Italy

Italy’s luxury property sector proves beacon of hope in recession

Guy Dinmore and Giulia Segreti in Rome NOVEMBER 15, 2013

An imposing bronze statue of a gladiator armed with trident and net overlooks the lobby paved with delicate yellow Siena marble illuminated by Murano crystal chandeliers from Venice.

There is no mistaking the Italian character of the Regina Baglioni in Rome’s renowned Via Veneto, but its new owner is the ruling family of Qatar, which bought the five-star hotel through its Mayhoola for Investments fund after acquiring Italian designer Valentino last year for a reported $850m.

Liveried staff, who respectfully refer to their new landlord as the “emir”, say he liked the Liberty-style hotel so much he has permanently reserved the eighth-floor penthouse suite for family visits to Rome, while maintaining management under the previous owners of the Baglioni group. “Nothing has really changed,” comments a waiter.

Round the corner, staff at the prestigious 121-room Hotel Eden, which hosts heads of state, royalty and celebrities, are adjusting to a new regime under the Sultan of Brunei’s Dorchester Group, which acquired it two months ago for an estimated €1m a room, the going rate for a five-star hotel in Rome.

Across Via Veneto, next to the imposing and fortified US embassy, rumours are swirling that there is potential Arab buyer for the Excelsior, currently owned by the Westin group and famed for hosting successive US secretaries of state as well as some of Washington’s vaunted enemies. Former Iraq deputy prime minister Tariq Aziz was a guest just days before the 2003 US invasion.

Other recent purchases of luxury hotels in Venice, Milan, Florence and Sardinia’s Costa Smeralda – as well as the €250m acquisition of the upmarket Rinascente department store chain by Central Retail Corp, Thailand’s biggest shopping-centre operator – confirm a surge of interest in Italy’s “trophy” assets among wealthy magnates from Turkey, the Middle East and Asia.

With luxury purchases running into several billion euros during Italy’s long-lasting recession, the high-end property sector – which has remained relatively stable and did not suffer the burst bubbles seen in Spain and elsewhere – is proving a beacon of hope in a country that has struggled to attract foreign investment in industry beyond food and fashion.

Rome has long been a magnet for the global elite but Massimo Caputi, deputy chairman of the Prelios real estate group, also sees a new trend in hot money leaving the smoking ruins of the Arab spring, including conflicts in Libya and Syria.

“The Arab spring has moved a lot of money around the Mediterranean. Greek real estate is also benefiting from this,” he told the Financial Times.

“Italy is now very attractive for trophy assets,” he said, noting the interest expressed recently by a Taiwanese group, which he did not name, in buying a chain of 20 five-star hotels. Unfortunately such a chain does not exist in Italy’s fragmented property market, with many prestigious hotels still under individual private ownership.

While patriotic commentators fret about distressed sales in what is becoming known as Italy’s “great sell-off”, Bernabò Bocca, a centre-right senator and luxury hotel owner, says the spending spree “makes us feel very honoured and confident in the future of tourism for our country”.

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> **Massimo Caputi, deputy chairman of Prelios**

“Investors are focusing on the fashion and tourism sectors. These are the country’s diamonds which are not given enough value in Italy. The fact that foreign investors are coming, with great sums of money, should make us more conscious of our assets,” says Mr Bocca who is also head of the national Federalberghi hotel association. “This phenomenon has just started. They see Italy as a country of dreams with huge appeal.”

Mr Bocca wants to see a “consistent” national tourism strategy to promote Italy as a whole, rather than the competitive and divisive campaigns pursued by individual regions acting like the fiefdoms of the country’s fragmented past. Mr Caputi urges the government to pursue coherent fiscal policies to draw more investors into the commercial property sector.

For the throngs of tourists seeking traces of *La Dolce Vita*, the “sweet life” portrayed in the iconic 1960 film by Federico Fellini, there is little that would reveal a loss of Italian identity on via Veneto.

The Café de Paris still proudly bills itself as the “the café of the Dolce Vita”, displaying fading images of past illustrious guests such as Salvador Dali, Henry Fonda and Fellini himself.

But it omits to mention that four years ago the property was seized by the courts from a suspected clan of Calabria’s ’ndrangheta criminal network and placed under new management.

As recent events attest, wealthy sheikhs are not the only new rich drawn by Rome’s jewels. Just this week anti-mafia prosecutors seized the Grand Hotel Gianicolo, a €150m establishment with pool and gardens overlooking Rome, which investigators in Calabria alleged was a money-laundering vehicle for businessmen linked to the ’ndrangheta.

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