

# ITALY'S SHORT-TERM RENTAL MARKET EXPERIENCES PROFITS DROP



Slowing down now, Italy's short-term rental market faces a sharp drop after two years of rebounding strongly following the pandemic. Nearly 16% lower on average, earnings in the sector reflect tougher conditions ahead.

Major tourist hubs report fewer guests staying longer, along with shrinking revenue numbers across the board. **Once seen as central to tourism recovery, these rentals now show early signs of weakening under pressure.**

Even though earnings slipped, Venice still sees solid returns on vacation homes. A closer look at numbers gathered by Italianway shows income after costs - minus flat-rate taxes - fell nearly 17 percent each year, moving down from €21,672 to around €18,000. Profit before expenses? It holds strong, sitting at 10.8% of a property's worth. On average, properties were booked less often; full weeks rented dropped from 62% to 55%. What stands out is how demand softened across the board.

Falling in line with broader trends, Florence saw its yearly net income drop by 12.6%, pushing overall profit margins down to just 6.8%. Meanwhile, room occupancy across the city dipped slightly - from 61% to 58%. On another note, Rome recorded a smaller decline in earnings, at 9.4%, yet still holds a stronger margin of 9.5%. Though different in scale, both cities reflect tightening financial pressure.

Because of fresh rules and fewer travelers coming in, performance has dipped. New demands - like requiring a national ID number, tougher checks on taxes, plus changes under EU guidelines for short-stay rental sites - have made operations harder. Some listings now face heavier paperwork while also losing exposure online.

Even so, short-term rental availability stays strong. Across Italy, the MITUR lodging registry (Bdsr) shows more than 718,000 units on record, nearly 72,000 of them sitting within the nation's top twenty provincial hubs. With new bookings slowing while inventory holds firm, pricing power begins to weaken. Yet a shift emerges - more spaces compete for fewer guests.

Marco Celani, President of AIGAB (the Italian Association of Short-Term Rental Managers), commented on the data: "There are several reasons for the slowdown. Rates, after peaking in 2023, are steadily declining. Furthermore, there is a general reduction in demand from international and high-spending tourists: fewer Americans and Asians have arrived in Venice, and it's inevitable that the market will suffer. The Veneto capital, Florence, and Rome share a very similar tourism model and are experiencing the same dynamics."

Even so, Milan breaks the pattern among places leaning heavily on traditional culture and history tours. While others struggle, its short-term earnings barely shifted - down just half a percent across the year. Still, the old district fared worse, slipping close to two points lower. Despite that, the city holds firm where many have faltered.

**Now shaping up is a shift tied to markets settling beyond the sharp rebound seen right**

**after pandemic peaks.** Though rules grow stricter - pushing clearer reporting and better tax handling - businesses must adjust as room fill rates dip alongside income from once-strong overseas travelers. What unfolds next may hinge less on single factors, more on how rule shifts, new space entering the market, and returns of major foreign guest groups play out together.

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