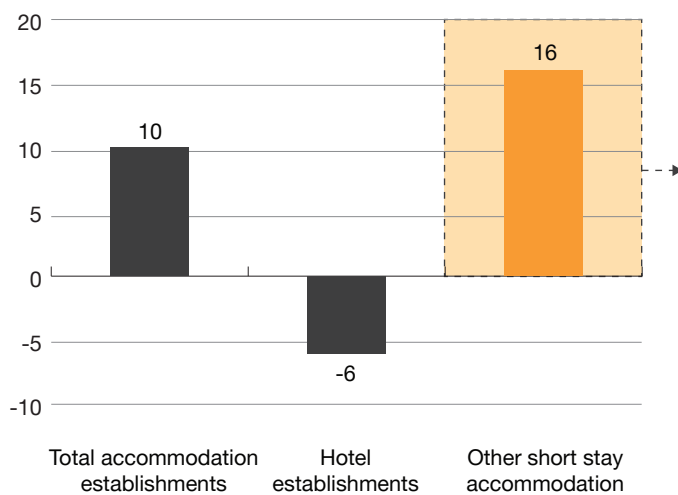
Source: PwC analysis

Demand analysis – Other short stay accommodations

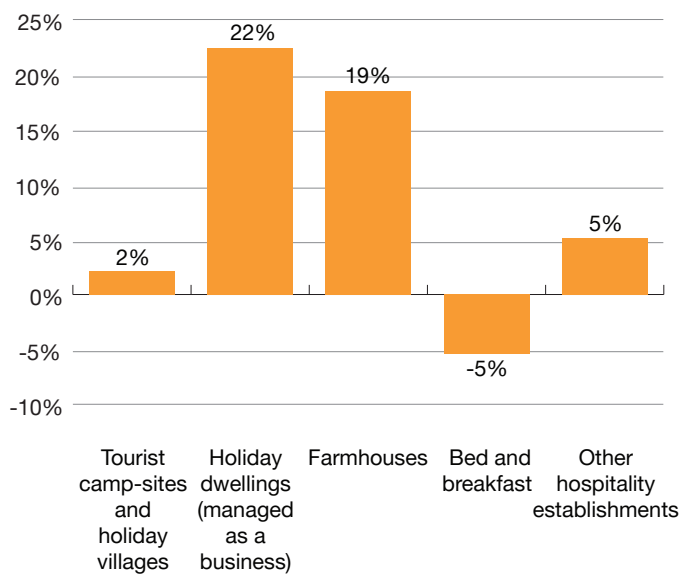
The analysis of demand, distinguished by accommodation types, underscores how the past four years have witnessed shifting accommodation preferences. Since 2019, traditional hotel lodgings have experienced a dip in demand, with a decrease of 6 million nights spent, while alternative accommodation facilities have seen an upsurge, recording an additional 16 million nights spent, which together have increased demand in all types of accommodations by 10 million nights spent over 2019.

The most noteworthy growth has been observed in the holiday dwellings (managed as a business) category. Prime cities such as Rome and Milan are particularly experiencing a marked incline in the number of nights spent in these holiday dwellings (managed as a business).

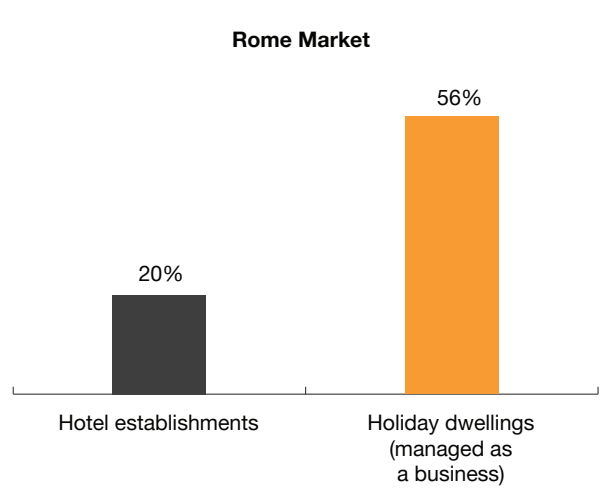
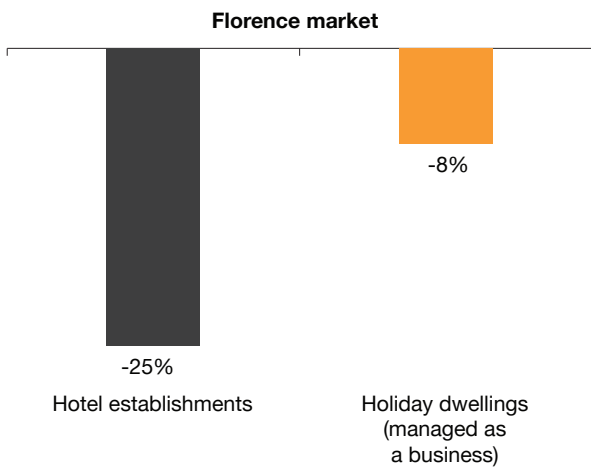
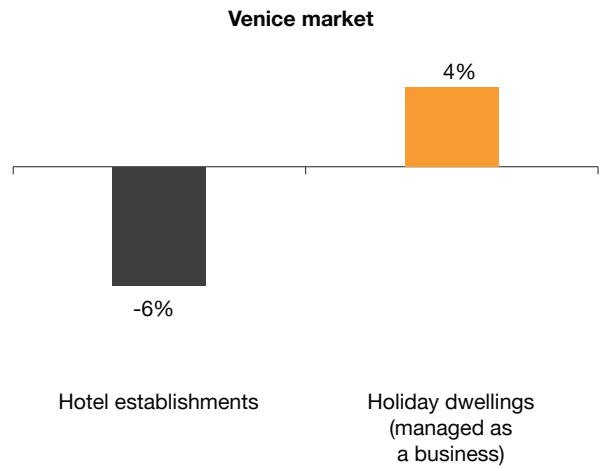
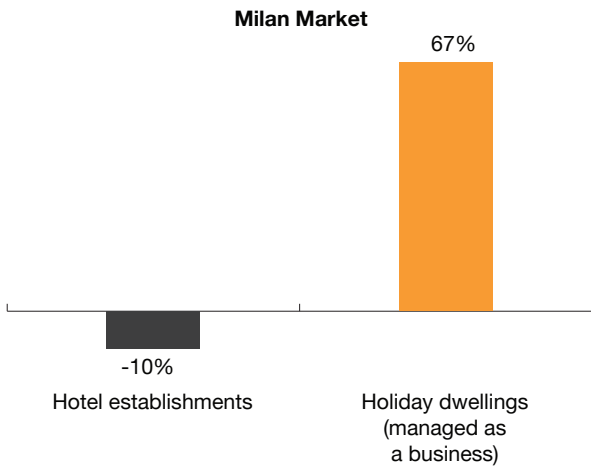
Variation (%) of nights spent by type of accommodation in Italy 2023vs2019



Variation (%) of nights spent by other short stay accommodation in Italy 2023vs2019



Variation (%) of nights spent at hotel accommodations vs holiday dwellings (managed as a business) in the main hospitality markets 2023vs2019

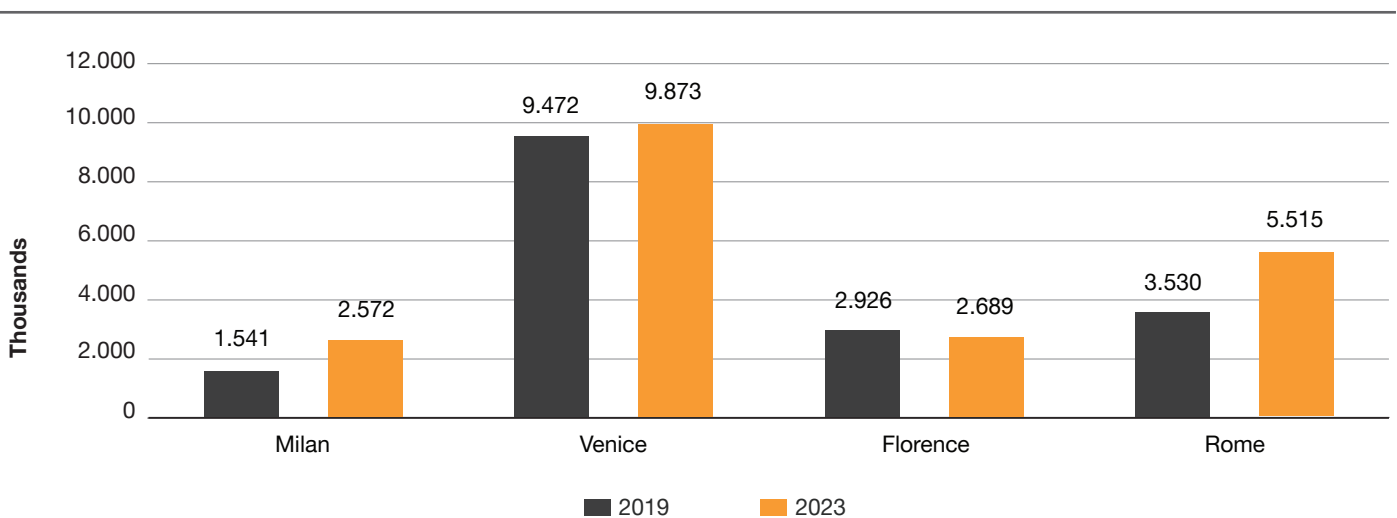


Analysis of holiday dwellings (managed as a business)

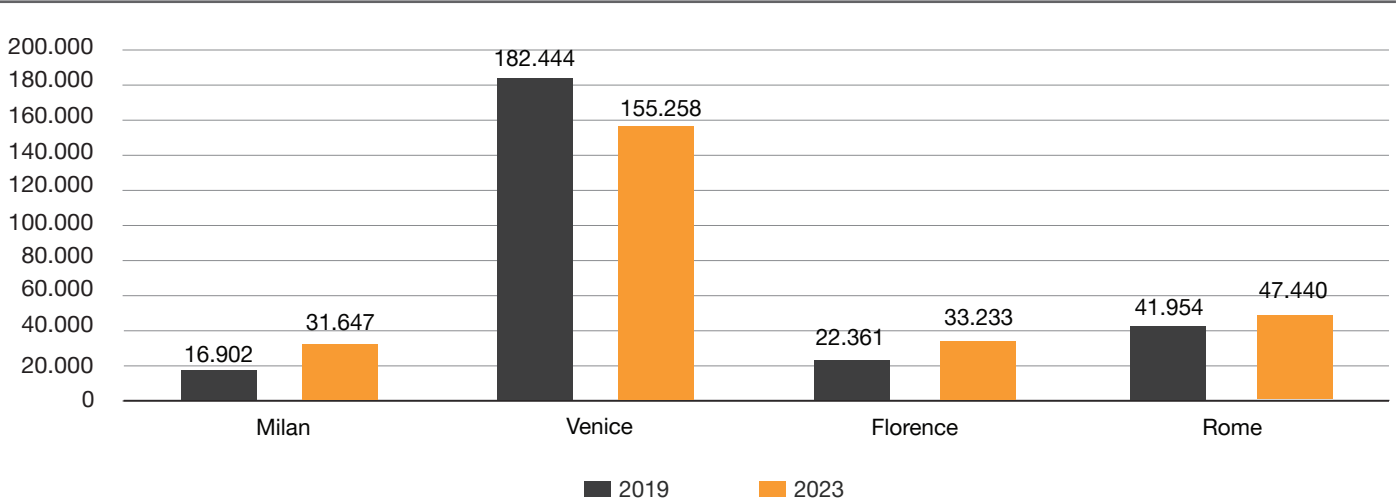
One of the most rapidly expanding segments in the hospitality industry in recent years is Holiday dwellings (managed as a business). The evaluation of demand, gauged through nights spent in major Italian hospitality markets, indicates substantial growth for this style of lodging, particularly in cities like Rome and Milan.

To meet changing consumer preferences and increasing demand, the bed supply in Milan, Florence, and Rome has increased over the years, while Venice has substantially decreased, but still remains the largest market.

Nights spent at Holiday dwellings (managed as a business) in the main hospitality markets 2019 vs 2023



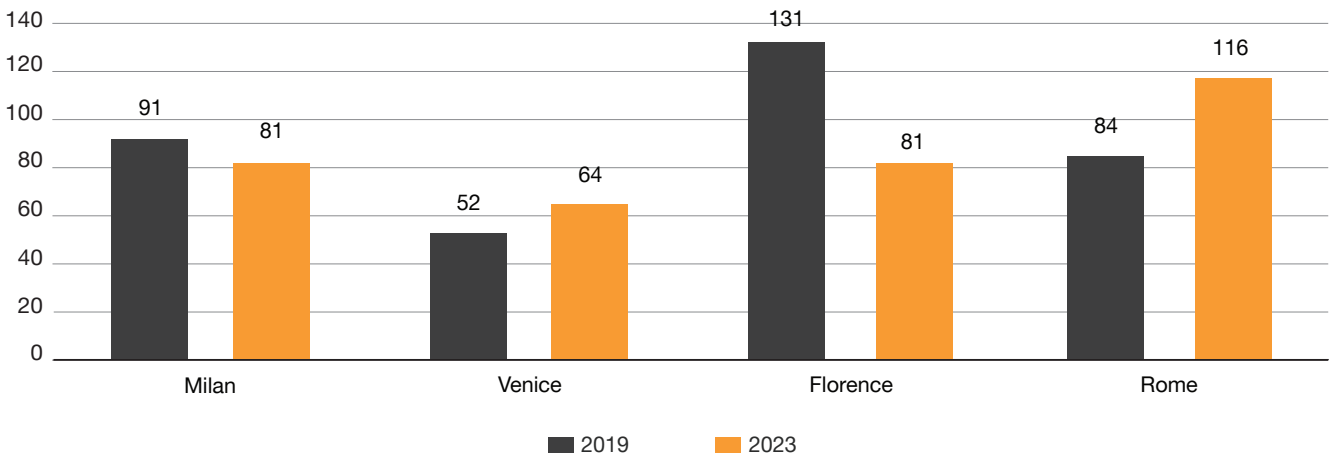
Supply (number of beds) of Holiday dwellings (managed as a business) in the main hospitality markets 2019 vs 2023



Analyzing the ratio of demand and supply, Rome shows the best performance with each available bed recording 116 nights spent, which has also increased significantly from 2019, further confirming the city's attractiveness.

Milan has also recorded positive results when considering that the demand and supply both increased significantly over the analyzed period. Florence has been impacted negatively from an increasing supply coupled with a stable demand.

Ratio of demand and supply (nights spent divided by number of beds) of Holiday dwellings (managed as a business) in the main hospitality markets 2019 vs 2023



Source: PwC analysis on INSI data

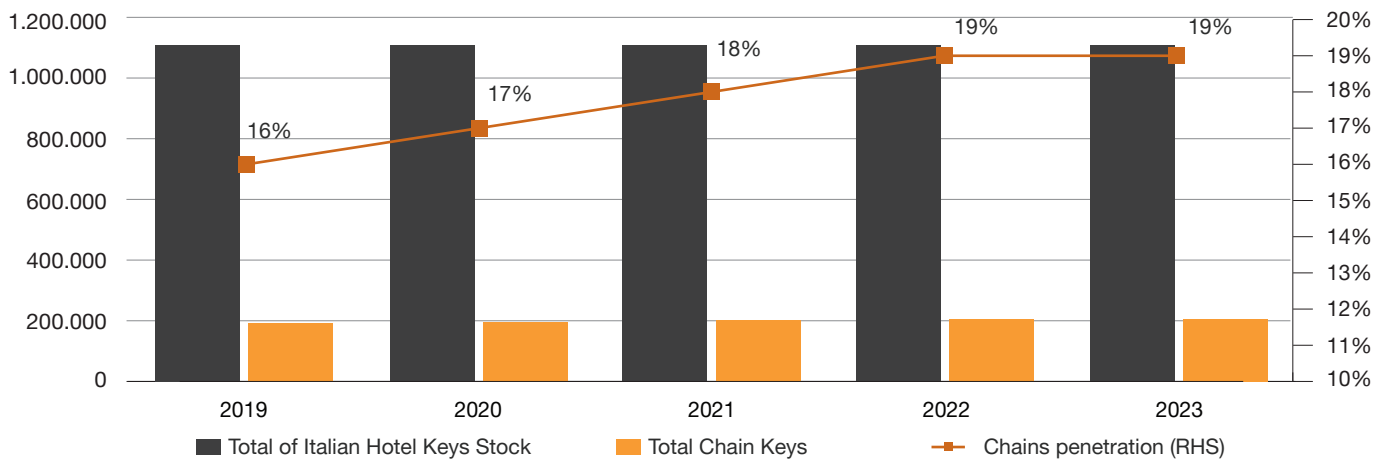


Chains in Italian hospitality market

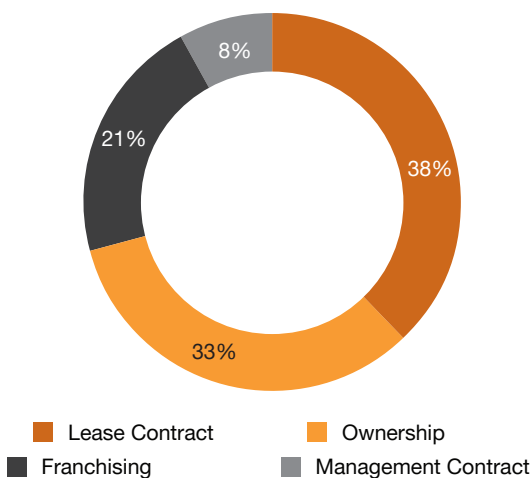
Traditional ownership patterns have long defined the **Italian hotel market**, with a **large number of family-owned properties that have been managed for generations**. However, in recent years, there has been a **notable shift towards the presence of hotel chains**, both domestic and international, in the Italian hospitality sector. This trend is evident in the increasing penetration of chain-operated rooms, which **now account for approximately 19% of the total number of hotel rooms in Italy**.

The rise of hotel chains signifies a changing landscape in the industry, with a greater emphasis on standardized services, brand recognition, and international management practices. This shift offers a broader range of options for travelers and reflects the evolving nature of the Italian hotel market.

Chains penetration in Italian hospitality market (rooms - 2019 - 2023)

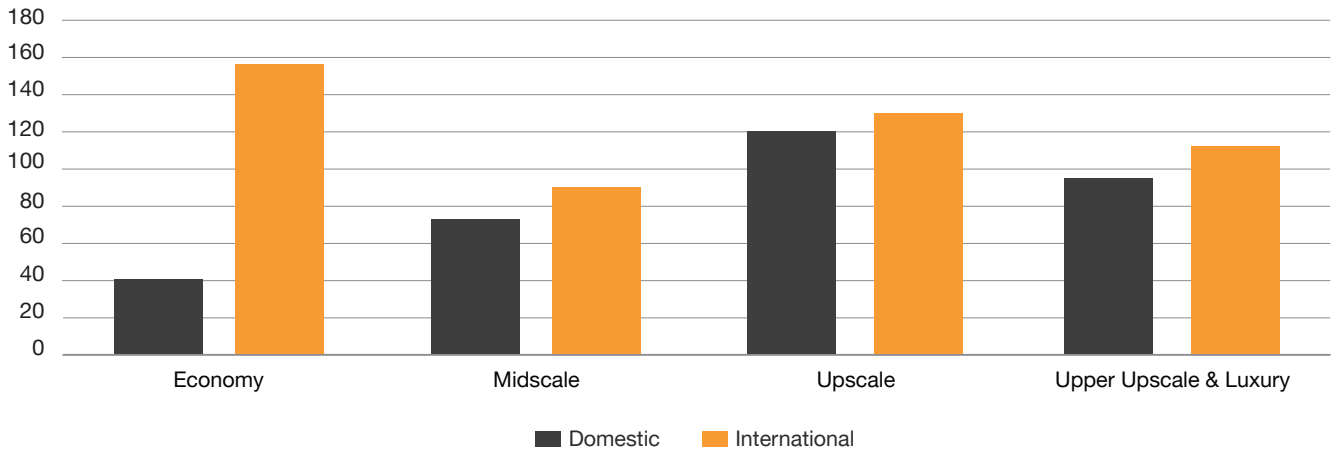


Breakdown of Chain by type of management in 2023



Ownership and rental are still the predominant business models in the Italian hotel market, accounting for approximately **33% and 38% of the total**, respectively. However, there has been a noticeable rise in the adoption of management contracts in recent years. This shift can be attributed to the expansion of large international hotel chains in Italy and their collaboration with international investors who are more inclined towards this type of operational arrangement. As these chains establish a stronger presence in the market, they are increasingly opting for management contracts to streamline operations and establish consistent standards across their properties. This trend reflects the evolving dynamics of the Italian hotel industry, with a **greater emphasis on partnerships and management expertise to drive success** in the highly competitive market.

Chain origin in number of keys (rooms) and Hotel chain average size in 2023



Source: PwC analysis on HTL Data

In 2023, the market segments within the hospitality chain industry maintained their average size similar to the previous year. The **upscale category continued to have the largest average size among the different hotel scales**, followed by the upper upscale and luxury segments.

However, it is worth noting that in the upscale segment, there is a smaller difference in capacity between international and domestic chains. This indicates that both international and domestic upscale chains are relatively similar in terms of their average capacity.



Overtourism

Over the past decade, there has been a significant increase in tourist arrivals worldwide, with some regions experiencing a dramatic surge in visitor numbers.

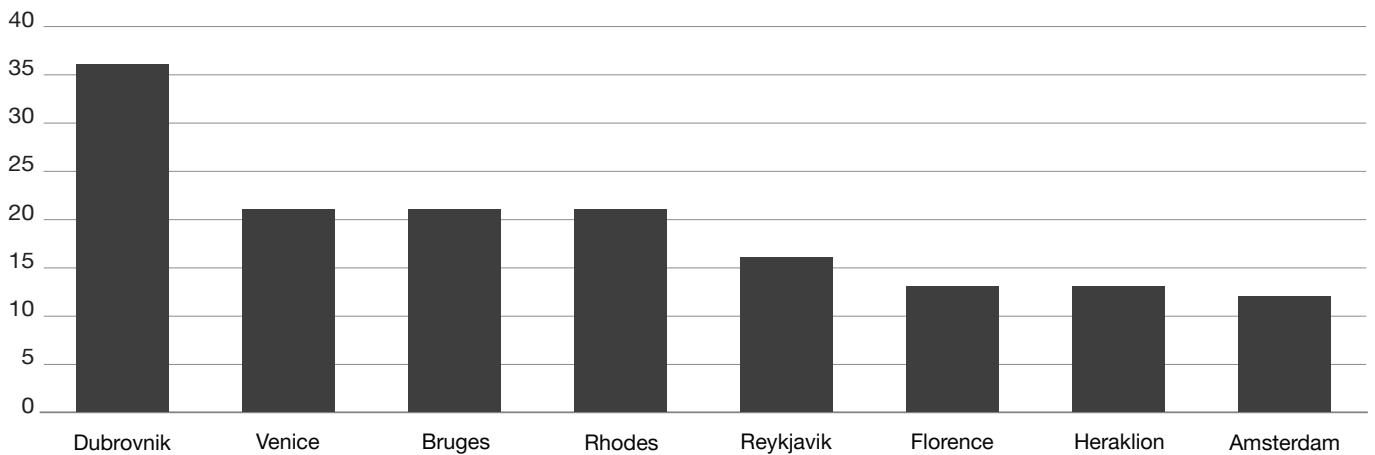
From **2010 to 2019**, the **World Tourism Organization (UNWTO)** recorded a growth in international tourist arrivals, rising from **950 million to 1.5 billion**.

However, the sustainability of this exponential growth in global tourism is now being questioned, particularly for destinations that may struggle to accommodate such a large influx of people. The concern lies in the capacity of certain places to manage and sustainably support the growing number of tourists.

This issue is further amplified by the fact that the COVID-19 pandemic temporarily halted tourism, which resulted in a backlog of pent-up demand once travel restrictions are lifted.

It is crucial to consider the impact of this surge in tourism on the environment, local communities, and cultural heritage. Overcrowding and strain on infrastructure, ecological degradation, and disruption of local lifestyles are some of the negative consequences associated with unsustainable tourism growth.

The most Over-Touristed cities in Europe in 2019 (Annual number of tourists per inhabitant of selected cities)



For a comprehensive assessment of the impact of overtourism on specific regions, it is crucial to measure **the intensity of tourist traffic in relation to the local population and spatial extent**.

Here, **Intensity Index** denotes the concentration of tourist influx compared to the resident population,

	Milan	Venice Island	Rome	Florence
Intensity index	0.02	0.80	0.03	0.06
Density index	188	5,007	63	200

**Intensity index: ratio of the number of nights spent on an average day to the number of residents*

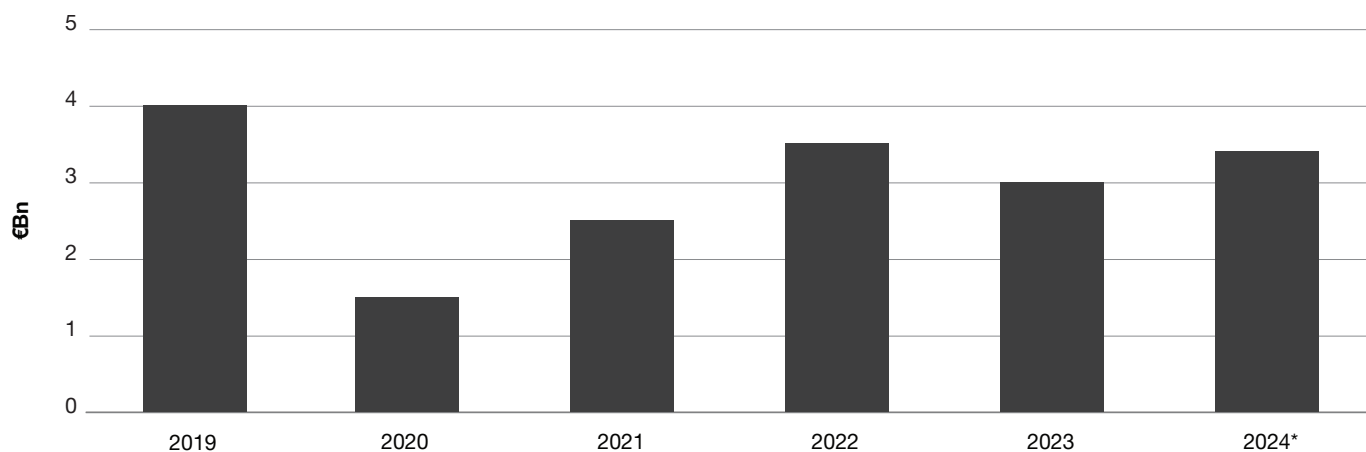
**Density index: ratio of the number of nights spent on an average day to the total area (km²)*

Source: PwC analysis on INSI and Statista data

while the **Density Index** refers to the geographical dispersion of tourists in the surveyed tourism-centric locale. By evaluating these two indices, we can gain a deeper understanding of the potential risks and opportunities across various Italian tourism markets.

The computation of these indices represents the sustainability of tourist traffic in a particular area. As our analysis shows, Venice Island records metrics that could potentially lead to a new scenario of tourism. Moreover, the impact of tourist flows are also assessed from the perspective of environmental sustainability and the potential impact they can impose on the local community. **This impact is measured in both positive terms**—such as the contribution of tourism to the city’s overall GDP, need for new hotels, restaurants, infrastructure — and in negative terms which might include a general impact on the living conditions of the resident population.

Historic trend revenues and forecast trend in Italian hospitality sector



Source: PwC analysis on Scenari Immobiliari data

The hotel real estate market in Europe is witnessing consolidation, with sales reaching nearly 20 €bn, while **domestic revenues in Italy stand at 3 €bn.**

The year 2023 has seen a surge in investor interest in Italian hospitality market. Forecasts for the Italian hotel industry remain optimistic for 2024, as **revenues are expected to increase (+13.5 percent from 2023)**, the supply of new facilities and reopenings.

The industry is confident in the potential of these properties to attract both domestic and international visitors, contributing to the continued development of the real estate market.



Key takeaways

- The European hospitality sector persistently holds a commanding attraction for institutional investors. The initial six months of 2024 have seen significant investments throughout Europe, amounting to a total of €10 billion. Simultaneously, there has been a notable surge in the Italian market which has posted an impressive total of €950 million, symbolizing a substantial increase when compared to the same period of 2023.
- In terms of investments, hotels have become the leading asset class in Italy during H1 2024.
- Hotel investments recently started to expand outside of the main tourism markets into secondary locations. This targeted deployment signifies potential opportunities in these emerging locations.
- Throughout 2023, Italy's tourism sector witnessed a definitive revival in demand, with the main tourist destinations demonstrating generally positive trends. Among these premier cities, Rome particularly distinguished itself with a dramatic surge in demand, investments and room rates, which continued into 2024.
- However, not every region in Italy recovered equally, indicating that a small share of tourists are shifting their interest towards new markets.
- There has also been evidence of shifting accommodation preferences from traditional hotels to other short stay accommodations in Italy. In fact, in 2023, 16 million more nights spent have been recorded compared to 2019, while demand for traditional hotels slightly decreased.



- The Italian hotel industry has historically been characterized by a preponderance of family-owned establishments, often managed across several generations. However, recent years have been marked by a discernible swing towards the inclusion of both domestic and international hotel chains within the Italian hospitality landscape. This evolution is substantiated by the climbing share of rooms operated by these hotel chains, which presently represent close to 19% of the total hotel room capacity in the country, which is however still below other European countries.
- The past ten years have witnessed a remarkable spike in global tourist arrivals, with certain regions exhibiting an astounding expansion in visitor count. The period from 2010 to 2019 saw the World Tourism Organization (UNWTO) report an increase in international tourist arrivals, soaring from 950 million to an overwhelming 1.5 billion. Yet, the viability of this skyrocketing growth in worldwide tourism is currently under scrutiny, especially concerning destinations that might grapple to manage such a massive inflow of tourists.



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