

A modern hotel lobby with large glass windows overlooking a city street. The interior features a large blue patterned rug, several leather sofas, and armchairs. The text is overlaid on the right side of the image.

2021

BUILDING & RENOVATING HOTELS : ITALY

Cost survey based on 260+
completed and operating projects

THRENDS
TOURISM & HOSPITALITY ANALYTICS



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Cover image:
Downtown Houston, Houston, TX, USA – a hotel building
Photo courtesy of Unsplash
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CREDITS

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Lorenzo Bortoletto | Senior Data Analyst



This year we improved our coverage of projects and we partially reviewed previous figures. Moreover, we investigated many projects completed in 2021, a critical year for construction.





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Welcome to a high-fidelity 2021 edition

The pandemic has boosted the importance of hotel renovations.

To use the time earned by the imposed cease in operations for renovating hotels has become an imperative for such an old-fashioned portfolio as the Italian one.

In Italy, we have witnessed a tremendous growth in the works originated in 2020 and 2021 compared to previous years, especially in the Upscale and Luxury tiers.

Based on the success received with the previous 2019 and 2020 editions, we have renovated our effort to improve the CapEx database: today we can count on overall 264 records of fully completed projects, spanning in the years 2013-2021 and some pipeline. A very substantial evidence to investigate how the cost of construction and renovation moves along the several market segments, size, type of building and locations in Italy.

The 2021 will probably represent a milestone year for the cost of hotel development. This is partially evident from our data, but it is for sure confirmed by the widely acknowledged rise in raw materials' price, which was sensibly recorded at the end of 2020 and beginning of 2021. Steel, wood, concrete, iron, copper, etc.. have all grown in price from 15% to even 25% on 2019 prices. And the impact of inflation is also very evident from other perspectives (services) and it will be more evident in the very next future.

The rise in the cost of construction is unlikely to be an isolated event and hotel development will have to take this shift into account, moving the profitability estimation exercise to a new stage.

With this updated report, we are here to support the understanding of the cost of construction and renovation, making it easier, in the planning stage, to predict how these costs affect the hospitality asset class return.

Every year we improve in accuracy (we doubled our database since 2020) and we try to convert such accuracy into trustable data to support hotel developers and operators.

Finally, thank you to all hotel developers, architects, engineers, owners and brands who have contributed to this report and made it possible.

Hope you will find it useful!

Giorgio Ribaudò | Managing Director



262

Hotels & Resorts

3,3 b €

Overall CapEx value

>32,600

Keys

67%

Branded Hotels

The strongest source of
information on
CapEx in Italy

Updated.
Solid.
Reliable.

METHODOLOGY

This Building & Renovating Hotels 2021 report provides an accurate analysis of the total expenditure for the execution of different types of works on hotels and resorts in Italy.

All analyses are based on a proprietary database containing over 260 records of completed projects and pipeline. In general, figures are based just on completed and operating projects, apart from the session named "Pipeline".

Works are here categorized into five groups:

- **simple revamping**
- **light renovation**
- **heavy renovation**
- **conversion from other use and**
- **greenfield development**

These are further divided based on the hotel classification (segment). The market segments (for both city hotels and resorts) are:

- **Midscale: 3 stars**
- **Upscale: 4 stars**
- **Luxury: 5 stars and 5L**

The results of the analyses are displayed through the following ratios:

- **costs/sqm €**, which is derived by dividing the overall cost by the gross area of the building
- **costs/key €**, which is derived by dividing the overall cost by the number of rooms/apartments
- **FF&Es/key €**, which is derived by dividing the overall costs spent for the FF&E component (when available as detailed information) by the number of rooms/apartments.

The report also describes the impact that some independent variables, such as branding, location or type of building, play on these ratios.

All data are based on 264 records of completed works and pipeline project budgets, which we collected from hotel chains, design studios, architects and engineering companies, for the period 2013-2021. Costs occurring before 2020 are capitalized at the average composed official inflation rate occurring in the period between.

The database in our possession can accurately determine the expected costs (per sqm, per room, for FF&Es) based on several variables. The enquirer can request a benchmark set (of 10 observations or such) by contacting directly THRENDS at analyst@thrends-italy.com.

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DEFINITIONS

Simple revamping

Works that are limited to interior design, furnishing accessories, “touch & feel” of common areas that are used the most. Deals with the day-to-day wear and tear of FF&Es

Light renovation

*Works which deal with the **renovation or replacement of less durable furnishing and finishes without changing the physical layout.***

Heavy renovation

*Works where **major elements** are added, reconfigured or relocated for efficient operations and other reasons to meet the new structural designs*

Conversion

*Works where the **intended use of the building changes completely** or partially to an establishment that falls within the category of hospitality*

Greenfield

*The hotel is **built on a land that has never been used before**; nothing has been demolished (in the case it was, those costs were not taken into consideration), and the hotel is literally brand new.*

Total costs are all reported net of VAT, net of administrative expenditures and taxes/burdens, net of the land value and net of any other costs linked to acquiring the business vehicle.

Planning and engineering, PM and design costs are all included.

The dataset finally used for estimating CapEx includes exclusively those works which were carried out within the 2013-2021 decade (in the 2008 financial crisis aftermath)

For the “pipeline section” we included budgeted costs referred to those works to be carried out in the years 2022-2023.

Total costs were inflated according to ISTAT guidelines based on the year in which the project was completed, capitalizing all values to the year 2021.

COST EXECUTIVE SHEET (€)

COST/SQM



	SIMPLE REVAMPING	LIGHT RENOVATION	HEAVY RENOVATION	CONVERSION	GREENFIELD
MIDSCALE	270	310	1,250	1,040	1,580
UPSCALE	150	480	1,250	2,050	2,440
LUXURY	-	1,500	2,680	2,470	2,380

COST/KEY



	SIMPLE REVAMPING	LIGHT RENOVATION	HEAVY RENOVATION	CONVERSION	GREENFIELD
MIDSCALE	12,600	20,100	70,700	43,500	83,800
UPSCALE	8,300	27,300	70,000	139,764	187,200
LUXURY	-	117,100	264,900	219,200	298,600

FF&Es/KEY



	SIMPLE REVAMPING	LIGHT RENOVATION	HEAVY RENOVATION	CONVERSION	GREENFIELD
MIDSCALE	8,200	9,200	18,800	9,000	10,800
UPSCALE	4,800	12,400	16,300	38,350	24,100
LUXURY	-	23,200	61,100	47,300	42,300

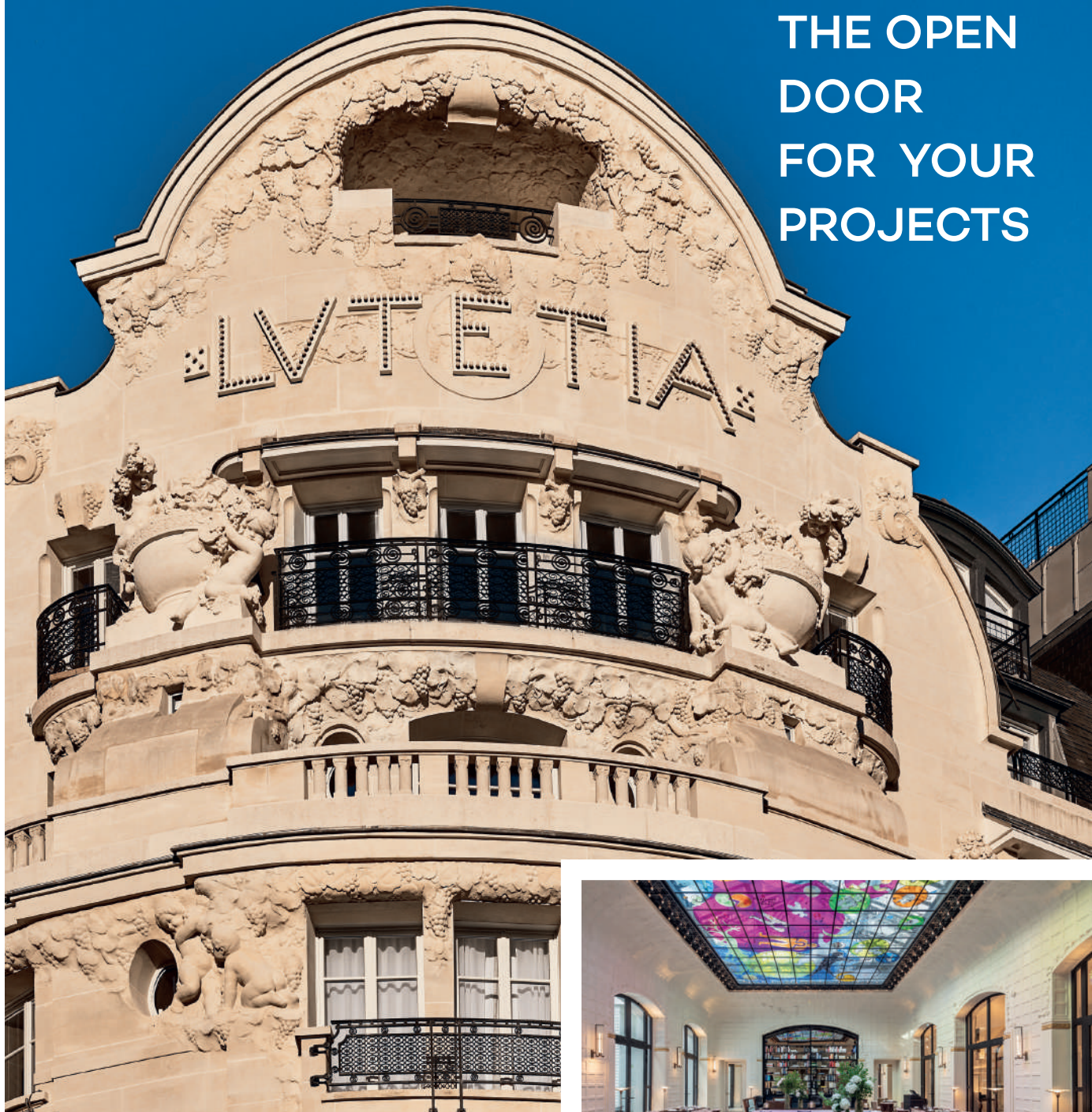
FF&Es %*



	SIMPLE REVAMPING	LIGHT RENOVATION	HEAVY RENOVATION	CONVERSION	GREENFIELD
MIDSCALE	66%	40%	23%	24%	11%
UPSCALE	60%	45%	24%	31%	13%
LUXURY	-	20%	24%	22%	14%

*Considering exclusively those works for which both costs and FF&Es CapEx are known

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COST EXECUTIVE SHEET (€)

CHAIN vs INDEPENDENT

COST/SQM

COST/KEY

FF&Es/KEY

Chain

Indep.

Chain

Indep.

Chain

Indep.

SIMPLE REVAMPING

MIDSCALE

300

250

16,200

8,900

7,600

8,900

UPSCALE

140

180

7,200

10,600

3,400

9,200

LUXURY

-

-

-

-

-

-

LIGHT RENOVATION

MIDSCALE

230

370

13,800

24,300

-

9,200

UPSCALE

480

-

27,300

-

12,400

-

LUXURY

930

2,080

89,000

145,200

16,400

30,100

HEAVY RENOVATION

MIDSCALE

970

1,530

48,400

93,000

8,300

32,800

UPSCALE

1,240

1,290

72,500

63,600

16,900

13,000

LUXURY

2,590

3,240

244,300

389,100

60,100

64,700

CONVERSION

MIDSCALE

980

1,290

37,200

68,400

9,000

-

UPSCALE

2,130

2,090

151,500

148,500

39,700

38,400

LUXURY

2,260

3,080

197,000

285,700

45,400

52,900

GREENFIELD

MIDSCALE

1,580

-

83,800

-

10,800

-

UPSCALE

2,460

2,420

156,800

229,700

30,300

16,300

LUXURY

2,470

2,150

252,000

415,300

39,600

49,000

NORTHERN vs SOUTHERN ITALY

COST/SQM

COST/KEY

FF&Es/KEY

North South North South North South

SIMPLE REVAMPING

MIDSCALE	270	-	12,600	-	8,200	-
UPSCALE	130	160	7,500	8,700	6,000	4,000
LUXURY	-	-	-	-	-	-

LIGHT RENOVATION

MIDSCALE	300	350	19,200	23,600	9,200	-
UPSCALE	500	470	28,800	25,800	16,000	9,300
LUXURY	1,500	-	117,100	-	23,300	-

HEAVY RENOVATION

MIDSCALE	1,350	560	78,300	40,500	22,200	10,300
UPSCALE	1,300	1,190	73,700	65,300	18,800	12,900
LUXURY	2,850	2,250	270,800	250,400	56,400	71,800

CONVERSION

MIDSCALE	1,130	980	48,500	40,100	7,700	9,400
UPSCALE	2,290	2,200	122,400	116,400	-	34,400
LUXURY	2,420	2,510	231,400	207,100	42,400	52,200

GREENFIELD

MIDSCALE	-	1,580	-	83,800	-	10,800
UPSCALE	2,580	2,020	208,000	124,600	19,000	34,400
LUXURY	2,590	1,840	357,000	152,700	49,100	25,200