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POST-COVID-19 RECOVERY SCENARIO FOR RESIDENTIAL REAL ESTATE: A CASE STUDY

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SUMMARY

INTRODUCTION

The aim of this paper is to carry out a study that identifies possible post-Covid-19 scenarios based on the data and forecasts of the major players in the Italian residential real estate market (MIR, per its Italian acronym). Starting with detailed data on the sector's pre-Covid-19 situation, the paper will also consider some innovative approaches (Casavo), as well as the resources that will be available in the next few years to foster the post-pandemic socio-economic revival.

1ST PART: THE MIR STRUCTURE

The MIR is characterized by an articulated structure, not only composed of sellers and buyers but also of owners, renters, consumer-owners, buyer-sellers (those who buy a larger home by selling a smaller one), builders and others.

There are still intermediaries and facilitators (real estate agents, credit institutions, consultants, etc.....).

Compared to "normal consumer goods", MIR differs in the following ways.

Here are some of the most important ones:

- **Durability of the asset**: The lifecycle of a property is very long;
- **Heterogeneity**: Properties are very different from one another. Precisely the variables that make them different influence their value in a way that is sometimes not easy to estimate;
- **High Transaction Costs (CT, per its Italian acronym)**: These are the costs associated with the purchase and sale of any good/service. In this context, it is necessary to consider taxes, brokerage, mortgage costs, consultancies, etc...;
- **Switching Costs (CS, per its Italian acronym)**: These are the costs to be incurred in order to switch homes. They include the CTs but also include the costs associated with the changes that have to be made when moving to another area (e.g. changing habits, schooling, cost of living, etc...);
- **Inertia**: The market reacts relatively slowly to environmental changes;
- **Consumer-owners**: A property can be bought or rented either for personal use (consumption) or for revenue generation (investment);
- **Real estate**: Buildings "cannot be moved" like other assets; therefore, their value is affected

by local environmental variables. They can be liquidated but their liquidation takes a relatively long time;

- **Importance of local factors**: Real estate, heterogeneity and consumer tastes are not conducive to the emergence of a national or global market. The residential market is very much affected by area-specific factors: Knowledge of the area, infrastructure, safety and quality of life, status, etc... For this reason, it may occur that some areas may have market dynamics that differ from general aggregate trends.

An Overview of the MIR

The real estate market deals with the construction and sale of property and everything that revolves around it. It is an attractive market because the object of negotiation has a high economic and social value.

Construction companies (small and large) are the entities that deal, together with architecture and engineering companies, with the design and construction of residential and other properties.

Real estate brokerage companies, on the other hand, are responsible for animating the real estate market. An increasingly important role in the real estate market is that of the consulting companies; in many cases, an investment's success depends on them.

Real estate brokerage and consulting are not the only services offered by the MIR, as operators in this market also tend to provide financial (e.g. shares, forms of credit granted by banks and specifically designed for real estate investments) and insurance services.

On the other hand, those who provide financial support to the real estate market are the institutional investors, represented by:

- banks;
- real estate leasing companies;
- insurance companies;
- supplementary pension funds;
- industrial real estate companies;
- commercial real estate companies;
- public sector;

- real estate funds;
- asset managers,

by placing or purchasing existing properties on the market and financing the construction of new ones.

These operators, who provide various, collateral legal, technical, financial, consultancy and intermediation services, affect, through their professionalism and behaviour, the degree of security and the very operation of the real estate market, which can become increasingly secure and accessible to end customers.

The Italian Real Estate Market

The real estate market is actually an alternative form of investment to the financial markets. The liquidity of the traded asset (property) is quick and easy. Houses, villas, apartment buildings and all types of residential real estate, as well as warehouses, offices, laboratories, stores and any other non-residential properties for production, tourism and administrative purposes can be negotiated.

The purchase and sale of real estate (negotiation) are closely linked to the mortgage sector as more than 50% of transactions on the residential real estate market makes use of mortgage transactions.

For this reason, the real estate market is strongly connected to the credit and financial markets.

For obvious reasons, when interest rates on mortgages (real estate loans) fall, there is an increase in trading in the real estate market while, in the opposite case, the volume of trading in the real estate sector decreases.

Real Estate Sectors

Real estate sectors are diversified according to the type of property traded.

The main real estate sectors in the MIR are:

- the residential building sector: public and private;
- the non-residential building sector: public and private;
- the public works sector.

Real Estate Market Players

The main players in the Italian real estate market are:

- Construction, architecture and engineering companies;
- Real estate brokerage companies;
- Real estate promotion, management and consulting companies;
- Real estate exchanges
- Private citizens (families);
- Institutional investors;
- Industrial and commercial real estate investment companies;
- Public administration (public welfare agencies, "public" companies, territorial entities, State, etc...);
- Banks, banking foundations, insurance companies and banking or insurance asset managers, real estate merchant banks;
- Real estate leasing companies;
- Pension funds;
- Supplementary funds;
- Real estate funds;
- Institutional lenders (e.g. banks) that provide forms of land and real estate credit (mortgages) to those who intend to carry out real estate transactions.

First the globalization of markets and now the Covid-19 crisis impose on real estate market operators, on the one hand, significant economic resources to be able to support projects to reactivate the sector and, on the other hand, the need to develop financial instruments capable of stimulating and supporting the demand for real estate in a context of evident widespread and generalized economic difficulties, if not a real increase in poverty and insolvency.

Real estate investment and service companies should, therefore, definitely aim to improve a number of key points, including:

1. Liquidity and offerings;
2. Management skills and marketing.

With the hoped-for post-Covid growth of the market, it is likely that real estate investment funds will gradually replace the large real estate holding companies, or will be joined by newly conceived property companies.

In the post-Covid Italian real estate market, in my opinion, the real protagonists of direct investment in real estate will increasingly be **real estate investment funds**; **life insurance companies** (no longer required by law, but by free choice of investment); **social security and pension funds** (to the extent permitted by the laws in force); and **trusts and foreign companies** interested in the best Italian locations.

Construction Companies

An important role in the Italian real estate market is played by the companies involved in the construction of buildings:

- actual construction companies (direct producers);
- companies that supply materials to builders (raw material suppliers).

These companies are the "engine" of the MIR, as they build the property or supply the materials to build and maintain it.

The trend of supply and demand depends on the quality and quantity of the products supplied by the (real estate) construction companies.

Obviously, companies operating in the real estate market are subject to particular laws, procedures and construction constraints (e.g. mandatory tenders for the award of works contracts, compliance with regulations and obligations, administrative and other costs and timeframes, safety, etc...).

Since the price of the property is strongly linked to production costs, the organization and management of both companies and projects is a strategic point for the competitiveness of our market.

Some characteristics of construction companies are:

1. They produce the goods (property) subject to negotiation throughout the real estate market;

2. They have different characteristics from those of companies operating in other sectors;
3. They are generally "multi-site," "nomadic" companies whose production is influenced by environmental logistics and weather factors;
4. The production phase often makes use of a pool of small businesses coordinated by a larger lead company;
5. They can operate directly on the market or on commission (public or private) according to what is regulated by the Commercial Code;
6. They carry out more or less complex real estate projects (housing, hotels, shopping centers, etc...) according to their productive specialization and the financial and instrumental resources available.

A good real estate market is always based on the professionalism, reliability, efficiency and overall quality of these operators.

The satisfaction of the end customer who turns to real estate brokerage firms to find the property of their liking is, in fact, for the most part, based on the final product, as is the case in all transactions.

Real Estate Brokerage Companies

Once the property has been produced by the construction companies, those who manage the negotiation in the real estate market are the real estate brokerage companies, which also offer the final buyer "high value-added" services.

In fact, real estate brokerage firms offer several advantages to those who have to operate in the market for the purchase or sale of real estate:

- Better knowledge of the local real estate market and operators, allowing customers to enter the local real estate market in a more informed and protected manner;
- A greater possibility of selecting reliable construction companies, reducing property risks for the end customer;
- Technical, contractual and financial advice to the parties involved in the purchase and sale transaction, with greater possibilities to meet the multiple needs of customers, offering services with high levels of customization;
- An opportunity for customers to have direct and easier access to credit operations for the

purchase of real estate units, since real estate brokerage companies are increasingly linked to banks or financial institutions specializing in real estate credit operations;

- A greater ability to place customers in direct contact with other operators in the real estate market to obtain collateral services (building renovations, insurance services, etc...);
- Time savings and, therefore, greater economic convenience for those who are looking for or intend to sell their properties. The loss of time, for those who work, inevitably involves a loss of earnings, which in many cases can be even higher than the commission to be paid to the intermediary;
- A reduction in the level of risk arising from the buyer/seller customer's purchase and sale transactions; this risk is often directly proportional to haste, lack or poor knowledge of the various technical-contractual aspects connected with real estate transactions, the information asymmetry that generally characterizes all markets, and the lack of specific preparation and/or updating with regard to the local context, which is difficult to dominate by acting alone;
- Generally more secure conditions as one relies on qualified professionals who have followed specific training courses, who must comply with the rules laid down by their respective professional orders for the protection of the customers, and are subject to the corresponding controls by the applicable sector.

Real Estate Consulting Firms

Real estate consulting firms offer a range of financial and management consulting services including:

Appraisal Services

Appraising a property is never a simple task.

This task is carried out by specialized real estate consulting companies on behalf of public bodies, banks, insurance companies and companies listed on the Italian stock exchange and all those buyers interested in purchasing a property.

The consultancies are carried out on the basis of methodologies for the technical and economic appraisal of the property.

Other Services: Management, Administrative, Financial and Insurance

Real estate consulting companies can also offer:

- Ordinary and extraordinary property maintenance and revenue administration (passive management);
- Advice on property-enhancing measures (dynamic management);
- Property cleaning, security and daily maintenance services (facilities management);
- Property rent or sale advertising and promotion services (agency);
- Assistance in the drafting of property sale, lease, use, etc... contracts;
- Asset management services;
- Administrative, technical and legal assistance;
- Project management services;
- Establishment and management of real estate investment funds;
- Analysis of real estate portfolios, with assessment of investment risk (current and prospective) and possible returns,

thanks to their:

- Knowledge of the real estate solutions offered as the market develops;
- Ability to provide technical information at the right time, in the right way, but above all, unbiased and, therefore, objective.

The ability to offer the services mentioned above are critical factors to real estate consulting activities.

Institutional Investors

The category of institutional investors includes:

1. Industrial and commercial groups in charge of managing real estate assets and investing liquidity in order to obtain profits and positive returns;

2. Banks and insurance companies that invest funds, insurance premiums, positive net income in real estate and financial investments;

3. Public sector entities that invest their money obtained from citizens (e.g., taxes, social security payments, etc...) in real estate;

4. Real estate leasing companies that invest their own funds and those of third parties in the purchase and construction of real estate to be subsequently leased to their customers;

5. Real estate funds;

6. Pension funds.

Institutional investors are the financiers of the Italian real estate market, together with bank-originated lenders who provide *land or real estate credit* (mortgages).

Real Estate Management Companies

Real estate management companies are composed of industrial and commercial groups.

These companies are created for the purpose of investing liquidity **in the real estate sector**, through the purchase of real estate, real estate funds or shares, etc...

Some real estate management companies are financial in nature such as banks, insurance companies, and banking or insurance asset managers (companies created specifically to invest in real estate).

These asset management companies must enhance (increase) the value of their customer's' assets through the real estate instruments made available to the market.

Real Estate Leasing Companies

These are companies that invest their own funds and those of third parties in the purchase and/or construction of real estate to be subsequently leased to their customers. The customer will thus have the opportunity to enjoy particular properties without, however, being subject to the obligations and burden of having to acquire full ownership.

In exchange for the availability of the property, the lessee will pay the leasing company a series of periodic instalments, consisting of capital and interest, with the right to purchase the property at a predetermined price upon expiration of the leasing contract.

The property remains the property of the leasing company until purchased by the lessee.

The Real Estate Exchange

The real estate exchange is a public structure that allows for the purchase, sale and rent of real estate across the national territory.

It was created on the initiative of the Chamber of Commerce in order to offer the general public and operators in the sector a “neutral” operating system, capable of responding to multiple needs, favoring the concentration of supply and demand for real estate, ensuring fee transparency and security, and accrediting only the operators lodged with the professional register held by the Chamber of Commerce, Industry, Artisanship and Agriculture, who agree to operate according to the rules thereby established.

It is aimed at users comprised of both property owners who intend to sell, rent or have their property appraised, and those who intend to buy, rent or have appraised property.

The Supervisory Committee of the Real Estate Exchanges supervises market operations, compliance with laws, regulations and provisions of the Exchange by the subjects admitted to operate. It also supervises the competence, availability, accuracy and care of the work performed by accredited agents.

While the main purpose of the **Real Estate Exchange** is to facilitate the meeting of supply and demand in the real estate sector, the services provided are many and varied and include the Appraisals and Estimates service, managed by the Committee of Exchange Appraisers and Experts, which provides the appraisal of individual properties and building areas when required by local administrations in order, for example, to determine the Municipal Property Tax (ICI, per its Italian acronym).

A fundamental tool of the real estate exchange is the List of Property Prices (LPI, per its Italian acronym), a document aimed at providing transparent information on property prices in the six official area listings.

SUPPLY AND DEMAND IN THE MIR

SOCIO-ECONOMIC ASPECTS

The estimate of a property's value is made taking into account:

1. Road, sea or air connections within the area;
2. Presence of green areas;
3. Social and recreational services for the inhabitants;
4. Proximity to strategic places (jobs, tourist attractions, etc...);
5. Population growth, aging, socio-economic situation of the local population;
6. Trends in mortgage interest rates for the purchase and maintenance of properties.

The growth in demand for residential properties may also be fuelled, if not stimulated, by the influx of foreign nationals (EU and non-EU).

Initiatives for the recovery of abandoned areas and, in general, urban requalification are also important for real estate prices. Not only do the districts directly concerned benefit from the effects of the revaluation of real estate prices, but also the surrounding areas.

Factors Driving Housing Demand

a) **Demographic Factors**. In general, population growth is only one indicator. In this sense, the number of households, their characteristics (average size, age, ...) and the rates of family creation/reduction (marriages, divorces, ...) are more accurate. This variable is actually endogenous to the market: For example, if homes are very expensive, there will be a trend in favour of forced cohabitation (see the Italian phenomenon of the so-called "*bamboccioni*" i.e. adults who live with their parents).

b) **Income**

b.1) **Household Savings**: Typically, under normal conditions, the dynamics of home prices are closely correlated to income dynamics. Houses revalue over time as wages rise, in turn, linked to inflation. A growth in income sooner or later always translates into a growth in assets; in other words, as people become wealthier, they allocate significant portion of their income (flow) to savings, which is eventually used for forms of investment (stock). Real estate investment is the preferred form of investment by Italian families and is also widespread in other countries (in the USA, for example, the population ownership rate is at around 65%). In the absence of speculative phenomena or traumatic events, it can be observed that the rate of growth of home prices tends to slightly exceed inflation.

b.2) **Unemployment**: In addition to income, the level of unemployment must also be considered. If unemployment is high, as it is currently, not only is the number of those who can afford a home lower, but also that of those who already have jobs and can no longer meet the expenses associated with their properties. Losing one's job while having a mortgage can mean that the debtor is unable to pay (insolvency), the home foreclosed by the bank and eventually auctioned to liquidate any creditors. When there are many cases of insolvency, the market may collapse: On the one hand, demand remains low because the economy is doing badly and unemployment is high; on the other hand, supply increases because of the large number of properties that return to the market due to bankruptcy.

This phenomenon has occurred in the USA in recent years due to the "*famous subprime mortgage crisis*".

b.3) **Low Upgrade**: Low incomes make it more difficult for younger families to buy a home. This results in a blockage of the chain mechanism since households that already own a home are unable to sell it to younger households and buy a larger home (upgrade).

c) **Cost and Availability of Credit**. The cost of credit is related to:

c.1) **Mortgage Interest Rates:** (typically a base rate + a spread charged by the lending bank), typically tied to the performance of the economy and, particularly, inflation. *If the economy grows, base interest rates tend to rise in order to "cool" the inflation that accompanies growth; if the economy stagnates, base rates tend to fall in order to promote recovery* (the Irving Fisher Effect). As a result, mortgage payments tend to rise in the first case and fall in the second. On the other hand, a growing economy means less risk of default and more income for buyers;

c.2) **Tax Policies and Other Government Incentives** (e.g., deductibility of interest on the purchase of the first home, etc…);

c.3) **Level of Competition in the Banking System:** The availability of a large number of banks and lenders, the possibility of moving the loan from one bank to another, and low fees promote competition among banks, which results in favourable conditions to attract customers;

c.4) **Policies of Financial Institutions** (self-regulation) and regulations governing the provision of credit (regulation). Banks have some discretion in deciding whether or not to grant a loan, but the level of discretion can vary over time. Only by way of example, in the recent past there have been phases of excessive credit availability, in which loans, even large ones, have been granted to persons at high risk of default (subprime mortgages), and during credit restriction phases.

d) **Consumer Preferences**. Fashions and trends (e.g. living in a "green," healthier environment away from city pollution), psychological effects (having one's own "nesting" effect), and cultural factors (e.g. risk appetite in investments, importance in one's social status of owning a nice home, etc…).

e) **Substitute Products**. If the purpose of the purchase is residential use, the most pursued alternative is to remain close to one's family of origin. From this point of view, the demand is quite rigid, especially in terms of price. If the purpose is investment, any other more profitable alternative remains a valid substitute. For example, when financial markets such as the stock market generate high returns, the flow of real estate investment decreases. When the economy is bad and the returns from real and financial markets are low or even negative, there is a tendency to invest in assets with low but reasonably certain returns, called safe haven assets (gold, real estate, government bonds, etc...). Investment in safe haven assets is usually aimed at protecting money from inflation.

f) **Government**. Tax policies that favour the purchase or expansion of housing (e.g., first home) or, in general, real estate investment, property taxes, investment in public housing. In many countries there are various concessions for the purchase of the first home, generally in the form of reduced taxes on the purchase or through tax relief, for example, of part of the interest paid for the mortgage. For example, back in 2008 (extended thereafter) the Italian government approved the "Piano Casa" which allowed, under certain conditions, the expansion of a home owned, for example, by adding rooms. The main facilities active today in addition to the Piano Casa are:

Purchase/Rent

Benefits for the purchase of the first home, an Individual Income Tax (IRPEF, per its Italian acronym) discount for the purchase of homes of energy class A or B, lower taxes for those who buy a lease on their primary residence, guarantee on the loan of the first home, suspension of mortgage payments, rent coupons, etc...

Restructuring Bonus

Thanks to tax breaks, it is possible to renovate buildings, obtain energy savings (EcoBonus) and carry out work to improve or adapt to earthquakes (SismaBonus).

Furnishings

For properties undergoing renovation, it is also possible to deduct 50% of the expenses incurred for the purchase of furniture and large household appliances of energy class not less than A+.

"Sblocca Italia"

Thanks to the changes introduced by the "Sblocca Italia" (Unblock Italy) Decree, renovating an apartment, dividing a large apartment into two smaller ones, or joining adjacent apartments, is easier and faster.

Energy Savings

Any activity aimed at sustainability is eligible for deduction if it allows for the reduction of energy consumption by 10-15%.

Green Bonus

Expenses incurred for green landscaping of private outdoor areas of existing buildings, real estate units, appurtenances or fences, irrigation systems and construction of wells, construction of green roofs and roof gardens can be deducted from IRPEF.

Factors Influencing Home Supply and Demand

In general, in the purchase decision, a rational investor-consumer should make a very careful calculation before investing their money in a property, even in the case of buying a first home. It is possible to calculate a macro variable called total cost of ownership, i.e. the cost of buying and owning a home, which should then be compared with possible alternatives, for example the cost of renting.

In practice, however, buyers and sellers in this market, particularly non-professionals, are unlikely to make such an accurate analysis.

The decision to purchase is often not rational due to prejudices ("the value of real estate always rises"), lack of information or even "gut" and/or "generically economic" evaluations regarding:

- Production costs: building land, building materials and energy, labour;
- Technological/regulatory innovations: construction techniques, materials (e.g. environmental certification);
- Policies that favour or limit the construction of new housing (e.g., taxation);

- Existing stock: The existing stock of homes is the sum of three components: newly built homes, existing used homes, and foreclosed homes due to owner insolvency. If the existing stock grows, the supply grows and, with equal demand, the price falls. However, the causes behind the increase in supply can be different. For example, due to high expectations, builders give a strong impetus to the construction of new homes but then cannot find buyers (this is what happened in Spain and Ireland in 2008-2010). Or, a high degree of insolvency of households that have taken out a mortgage in the past significantly increases auction sales (or private "sales"); this is what happened in the USA in 2007-2009, due to the excessive ease of access to credit in past years. A negative economic situation with rising unemployment may make the situation even more critical as many families will lose the income they use to pay their mortgages;
- Prospects for profitability: interest rates, alternative investments;
- Builders' expectations: there are indicators linked to the performance of real estate markets and essentially to the trend in home prices which, indirectly, influence the preferences and degree of confidence in the market of operators (Case Shiller, HGX Dow Jones, etc...).

Speculation

Several factors favour the emergence of speculative dynamics in the real estate market, including the residential market:

- The prospect or belief of deriving an income from the real estate investment or simply a revaluation of it "well beyond normal values";
- Market inertia: In the short term, for example, supply can be considered very rigid. A substantial change in demand will cause prices to rise rapidly and this can easily trigger expectations of further increases. Rising prices will trigger expectations of high yields from builders and market operators who will start new construction which, however, will be on the market after a few years, due to the technical time required to build new properties. Since supply in this case is based on price expectations at least two years out, if these expectations are not anchored in reality, there can be an over-supply phenomenon with a consequent collapse in prices when the new constructions are finally available on the market;
- Migration of capital from alternative investments: Real estate becomes the object of

investors' attention both as a refuge and as an object of speculative manoeuvres. This leads to a growth in demand for housing not necessarily for residential use (or for rent). These shifts depend on the forecasts and expectations of investors, which may in turn be influenced or determined by speculative dynamics.

In other words, a speculative spiral can be triggered in which price increases cause further increases.

Since any economic advantage for buyers and sellers only manifests itself in the long term, purchase/investment decisions in this sector are largely based on operators' expectations. It is also a market characterized by high information asymmetry: appreciating the real value of a property is not an easy task both in the immediate and in the future (one usually relies on experienced professionals). "Average" buyers and sellers, therefore, may not be in a position to make an accurate assessment of whether it is worth buying or selling.

Psychological factors or beliefs may favour these tendencies ("If I don't buy now, I'll never buy again," "House prices always rise over time," "*These are safe investments*," "*Everyone would like to live in this neighbourhood*" ...). Whatever the trigger, if the speculation lasts long enough, a "real bubble" can emerge in which the market price no longer reasonably reflects the value of the property. An indicator of this phenomenon is the "**price to rent ratio**," i.e. the ratio between the price of the property and its rental income used to predict the trend of property prices in the residential market.

Assuming the assumptions of the theory of efficient markets, *the price of any asset is given by the sum of a **Fundamental Value (FV)** and a **fluctuation ΔP** (positive or negative)* whose amplitude is determined by buying and selling behaviour:

$$\mathbf{P = FV + \Delta P}$$

In the phase of intense speculation, the FV value can be largely distorted by over- or undervaluation, while when the market works in a more rational way, the market price reflects quite well the real value of the asset.

In the case of the MIR, due to the problems outlined above (role of expectations, information asymmetry, etc...) the risk of alternating speculative and more rational phases is quite high.

The problem of predicting the FV value accurately enough in these cases boils down to the following sub-problems:

- Understanding whether we are in or heading towards a speculative phase;

- Understanding which variables have the greatest impact on the variation ΔP in the case of a speculative phase.

A first method of estimation is based on the trend of prices in the past, in practice it is assumed that prices vary with continuity.

In reality, this is plausible only in the absence of speculation.

For example, in the absence of speculation, it is plausible to state at the outset that real estate increases in value in line with the rate of inflation (e.g. 1.5 % per year with a similar inflation trend).

If incomes grow faster than inflation, on the other hand, it is to be expected that the value of homes will rise in line with income (e.g. 3.0 %).

Finally, if income growth is accompanied by low or falling interest rates we can expect home prices to rise more than income growth.

The explanation is simple: the lower the rate, the more you can borrow and the more you can offer to buy for the same income. Low interest rates always have an impact on prices.

To summarize, for a property worth 100,000 Euros:

- Prices should grow with inflation (ex. 2.0 %, 102,000);
- With incomes if incomes grow more than inflation (ex. 3.5 %, 103,500);
- With the growth rate of incomes plus a delta due to low interest (4.5-5.0 %, 105,000).

This method of estimation does not account for overvaluations or undervaluations, but can be used to obtain the trend of the fundamental value to which a reasonable ΔP swing must then be added.

In order to qualitatively estimate the oscillation ΔP it is appropriate to consider the variables that have an effect on price fluctuations, many of which are exogenous, i.e. they depend on forces external to the market that determine variations in supply and demand, such as government fiscal policies or credit granting policies practiced by banks.

As an example in the following I would like to mention an indicator that signals the presence of speculation (price to rent ratio) and the effect that credit policies have on variations with respect to the FV.

Price-to-Rent Ratio

The Price/Rent Ratio can be expressed through the following indicator:

P/R = Price of the property in year t/monthly rent

For example, in the U.S. market, the historical value of the ten-year national average at the end of the last century was 181, corresponding to an annual rental income of approximately 6% of the value of the home.

The rental income is the certain income that can be derived from a real estate asset. The decision to purchase a home as a first home is also influenced by this parameter: If, for example, purchase prices are very high and rents relatively low, the purchase of the property may not be worthwhile even for those who want to acquire it as their main home.

If the Total Cost of Ownership (*TCO – total price of an asset plus the costs of operation*) is higher than the rent, the home purchase will not be a good deal as it will contribute to reducing the buyer's wealth in the long run. In practice, however, buyers are not so rational and hope that prices will stay high in real terms or continue to rise so that the purchase is worthwhile.

From a demand analysis perspective, a price-to-rent ratio that is too high or rising can signal a speculative dynamic in which homes appreciate beyond fundamental value.

In fact, it is not rational to have high value assets if they do not produce returns commensurate with the value of the capital that generates them. It would be better to sell these assets and use the proceeds for more attractive alternative investments. In a speculative phase this does not happen: property owners are reluctant to sell because they expect the value of the asset to rise further.

Purchase Credit Policies and Financial Instruments

Typical modes of real estate financing are bank loans. Most people purchase a home through a long-term bank loan (e.g., 30-year mortgage). Typically, a person buying a home pays a cash advance, usually 20 % of the price, and takes out a mortgage for the remaining 80 % of the amount. The mortgage must be repaid to the bank in instalments that include an interest rate established in the contract.

The simplest types of mortgages are the fixed-rate mortgage, where a constant interest rate is set for the duration of the loan (e.g. 6 %), and the variable-rate mortgage, where the rate is linked to fluctuations in the base interest rates charged by the Central Bank.

There are also other, more sophisticated types of mortgage. The fixed-rate mortgage may be ex-post more expensive than a variable-rate one, but it is the least risky financial instrument for policyholders who will always pay the same rate, whatever the level of inflation.

On the other hand, the difference between a fixed-rate mortgage payment and a variable-rate payment when rates are very low can be very large.

Access to Credit

Ease of access to credit is a variable that has a very strong impact on housing demand. It depends on two essential factors:

- The interest rate: low interest rates make it possible to finance a higher amount for the same instalment;
- The ease with which banks grant the loan.

Interest rates are linked to reference values set by the Central Banks, which are strongly correlated to inflation and the general trend of the economy. Obviously, the Central Bank tends to contain inflation by raising rates or stimulate economic growth by lowering them. In general, very low rates are a strong incentive to the growth in demand for real estate, both for the purpose of buying a first home and for investment purposes.

In general, banks make fairly accurate assessments of the applicant's ability to meet the repayment of the loan over the agreed period. This is done by analysing the documentation provided by the client (e.g. tax return, information on employment and family situation...) and checking the financial situation of the applicant (e.g. are there other debts outstanding, has the applicant been involved in bankruptcy in the past, etc...).

Banks are generally expected to be rather cautious about lending to those who do not offer sufficient guarantees of repayment. In fact, if the loan is not honoured, the bank must proceed to acquire the property and sell it at auction, without having the certainty of being able to recover the money lent and giving up the capital gain enjoyed by virtue of the payment of interest by those who had contracted the mortgage.

In Italy, the practice is to require the borrower to have a minimum down payment of 20 % for the purchase of the home, and therefore mortgages are financed at a maximum of 80 % of the purchase value.

A second parameter is the debt/income ratio, for which values of no more than 30-35 % are required: in other words, it is believed that a family should not spend more than a third of its net income to pay the mortgage instalment.

These parameters, together with careful controls in the initial stages, guarantee a high probability that the person counting on the mortgage will make the payments.

However, the policies of the Credit Institutions are not always so shrewd.

The fundamental reason for a relaxation of controls is that for banks the granting of a mortgage is equivalent to the sale of a product from which they make a profit (albeit with a certain level of risk).

There is therefore an incentive for banks to offer mortgages and loans in the credit market.

If somehow the incentive to seek financial profit is accompanied by market exuberance and an overall system in which controls are too relaxed, it can happen that access to credit becomes extremely easy, even for those categories of borrowers who under normal conditions would not be granted high loans (subprime mortgages).

In these conditions, banks can put particularly attractive types of loans on the market in order to encourage the taking out of even very high loans to those who could not afford them with a traditional mortgage.

Here are some examples:

- 100% mortgages: The customer is not required to have a down payment for the purchase of the home. This advantage for the contractor is balanced by a higher interest rate, sometimes by the need to take out a guarantee policy. In any case, the capital to be repaid is higher and the risk of default greater;
- Variable rate mortgages: The rate is not fixed but increases over time, to facilitate access to the mortgage for those with a relatively low income. The logic is that over time the policyholder will increase their income and be able to cope with higher instalments. This expectation is not always well-founded or applicants do not always have a correct perception of their income growth in the future.

How is it possible that banks are willing to risk more than they need to by lending to those with little or limited ability to repay?

In a traditional financial system, banks would not behave this way, since the profits they could earn from such customers would be compromised by too much risk.

However, beginning in the early years of the new century, financial players created a series of innovations, the result of which was the creation of a very unscrupulous financial system that lent easily, but also created incentives for reduced scrutiny.

Here are two mechanisms with significant impact:

- The creation of a secondary market for mortgages;
- The development of “creative” financial products.

Secondary Mortgage Market

Usually, the relationship between bank and borrower is a simple seller/buyer relationship: the bank offers the loan, the client pays it back with interest.

However, there are other operators in this market, particularly active in the USA since the early 2000s. These operators purchase mortgages from banks or insure them at low prices.

In this situation, the originator of the loan (the bank) can sell it to these operators, thus protecting itself from the risk of default and at the same time receiving a profit.

The most important consequence is that in this way a system is created in which those who grant mortgages are no longer concerned with granting them to low-risk clients, but have as their only incentive the sale of the mortgages themselves.

These secondary operators (such as the Federal Home Loan Mortgage Corporation, also known as freddiemac.com) were historically created in the USA on the initiative of the government to insure the mortgages of the less affluent who purchased homes built by public construction.

These organizations, also known as Asset-Backed Securities (ASB – bond or notes backed by financial assets) Issuers, have since been privatized and in part have softened the initially very stringent controls they carried out before purchasing a mortgage from a bank.

Other financial operators became Asset-Backed Securities Issuers and entered this market, which becomes very profitable when home prices rise and with them mortgage amounts.

The result was that starting in the early 2000s, the secondary mortgage market grew dramatically and the percentage of “insured” mortgages became very substantial.

High profits from a thriving real estate market and the presence of mortgage insurers have definitely lowered banks’ traditional prudential barriers to lending.

This caused a very high liquidity in the markets that ended up further increasing demand and home prices. In reality, however, all that was being created was a huge spiral of debt: people were buying bigger and more expensive homes not because they were richer, but because they were getting deeper into debt in the hope of becoming rich by buying a home whose value grew over time. When debtors became insolvent, that is, people who could not sustain such high debts, the collapse began.

Creative Financial Products

If the fundamental objective of a bank is to sell a mortgage to anyone, then it must be ensured that the mortgage also becomes accessible to those who could not afford to pay such amounts with traditional financial products, for example, a fixed-rate mortgage.

In pursuit of this objective, many banks have created financial products with very attractive access characteristics, for example, mortgages at 100% (no down payment), mortgages with variable instalments, interest-only mortgages, mortgages with negative amortization rates, etc...

In any case, the objective remains the same: to create attractive mortgages for those who do not have any capital to spare or for those who want to have low entry rates at the beginning (or for those who want both).

However, a low payment at the beginning will then grow over time, particularly when interest rates rise; if the borrower's income does not grow at the same rate, they will sooner or later find themselves in serious financial distress.

A different type of financial product that has been very successful in the US since the mid-1990s is the **MEW or Mortgage Equity Withdrawal** (*economic data measuring the net amount of cash equity that consumers withdraw from their homes through home equity loans or lines of credit and cash-out refinances*).

This is an instrument that allows people to obtain cash from their homes. Prior to the invention of MEWs, a homeowner had to sell the home to turn its value into currency. With an MEW, a homeowner can borrow money by offering the value of their home as collateral, even if the homeowner already has a mortgage to pay. In this case, the portion of the value that has already been repaid is offered as collateral.

The value of this collateral can be very high in a market where property prices are rising. It is therefore easy to "extract" a flow of money from your home that would otherwise remain "frozen in the asset." This money should be used for other investments or home improvements.

In fact, the majority of users have used it for luxury fittings that have increased the final value of the property over time.

All in exchange for a growing debt that could only be extinguished by selling the home at a higher value than the purchase, but while the prices of a property can also collapse, the debt can only grow. Those caught in the crisis with an active mortgage and MEW had no choice but to declare bankruptcy.

The 2007-2009 USA Mortgage Crisis

What happens when too many mortgages are injected into the market?

The first effect is that the demand for homes grows rather rapidly.

A rapid growth in demand tends to generate a spiral of speculation: those who sell wait in order to get higher prices (supply is reduced); those who buy tend to offer more for fear that buying tomorrow will be much more expensive than buying today (demand grows).

The spell breaks when the prices become much too high and the buyers withdraw from the market.

At that point, however, there will be too many people who have purchased homes they could not afford and are unable to repay or resell because the market is stagnant, prices are falling, and the sale would have to be made for less than the initial purchase price. The number of foreclosure proceedings and auction sales increases.

Auctions further depress the market as they increase the inventory.

Banks suffer as they are unable to recover the money they have lent, some failing, dragging even the most discerning savers into bankruptcy.

The banks that survive have little liquidity and once again adopt restrictive credit policies, penalizing businesses that need access to credit and those who would like to take out mortgages to purchase a home.

The market depresses further, this time due to the economic crisis (unemployment, falling incomes). A slow recovery phase begins, the duration of which, however, is difficult to predict since it is influenced by the recovery times of the economy as a whole.

2ND PART: THE MIR AS OF DECEMBER 31, 2019

The objective of the second part of this work is to provide a summary description of the volumes, size, and turnover of the Italian Real Estate Market, at a national level and in the main cities, as of December 31, 2019.

PRE-COVID19 SITUATION IN ITALY

Below we analyse the main data of the housing market in Italy in 2019 taken from different sources (Cadastre, Real Estate Advertising, Registry and ADE_OMI – Ag. delle Entrate).

The analysis is divided into the following chapters:

- **Purchases and sales**: Trends in the volumes of purchases and sales of homes and appliances; analysis of the size of the homes bought and sold; estimation of the value of the exchange volume of homes (turnover); trends in the volumes of purchases and sales of bare ownership of homes;
- **Mortgages**: An analysis of the main characteristics of mortgages granted for the purchase of homes, in relation to the number of homes purchased with a mortgage, the total and average capital disbursed per housing unit, the duration and the average initial interest rate;
- **The main regional data** (purchases and sales and mortgages);
- **An analysis of data in the main cities** (sales and mortgages);
- **Leases**: An analysis of the main sub-markets into which they can be divided.

SALES AND PURCHASES

The year 2019, overall, turns out to be a good year of growth of the housing units bought and sold (NTN, per its Italian acronym) with a final balance of more than 603 thousand transactions, or an increase (over in ten years) of more than 15 thousand transactions (about 585 thousand NTN in 2009).

The percentage increase of NTN at national level in 2019 compared to the previous year is +4.3%.

It is since 2014 that the numbers of homes bought and sold are growing, with a peak in 2016 and then maintaining in the following three years an average growth rate around 5 % per year.

However, 2019 is characterized by a variability in the level of trend rates across quarters, which in itself indicates a general uncertainty.

As it is evident from Table 1, a dazzling start, mainly in the Center-North area, which records double-digit growth rate trends, is followed in the 2nd quarter by a slowdown in growth, around 4% at the national level, which returns to accelerate in the 3rd quarter of 2019 but only in the North to a more significant extent, and then slows down sharply in the 4th quarter of 2019 (at the national level only +0.6% is recorded), marked by a general slowdown, but above all by a marked reduction in the Center (-3.3%). On the other hand, the holding in a positive sign of growth in the 4th quarter of 2019 occurred thanks to the growth rate trend recorded in the non-mainland municipalities (which show a +1.4% compared to the -0.8% reduction in the mainland municipalities). Overall, between 2019 and 2018, a higher annual growth rate (+4.5%) is observed in non-capital municipalities than in capital municipalities (+3.6%).

01_TAB. NTN QUARTERLY CHANGES 2019

Area	I_2019	II_2019	III_2019	IV_2019	TOT 2019
Northwest	9.6%	3.8%	6.8%	1.6%	**5.1%**
Northeast	11.7%	3.8%	5.7%	2.2%	**5.4%**
Center	10.6%	4.2%	3.0%	-3.3%	**3.2%**
South	4.6%	2.8%	3.8%	2.0%	**3.2%**
Islands	3.2%	4.3%	2.0%	-0.1%	**2.3%**
Provincial Capitals	8.7%	2.2%	5.8%	-0.8%	**3.6%**
Non-Capitals	8.8%	4.6%	4.4%	1.4%	**4.5%**
ITALY	**8.7%**	**3.8%**	**4.9%**	**0.6%**	**4.2%**

The slowdown situation in the 4th quarter in the residential market is probably related, on the one hand, to the set of non-positive indicators of the economy (GDP decreased by 0.3% compared to the previous quarter and increased by 0.1% compared to the fourth quarter of 2018), on the other hand, also by the awakening, albeit contained, of housing prices, which may have dampened demand.

In fact, according to ISTAT (Italian National Institute of Statistics, per its Italian acronym), in both the 3rd and 4th quarters of 2019, there was a trend growth in prices of +0.4% and +0.3%, respectively, mainly due to the growth in prices of new homes

As of February 2020, everything that happened in the MIR until 2019 in terms of recovery of traded quantities, disappeared.

All because of an event that is not impossible but certainly improbable and rare, beyond any reasonable foreseeable horizon: Covid-19, a pandemic that is gripping all of humanity, which continues to claim victims and has forced the closure of many “human activities” including economic and manufacturing.

It is clear that the stoppage of these activities has caused and is causing, everywhere, economic, employment and therefore social economic crisis, whose exit largely depends on economic policies and the stabilization of global vaccination campaigns.

This crisis is obviously also affecting the MIR in general.

Purchases and sales will still fall and prices, despite their stickiness, will probably not return to growth as expected at the end of 2021.

Various research institutes have tried to outline scenarios and outlooks, but in the face of such global and unstable phenomena, carrying out forecasting exercises risks being of little help.

It should be taken for granted that there will still be a descent in the levels of residential units traded, but it is not known whether or not a return to normality will produce a recovery at pre-Covid 19 levels (and therefore growth again) and to what extent.

Perhaps, what is more important nowadays is to understand what positive actions and interventions public and private players should undertake, based on a strategy that is not only short-term.

In this regard, the actions of the current Italian government seem to be far-reaching activities from a financial and structural point of view.

But in addition to the necessary and dutiful action of holding and reactivating the economic system and household incomes, a medium-long term reflection and innovative action on the new concept of housing is considered equally necessary.

Volumes

The volume of home purchases and sales in Italy, excluding municipalities in which the table system applies, was 603,541 NTNs in 2019, an increase of 4.2% year-on-year, thus continuing the positive trend recorded since 2014.

The most significant growth rate was recorded in the northern areas (Northeast +5.4 %, Northwest +5.1 %), which account for well over half of the national market (Table 2).

02_TAB. NTN AND IMI - ANNUAL CHANGES BY AREA, CAPITALS AND NO CAPITALS

Area	NTN 2019	Var.% NTN 2018/19	NTN quote per Area	IMI 2019	Difference IMI 2018/19
Northwest	208,259	5.1%	34.5%	2.15%	0.10
Northeast	121,137	5.4%	20.1%	2.14%	0.11
Center	122,994	3.2%	20.4%	1.84%	0.05
South	99,544	3.2%	16.5%	1.24%	0.04
Islands	51,607	2.3%	8.6%	1.23%	0.03
ITALY	**603,541**	**4.2%**	**100.0%**	**1.76%**	**0.07**
Capitals	**NTN 2019**	**Var.% NTN 2018/19**	**NTN quote per Area**	**IMI 2019**	**Difference IMI 2018/19**
Northwest	66,191	5.2%	32.3%	2.67%	0.13
Northeast	38,080	4.7%	18.6%	2.48%	0.11
Center	56,749	2.0%	27.7%	2.20%	0.04
South	26,086	2.5%	12.7%	1.70%	0.04
Islands	17,618	1.7%	8.6%	1.66%	0.03
ITALY	**204,724**	**3.6%**	**100.0%**	**2.23%**	**0.07**
Non-Capitals	**NTN 2019**	**Var.% NTN 2018/19**	**NTN quote per Area**	**IMI 2019**	**Difference IMI 2018/19**
Northwest	142,068	5.0%	35.6%	1.97%	0.09
Northeast	83,057	5.8%	20.8%	2.01%	0.11
Center	66,246	4.2%	16.6%	1.62%	0.06
South	73,457	3.5%	18.4%	1.13%	0.04
Islands	33,989	2.6%	8.5%	1.08%	0.03
ITALY	**398,817**	**4.5%**	**100.0%**	**1.59%**	**0.07**

The most substantial expansion was seen in the smaller municipalities (+4.5 % in aggregate terms), with strength ratios between the various territorial areas similar to the general ones; the dynamics for data from the capital cities also follow the general ones, but it is the Northwest that presents the highest growth rate (+5.2 %).

The trend in purchases and sales is also reflected in the values of the IMI (Real Estate Market Intensity, per its Italian acronym), which represents the share of stock sold.

On average, at the national level, this indicator increases from 1.69% in 2018, to 1.76% in 2019 (i.e. 1.76 homes bought and sold for every 100 registered in the land register).

The greater intensity of the market in the northern areas of the country is confirmed, which present a similar IMI value between the Northeast and the Northwest and much higher than the national average (values in the North travel on 2.14% - 2.15%).

The greatest dynamism in absolute terms is represented by the capital cities in general (IMI equal to 2.23%) and by those in the Northwest in particular, with an IMI of 2.67%.

On the other hand, the lowest intensity is found in the Islands (IMI equal to 1.23% and, in this area, in the non-mainland municipalities IMI is equal to 1.08%).

It may be useful to review the highlights of the residential cycle of the last fifteen years.

The expansionary cycle stopped, for all areas, in 2006 (the last year of increase) even though the market in the capitals in the same year already underwent an initial downturn.

After that year begins a descent that, apart from two years of relative stability (2010-2011), sinks the index number to 48.2 in 2013: a reduction of almost 52% compared to 2004 levels and more than 56% compared to the peak of 2006.

In this phase of crisis, until the two-year period 2010-2011, the non-capital municipalities show a negative dynamic relatively less pronounced than the capital cities.

Starting in 2014, with the sole exception of non-capital municipalities on the Islands, there is a recovery of the residential market, which recovers, in terms of index number 26.5 percentage points nationally.

The new recovery is more pronounced in the capital cities (increase in the NTN index of over 29 points, compared to 25 in the non-capital municipalities) and in the Northeast (increase of almost 40 points), especially in its capital cities.

The trend of the market intensity indicator, IMI, essentially follows the purchases and sales, showing a growth in all territorial areas; also in this case, the analysis of the historical series highlights a gradual rise from 2014, which, as mentioned, is concentrated mainly in the capital cities.

Aggregating IMI into classes on the basis of the "market size" attributed to each on the basis of its share of turnover compared to the national total, it is possible to identify five classes (Small, Medium, Large, Extra Large, Double Extra Large) that represent the size "sizes" to which each municipal market belongs.

03_TAB. NTN AND IMI - ANNUAL CHANGES FOR MARKET SIZES

Market sizes	No. Municipalities	NTN 2019	Var.% NTN 2018/19	NTN quote per size	IMI 2019	Difference IMI 2018/19
S	6,756	199,318	4.7%	33.0%	1.31%	0.05
M	537	109,822	4.3%	18.2%	1.91%	0.07
L	256	168,039	4.8%	27.8%	2.10%	0.10
XL	13	67,378	1.1%	11.2%	2.27%	0.02
XXL	2	58,984	4.1%	9.8%	2.63%	0.10
Total	**7,564**	**603,541**	**4.2%**	**100.0%**	**1.76%**	**0.07**

The market trend, broken down into these aggregations (Table 3), shows that in 2019 the only band that showed a much lower growth than the national average (4.2%) is the XL size (1.1%); it should be noted that almost 90% of municipalities (6,756) belong to the S size only, affecting one third of the overall national market.

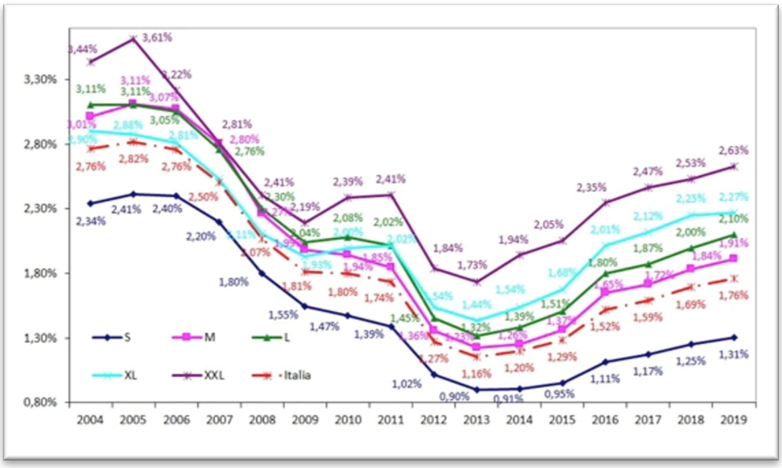
The growth rate registered in the two metropolises (size XXL), Milan and Rome, marked an increase of 4.1% for a volume of purchases and sales equal to just under 10% of the total.

The level of the IMI, as can be guessed, tends to be higher as sizes progress from S (1.31%) to XXL (2.63%); in 2019, the greatest increase was seen in large sizes (+0.10 the L, +0.10 the XXL).

The trend since 2004 of the NTN indices by market size shows how the crisis in home purchases and sales was anticipated in 2006 in the municipalities of larger sizes, especially Rome and Milan, followed in 2007 by all other markets. In 2010, Rome and Milan still pushed the market, this time upwards, but in 2012, the collapse was general.

Since 2014, the recovery is visible in all markets and in 2019, the only less dynamic market (S) has not yet managed to recover the losses suffered in the 2012 collapse. The trend of the IMI indices (Figure 1), again by market size, shows a dynamic over the last 15 years characterized by two extremes: on the one hand Rome and Milan, which stand out in the national market, and on the other hand the 6,756 municipalities in size S, with an IMI that is always well off the national average.

FIG. 01 - IMI TREND BY MARKET SIZE (MUNICIPALITIES)



In between, two different periods can be distinguished: the first is between 2004 and 2009, when the dynamics in the 13 municipalities in size XL, despite their weight on the national market, presents a value always below the municipalities in the smaller sizes, M and L; the second starting from the year of the second crisis (2012) and, with even greater evidence, from 2014, when, in the restart of the market, the municipalities in size XL recover positions, remaining stably above the smaller sizes.

In 2019, the upward trend is confirmed, but the gap between the average of size XXL and S increases further. The distribution of data by municipality of the NTN in 2019 (Figure 2), shows how, despite the fact that a recovery in volumes is observed in all geographical divisions, the municipalities in which there is a low number of exchanges is still high.

In fact, there are about 5,400 municipalities in which less than 50 homes were bought and sold (including 114 municipalities with no trades in 2019) and only 153 municipalities in which more than 500 homes were bought and sold.

Finally, Figure 3 shows the map of the distribution of IMI in 2019, in which it appears that there are only 185 municipalities with an IMI above 3%, an increase compared to 2018; 1,201 those with an IMI between 2% and 3%, concentrated mainly in the northern Regions, and almost 6,200 those with an IMI below 2%, most in the Center and South of Italy.

FIG. 02 - NTN DISTRIBUTION MAP (ITALIAN MUNICIPALITIES)

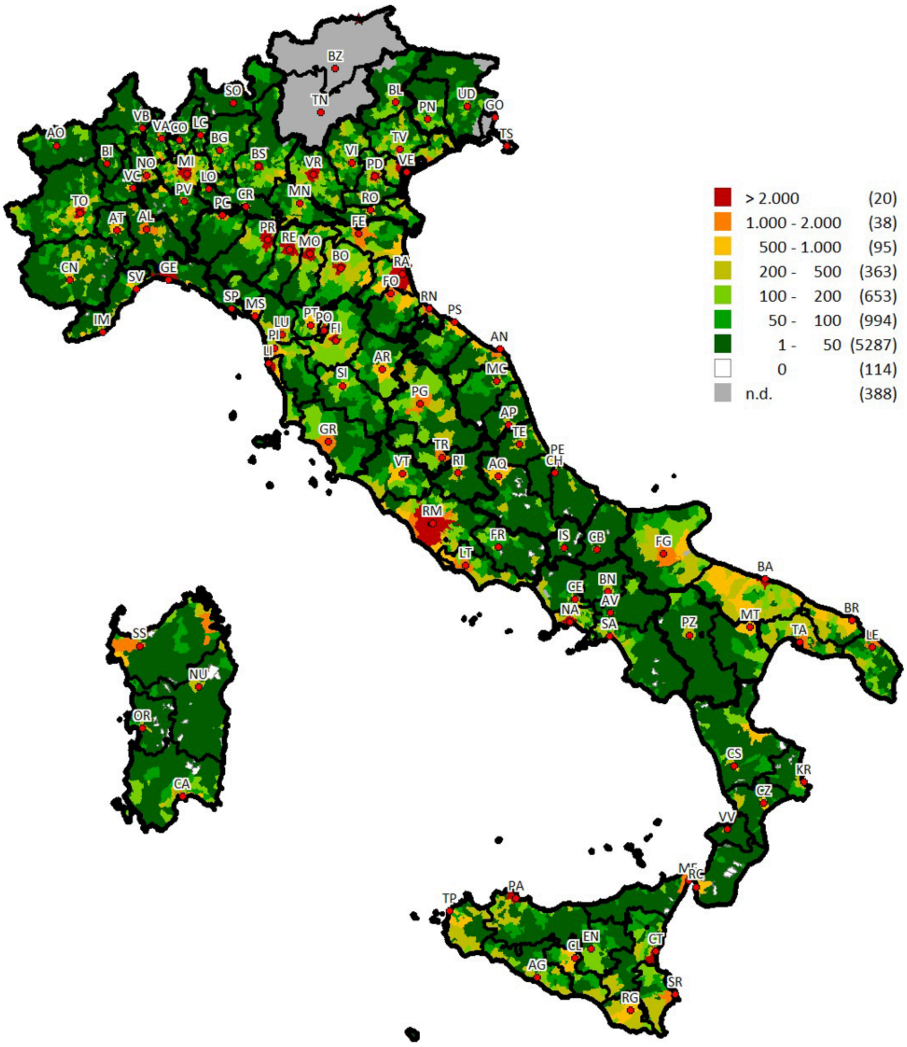
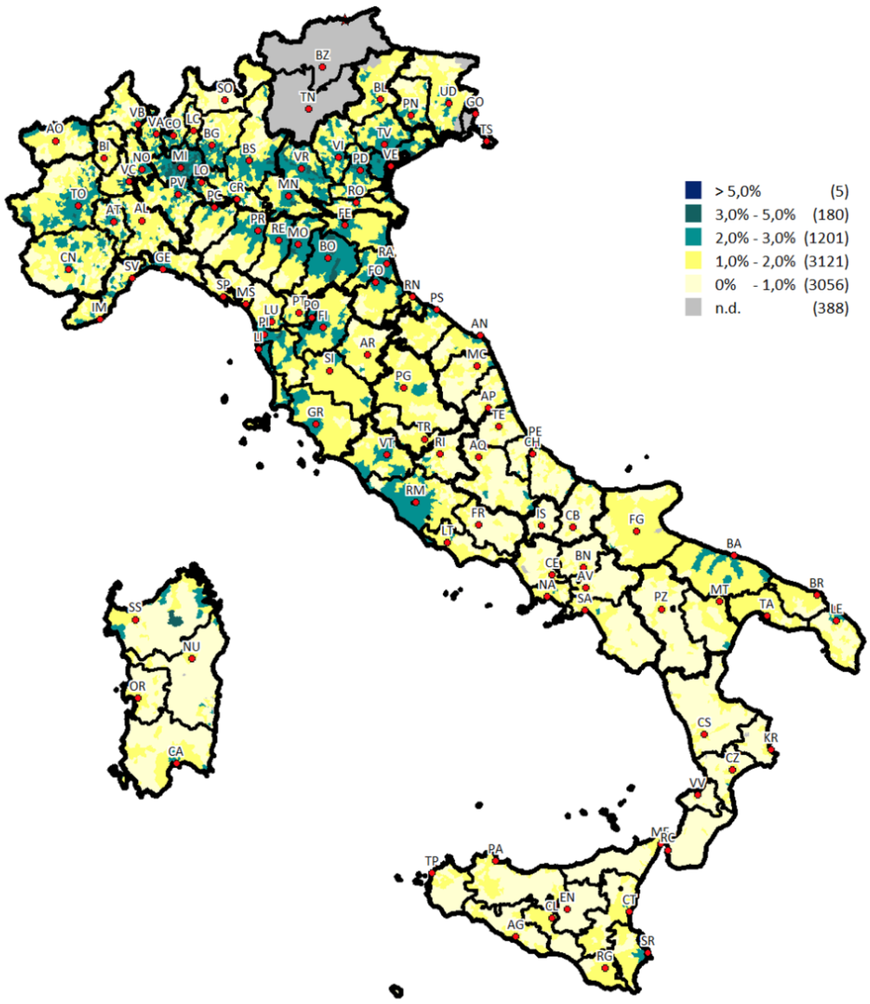


FIG. 03 - IMI DISTRIBUTION MAP 2019 (ITALIAN MUNICIPALITIES)



Sizes

The analysis of purchases and sales in terms of the size of homes (surface area in m^2) shows dynamics not dissimilar to those already observed in relation to the NTN, both in aggregate terms (+4.4 %) and by area.

Homes were sold for a total of over 64 million square meters, with an average surface area per housing unit bought and sold of 106.2 m^2 slightly higher than in 2018 (+ 0.2 m^2)

Table 4 shows the distribution, nationwide, by geographical areas and by capitals and non-main towns, of purchases and sales in terms of NTN.

04_ TAB. TOTAL AND AVERAGE SURFACE FOR HOUSE PURCHASED AND SOLD

Area	Surface area 2019 m2	Average surface m2	Surface share per area	Var% Surface 2018/19	Difference average surface 2018/19 m2
Northwest	21,165,913	101.6	33.0%	4.9%	-0.1
Northeast	13,854,533	114.4	21.6%	6.2%	0.8
Center	12,917,735	105.0	20.2%	3.3%	0.1
South	10,566,269	106.1	16.5%	3.2%	0.0
Islands	5,573,295	108.0	8.7%	3.4%	1.2
ITALY	**64,077,745**	**106.2**	**100.0%**	**4.4%**	**0.2**
Provincial Capitals	**Surface area 2019 m2**	**Average surface m2**	**Surface share per area**	**Var% Surface 2018/19**	**Difference average surface 2018/19 m2**
Northwest	5,942,770	89.8	29.5%	5.2%	0.0
Northeast	3,904,303	102.5	19.4%	4.4%	-0.4
Center	5,628,973	99.2	28.0%	1.7%	-0.3
South	2,755,750	105.6	13.7%	2.6%	0.0
Islands	1,902,771	108.0	9.5%	3.2%	1.6
ITALY	**20,134,567**	**98.3**	**100.0%**	**3.5%**	**-0.1**
Non Provincial Capitals	**Surface area 2019 m2**	**Average surface m2**	**Surface share per area**	**Var% Surface 2018/19**	**Difference average surface 2018/19 m2**
Northwest	15,223,143	107.2	34.6%	4.8%	-0.2
Northeast	9,950,230	119.8	22.6%	6.9%	1.3
Center	7,288,762	110.0	16.6%	4.5%	0.4
South	7,810,519	106.3	17.8%	3.4%	-0.1
Islands	3,670,525	108.0	8.4%	3.5%	1.0
ITALY	**43,943,179**	**110.2**	**100.0%**	**4.9%**	**0.4**

In the Northwest, where the average surface area is absolutely lower than in the other areas (101.6 m^2), there is the only negative data in terms of difference in average surface area (-0.1 m^2), while in the Northeast there is the highest average surface area bought and sold, equal to 114.4 m^2, but the greatest increase compared to 2018 (+1.2 m^2) is found in the Islands.

The subdivision between non-mainland municipalities and provincial capitals confirms that the average surfaces bought and sold at the former are systematically higher than the corresponding ones (by area) bought and sold in the latter, with the lowest value in the most dynamic area (the Northwest) and equal to 89.8 m^2, stable compared to 2018; that with the highest value is found in the non-mainland municipalities of the Northeast 119.8 m^2.

Table 5 shows the distribution, nationwide, by geographic areas and by capitals and non-capitals (by size classes) of housing (up to 50 m^2, from 50 m^2 to 85 m^2, from 85 m^2 to 115 m^2, from 115 m^2 to 145 m^2, over 145 m^2). The data confirm that the most bought and sold size of housing in absolute terms, also in 2019, was the one between 50 m^2 and 85 m^2, over 185 thousand NTNs, while about 164 thousand purchases concerned homes with an area between 85 m^2 and 115 m^2.

05_ TAB. NTN 2019 BY SURFACE CLASSES OF HOUSES BY AREA, CAPITALS AND NON-CAPITALS

Area	Up to 50m^2	From 50 m^2 up to 85 m^2	From 85 m^2 up to 115 m^2	From 115 m^2 up to 145 m^2	Over 145 m^2	Total
Northwest	20,920	72,973	55,805	27,348	31,213	208,259
Northeast	7,810	33,386	34,412	19,578	25,951	121,137
Center	10,258	40,485	34,248	18,987	19,017	122,994
South	10,904	25,187	27,018	20,030	16,405	99,544
Islands	5,468	13,394	12,764	10,447	9,534	51,607
ITALY	**55,359**	**185,425**	**164,247**	**96,390**	**102,120**	**603,541**
Provincial Capitals	**Up to 50m^2**	**From 50 m^2 up to 85 m^2**	**From 85 m^2 up to 115 m^2**	**From 115 m^2 up to 145 m^2**	**Over 145 m^2**	**Total**
Northwest	9,397	26,845	16,783	7,161	6,004	66,191
Northeast	3,301	11,859	12,162	5,622	5,136	38,080
Center	4,906	20,491	16,391	8,102	6,859	56,749
South	2,443	6,497	7,664	5,564	3,919	26,086
Islands	1,715	4,243	4,646	4,012	3,002	17,618
ITALY	**21,761**	**69,936**	**57,646**	**30,461**	**24,920**	**204,724**
Non Provincial Capitals	**Up to 50m^2**	**From 50 m^2 up to 85 m^2**	**From 85 m^2 up to 115 m^2**	**From 115 m^2 up to 145 m^2**	**Over 145 m^2**	**Total**
Northwest	11,523	46,128	39,022	20,186	25,209	142,068
Northeast	4,509	21,527	22,250	13,956	20,815	83,057
Center	5,352	19,994	17,857	10,885	12,158	66,246
South	8,461	18,690	19,354	14,466	12,486	73,457
Islands	3,752	9,151	8,118	6,435	6,532	33,989
ITALY	**33,597**	**115,490**	**106,601**	**65,929**	**77,200**	**398,817**

As far as the territorial areas are concerned, two different situations can be observed. A lesser variability of the share of sales between the size classes above 50 m^2 in the South and the

Islands; a prevalence of sales between the classes 50 m^2 and 85 m^2 and between 85 m^2 and 115 m^2 with respect to the other size classes in the Center-North.

It should be noted, in the data referring to non-capital municipalities, that in the Northeast the number of purchases/sales by surface area class above 145 m^2 has reached the levels of the two classes with greater NTNs already mentioned, with around 20,800 NTNs.

In terms of changes with respect to the previous year, Table 6 shows a more evident growth in the purchase and sale of homes in the two extreme size classes, with rates of over 5.7 %, and, referring only to non-capital municipalities, the change reaches over 6.2 % in the same classes.

The dynamics show, in both cases, a higher growth rate recorded in the two extreme size classes.

06_ TAB. VARIATION NTN 2018/19 (%) BY SIZE OF HOUSES (AREA, CAPITALS, NON-CAPITALS)

Area	Up to 50m²	From 50 m² up to 85 m²	From 85 m² up to 115 m²	From 115 m² up to 145 m²	Over 145 m²	Total
Northwest	7.0%	5.6%	3.7%	4.7%	5.3%	5.1%
Northeast	5.1%	4.0%	5.4%	5.1%	7.7%	5.4%
Center	7.4%	3.6%	1.8%	1.1%	4.8%	3.2%
South	5.9%	2.0%	2.7%	3.7%	3.9%	3.2%
Islands	-0.6%	-0.5%	2.6%	3.2%	6.7%	2.3%
ITALY	**5.8%**	**3.9%**	**3.4%**	**3.7%**	**5.7%**	**4.2%**
Provincial Capitals	**Up to 50m²**	**From 50 m² up to 85 m²**	**From 85 m² up to 115 m²**	**From 115 m² up to 145 m²**	**Over 145 m²**	**Total**
Northwest	4.9%	5.9%	4.6%	4.7%	4.9%	5.2%
Northeast	6.6%	5.6%	6.3%	-1.9%	5.5%	4.7%
Center	6.0%	3.4%	0.9%	-1.7%	2.6%	2.0%
South	2.5%	1.2%	2.8%	4.5%	1.6%	2.5%
Islands	-0.2%	-2.2%	0.2%	4.3%	7.8%	1.7%
ITALY	**4.7%**	**4.1%**	**3.3%**	**1.6%**	**4.2%**	**3.6%**
Non Provincial Capitals	**Up to 50m²**	**From 50 m² up to 85 m²**	**From 85 m² up to 115 m²**	**From 115 m² up to 145 m²**	**Over 145 m²**	**Total**
Northwest	8.9%	5.4%	3.3%	4.7%	5.5%	5.0%
Northeast	4.1%	3.2%	4.9%	8.2%	8.2%	5.8%
Center	8.7%	3.7%	2.6%	3.3%	6.1%	4.2%
South	6.9%	2.2%	2.6%	3.4%	4.6%	3.5%
Islands	-0.8%	0.4%	4.0%	2.4%	6.3%	2.6%
ITALY	**6.5%**	**3.8%**	**3.5%**	**4.7%**	**6.2%**	**4.5%**

The lowest change (-2.2 %) for properties from 50 m^2 to 85 m^2, is recorded for the Islands at the capitals.

The highest (+8.9 %) is found in the Northwest, for smaller municipalities, for the class of properties with an area of less than 50 m^2. Finally, Table 7 shows the distribution of the IMI by surface area classes of homes transferred in 2019. Also in relative terms, the segment with the greatest market intensity, in all areas, is that with properties between 50 and 85 m^2 (2.16 %), in aggregate terms, while in the capital municipalities there is a higher IMI in the class of properties smaller than 50 m^2 (2.71 %), especially due to the important contribution of the northern areas (with 3.38 % in the Northwest and 3.09 % in the Northeast). Geographical analysis, in general, confirms the prevalence of northern areas for all size classes and the less dynamic nature of the south and islands.

07_ TAB. IMI BY SIZE CLASSES OF DWELLINGS BY AREA, CAPITALS AND NON-CAPITALS

Area	Up to 50 m^2	From 50 m^2 up to 85 m^2	From 85 m^2 up to 115 m^2	From 115 m^2 up to 145 m^2	Over 145 m^2	Total
Northwest	2.45%	2.53%	2.17%	1.91%	1.60%	2.15%
Northeast	2.41%	2.57%	2.43%	2.02%	1.57%	2.14%
Center	2.11%	2.31%	1.93%	1.59%	1.30%	1.84%
South	1.08%	1.47%	1.47%	1.23%	0.90%	1.24%
Islands	1.12%	1.44%	1.36%	1.22%	0.97%	1.23%
ITALY	**1.75%**	**2.16%**	**1.93%**	**1.58%**	**1.30%**	**1.76%**
Provincial Capitals	**Up to 50 m^2**	**From 50 m^2 up to 85 m^2**	**From 85 m^2 up to 115 m^2**	**From 115 m^2 up to 145 m^2**	**Over 145 m^2**	**Total**
Northwest	3.38%	2.93%	2.46%	2.27%	2.08%	2.67%
Northeast	3.09%	2.76%	2.61%	2.19%	1.86%	2.48%
Center	2.70%	2.65%	2.17%	1.82%	1.63%	2.20%
South	1.70%	1.96%	1.86%	1.59%	1.30%	1.70%
Islands	1.82%	1.86%	1.72%	1.56%	1.40%	1.66%
ITALY	**2.71%**	**2.61%**	**2.23%**	**1.88%**	**1.66%**	**2.23%**
Non Provincial Capitals	**Up to 50 m2**	**From 50 m^2 up to 85 m^2**	**From 85 m^2 up to 115 m^2**	**From 115 m^2 up to 145 m^2**	**Over 145 m^2**	**Total**
Northwest	2.00%	2.34%	2.07%	1.81%	1.52%	1.97%
Northeast	2.07%	2.48%	2.35%	1.96%	1.51%	2.01%
Center	1.76%	2.04%	1.75%	1.45%	1.17%	1.62%
South	0.98%	1.35%	1.36%	1.13%	0.82%	1.13%
Islands	0.95%	1.30%	1.21%	1.07%	0.84%	1.08%
ITALY	**1.42%**	**1.95%**	**1.79%**	**1.48%**	**1.21%**	**1.59%**

The Turnover

The database of ADE-OMI quotations provides for all Italian municipalities, in turn divided into about 27 thousand homogeneous areas, a range of market values of residential types (stately homes, civil, economic, villas and small villas).

The average municipal quotation is calculated as the average of the central values of the ranges of all the residential types present in "*each OMI zone*" belonging to the municipality.

The estimate of the annual exchange value, national and by area (which we call "turnover" for short), is obtained as the sum of the products obtained, for each municipality for each semester, multiplying the surface area of the homes bought and sold (STN, per its Italian acronym) by the respective average municipal reference quotation. With these criteria, we obtain a broad estimate of the monetary value of the homes bought and sold in 2019 shown here in Table 8.

08_ TAB. ESTIMATION OF TOTAL AND AVERAGE TURNOVER PER UNIT AND ANNUAL VARIATION BY AREA, PROVINCIAL CAPITALS AND NON-CAPITALS

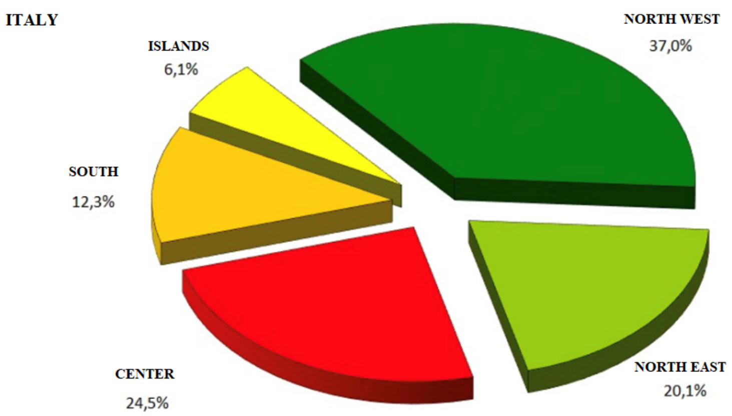
Anno 2019 Area	Estimated turnover 2019 bln €	Estimated average turnover h.u.[1] €	Share of turnover by area	Var.% turnover 2018/19	Average turnover h.u. 2018/19 - difference (€)
Northwest	36.1	173,492	37.0%	5.0%	-130
Northeast	19.6	161,872	20.1%	5.4%	-108
Center	23.9	194,122	24.5%	0.9%	-4,450
South	12.0	120,456	12.3%	2.2%	-1,174
Islands	5.9	115,045	6.1%	1.9%	-423
ITALY	**97.5**	**161,619**	**100.0%**	**3.5%**	**-1,108**
Provincial Capitals	**Estimated turnover 2019 bln €**	**Estimated average turnover h.u. €**	**Share of turnover by area**	**Var.% turnover 2018/19**	**Average turnover h.u. 2018/19 - difference (€)**
Northwest	15.2	229,485	36.3%	5.9%	1,581
Northeast	7.2	188,618	17.1%	3.8%	-1,661
Center	13.1	230,480	31.2%	-0.8%	-6,684
South	4.2	159,112	9.9%	0.8%	-2,800
Islands	2.3	130,341	5.5%	1.9%	272
ITALY	**41.9**	**204,660**	**100.0%**	**2.6%**	**-1,860**

[1] Housing unit

Non Provincial Capitals	Estimated turnover 2019 bln €	Estimated average turnover h.u. €	Share of turnover by area	Var.% turnover 2018/19	Average turnover h.u. 2018/19 - difference (€)
Northwest	20.9	147,405	37.6%	4.3%	-969
Northeast	12.4	149,610	22.3%	6.3%	729
Center	10.8	162,976	19.4%	3.0%	-1,852
South	7.8	106,729	14.1%	3.0%	-462
Islands	3.6	107,116	6.5%	1.9%	-718
ITALY	**55.6**	**139,525**	**100.0%**	**4.1%**	**-515**

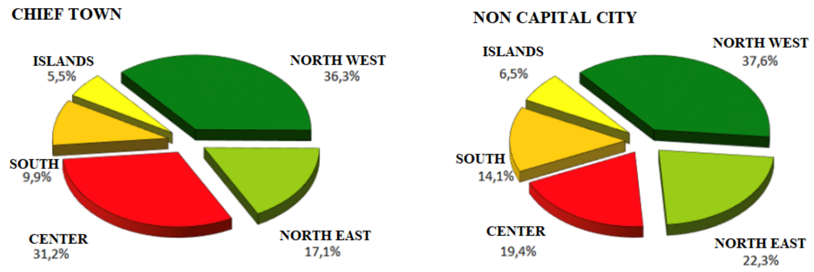
The data show two fairly evident trends: on the one hand, a generalized increase in overall turnover compared to 2018 (aggregate figure +3.5%), with the sole exception of the capital municipalities of the Center (-0.8%); on the other hand, an equally generalized reduction in average turnover, i.e. related to the individual unit bought and sold, with the exception of increases detected for the capital municipalities of the Northwest (+1,581 Euros) and Islands (+272 Euros), and for the smaller municipalities of the Northeast (+729 Euros). The reason for these trends depends, on the one hand, on the growth in the areas bought and sold (+4.4% CFR - Table 3) linked to the increase in the number of dwellings purchased, which drives an increase in turnover, and, on the other, on a reduction in prices per unit of surface area that is more than proportional to the reduction in the average surface area, which drives a reduction in turnover per housing unit. The overall estimate of 2019 turnover is 97.5 billion Euros, 55.7 of which (over 57%) are concentrated in the North; the highest growth rate was recorded in the Northeast, +5.4%; the lowest rates were in the Center (+0.9%) and the Islands (+1.9%) (Figure 4).

FIG. 04 - 2019 TURNOVER QUOTAS BY GEOGRAPHICAL AREAS



In terms of average turnover (per housing unit), on the other hand, the Center continues to prevail (around 194,000 Euros), although it is in this area that the greatest compression with respect to the previous year was registered once again (-4,450 Euros); the other areas, although registering, as mentioned, a negative sign, nevertheless experienced drops in average turnover that were less than or similar to the national average figure (-1,108 Euros).

FIG. 05 - 2019 TURNOVER QUOTAS BY GEOGRAPHICAL AREAS (CAPITALS AND NON CAPITALS)



Breaking down the analysis into capital cities and non-capital municipalities (Figure 5), significant differences are noted with respect to the general trends described so far; for example, it should be noted that, in the Northeast, growth is more concentrated in the smaller municipalities, with a corresponding increase in average turnover, and a completely opposite situation in the Northwest. The rate of growth in turnover volumes is greater in smaller municipalities in aggregate terms (up 4.1%, compared with 2.6% in the capital cities), but the average turnover is obviously higher in the capital cities (around 204 thousand Euros compared with 139 thousand Euros). The Northwest and the Center show the same average turnover for the capital cities (around 230 thousand Euros), but for the Center the figure is down (down 6,684 Euros), whilst it is up for the Northwest (up 1,581 Euros).

09_TAB. ESTIMATED TOTAL AND AVERAGE TURNOVER PER UNIT AND ANNUAL VARIATION BY MARKET SIZE OF THE MUNICIPALITIE

Market sizes	No. municipalities	Estimated turnover 2019 bln €	Estimated average turnover €	Share of turnover by size	Var.% turnover 2018/19	Difference (€) average turnover unit 2018/19
S	6,756	23.8	119,296	24.4%	4.7%	-61
M	537	16.2	147,692	16.6%	3.8%	-717
L	256	27.6	164,400	28.3%	3.9%	-1,420
XL	13	13.2	195,866	13.5%	0.5%	-1,080
XXL	2	16.7	283,526	17.1%	3.2%	-2,501
TOTAL	**7,564**	**97.5**	**161,619**	**100.0%**	**3.5%**	**-1,108**

Finally, the estimate of the average value of homes bought and sold by market size of municipalities (Table 9) is higher, as expected, as the market size increases, going from about 120 thousand Euros spent on average in 2019 to buy a home in the S market, 61 Euros less than in 2018, to about 283 thousand Euros spent on a home in the two Italian metropolises, down by about 2,500 Euros compared to the previous year.

On the contrary, the growth rates of the related turnover volumes show an opposite trend, going from +4.7% of the "lower" size (S) to +0.5% of the XL size (13 large municipalities).

The Monetary Value Declared in Residential Purchases and Sales

In this section we intend to evaluate a new parameter that measures the monetary amount of real estate sales, in the residential sector.

This is the Declared Monetary Value (hereinafter referred to as VMD, per its Italian acronym), which is an *average value calculated on the basis of the amounts declared in the sales deeds in which homes (and their appurtenances) have been exchanged, as resulting from the registration notes of the transactions*.

However, this survey is not possible for all deeds, since one must bear in mind that:

1. No database is available of all purchase and sale deeds with relative registration notes from which to deduce the price declared in the deed;
2. In a deed of sale, it is possible to transfer several properties, of different nature and type, and the price declared in the deed ordinarily refers to all the properties purchased;
3. It is necessary to purge the database of any errors.

The study and analysis of the only data available has therefore been based on the specific cases in which such prices are immediately available and usable for the purposes of the VMD. It should therefore be noted that what follows is necessarily based on an estimate of such prices.

Thus there are three variables used:

1. The **MONETARY VALUE OF THE TRANSACTION**, i.e. *the real monetary consideration declared in the sale/purchase*, when the purchasers have availed themselves of the so-called price/value regime (price different from the taxable amount) or when it is a transaction under VAT regime or in which the price/value regime has not been opted for (price equal to the taxable amount);
2. The **VSM_C**, i.e. an *estimate of the monetary consideration for the purchase and sale*

based on the VSM (Estimated Market Value, per its Italian acronym), when price and/or taxable amount refer either to a complex of property units or are "anomalous";

3. The **VMD_m**, *a product obtained by multiplying the surface area of the dwellings bought and sold by the average VMD per surface unit in the remaining cases*. In summary, for each year a VMD has been calculated consisting of approximately 80% of monetary considerations declared in the deeds of sale (prices or taxable amounts), approximately 20% of values estimated with the VSM_C (of which approximately 5% in mixed deeds, 15% deeds with no prices or taxable amounts, 0.1% deeds with prices or taxable amounts or anomalous) and a residual 0.2% of values estimated with the VMD (mixed deeds, prices/taxable amounts absent or anomalous and VSM not available). In view of what has been said so far, it is clear that, although the VMD also represents an estimate of the real monetary amount declared for the purchase of residential property, this estimate better approximates the actual value than does the "turnover" (used in the previous paragraph), the result of an average municipal quotation applied to the residential area purchased and sold.

10_TAB. VMD AND RESIDENTIAL TURNOVER SINCE 2011

YEAR	NTN	Estimated turnover bln €	Forecast VMD bln €	Bln € Variance % turnover / VMD
2011	575,797	99.4	103.4	-3.8%
2012	427,566	73.8	74.6	-1.1%
2013	389,448	66.4	64.8	2.4%
2014	405,722	69.8	65.5	6.6%
2015	435,931	74.0	67.3	9.9%
2016	517,184	86.4	79.7	8.5%
2017	543,188	89.6	82.3	8.9%
2018	579,207	94.3	85.9	9.7%
2019	**603,541**	**97.5**	**89.6**	**8.9%**

The results are shown in Table 10, where the calculated VMD for all years since 2011 is compared to the turnover.

A graph of the index numbers of the two estimated values is presented in Figure 6.

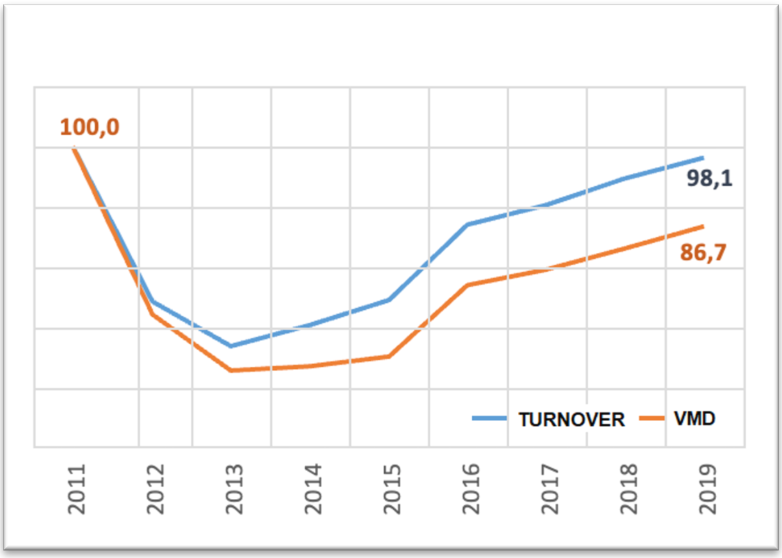
The values show a variance between VMD and turnover that in the period examined remains within 10%. The index number of VMD shows a decrease, in the crisis period of 2012 and

2013, more pronounced than that recorded with "turnover."

The recovery phase in 2014 and 2015 is also less pronounced when looking at VMD. In the following years VMD and turnover record, roughly, the same changes.

Table 11 shows the VMD values calculated in 2019, in the detail of the territorial areas and the comparison with the 2018 figure, while Figure 7 shows the graph with the historical series from 2011 of the VMD indices by territorial area. These data also confirm that the northern areas have led the recovery underway since 2014, and in particular the Northeast, where the VMD in 2019 is closer to the 2011 value.

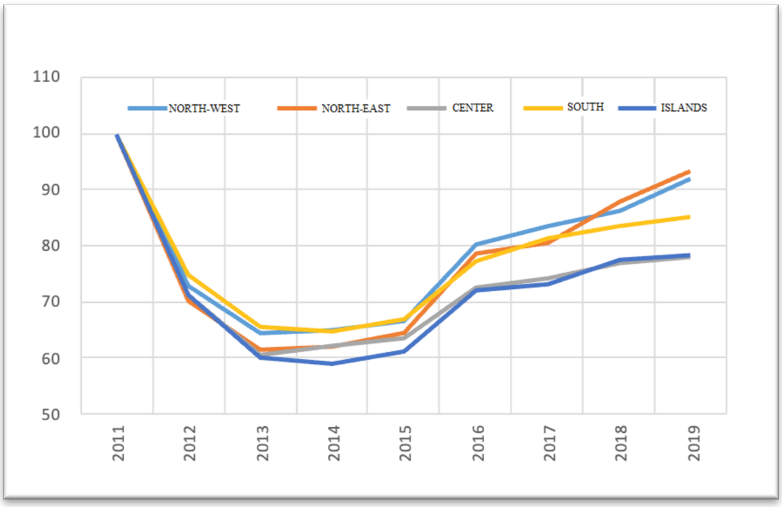
FIG. 06 - TURNOVER INDEX AND VMD



11_TAB. VMD 2019 BY AREA

AREA	NTN 2019	NTN Deviation % 2018/19	Forecast VMD per Area bln €	VMD Deviation % 2018/19
Northwest	208,268	5.1%	33.7	6.6%
Northeast	121,009	5.4%	17.4	6.0%
Center	123,108	3.2%	22.2	1.5%
South	99,549	3.2%	11.0	2.0%
Islands	51,607	2.3%	5.2	1.0%
ITALY	**603,541**	**4.2%**	**89.6**	**4.3%**

FIG. 07 - VMD INDEX BY AREA



Appurtenances

This paragraph shows the final data for 2019 regarding the market of appurtenant deposits, garages and parking spaces, that is, units registered in the cadastral archives in category C/2 with a cadastral surface area up to 30 m^2 and garages and parking spaces units registered in the cadastral archives in categories C/6 and C/7 with a surface area up to 50 m^2. These are reasonable but conventional criteria (see Table 12 and Figure 8). In 2019, just over 74,800 appurtenant deposits were exchanged nationwide, a 7.4% increase compared to 2018. The exchanges of garages and parking spaces, about 353,500 NTNs, are also up, +4.9% compared to 2018, an increase higher than that recorded in the housing sector. As far as the individual territorial areas are concerned, the greatest increases are observed in the Northeast, where the purchases and sales of deposits grew by 12.7% and for garages by 5.6%. The appurtenant deposits market showed a more limited increase in the South, and even a decrease in the Islands (-0.8%).

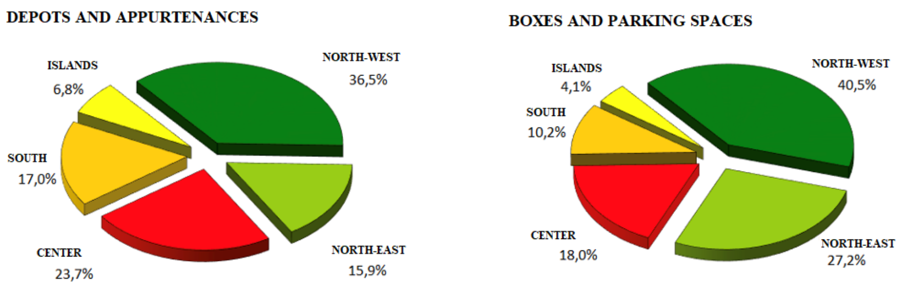
12_TAB. NTN AND IMI - ANNUAL VARIATION - APPURTENANT DEPOSITS AND GARAGES AND PARKING SPACES BY AREA

Appurtenant deposits Area	NTN 2019	Dev % NTN 2018/19	NTN quote per Area	IMI 2019	IMI difference 2018/19
Northwest	27,349	10.9%	36.5%	2.68%	0.20
Northeast	11,941	12.7%	15.9%	3.01%	0.25
Center	17,775	4.9%	23.7%	1.90%	0.07
South	12,755	2.6%	17.0%	1.30%	0.02
Islands	5,064	-0.3%	6.8%	1.28%	-0.01
ITALY	**74,883**	**7.4%**	**100.0%**	**2.01%**	**0.11**

Garages and parking spaces Area	NTN 2019	Dev % NTN 2018/19	NTN quote per Area	IMI 2019	IMI difference 2018/19
Northwest	143,267	5.4%	40.5%	2.37%	0.11
Northeast	96,159	5.6%	27.2%	2.44%	0.12
Center	63,618	4.4%	18.0%	2.24%	0.08
South	36,133	2.6%	10.2%	1.83%	0.03
Islands	14,330	3.4%	4.1%	1.65%	0.04
ITALY	**353,507**	**4.9%**	**100.0%**	**2.26%**	**0.09**

In the same breakdowns, garages show a growth rate that stopped at 3.4% in the Islands and was 2.6% in the South. In the Center, the rate of increase for deposits is 4.9% and 4.4% for boxes. In terms of intensity, the IMI quotient is, for both markets, higher for areas in the North with levels that, in 2019, exceed 2%, and in the Northeast reach 3% for deposits.

FIG. 08 - 2019 NTN SHARES - WAREHOUSES, GARAGES AND PARKING SPACES - BY GEOGRAPHIC AREA



For garages and parking spaces, the 2% level is also exceeded at the Center. In aggregate terms, compared to 2018, the share of trade in deposits, relative to the stock grew by 0.11 percentage points while that relative to boxes and parking spaces grew by 0.09 percentage points.

Bare Ownership

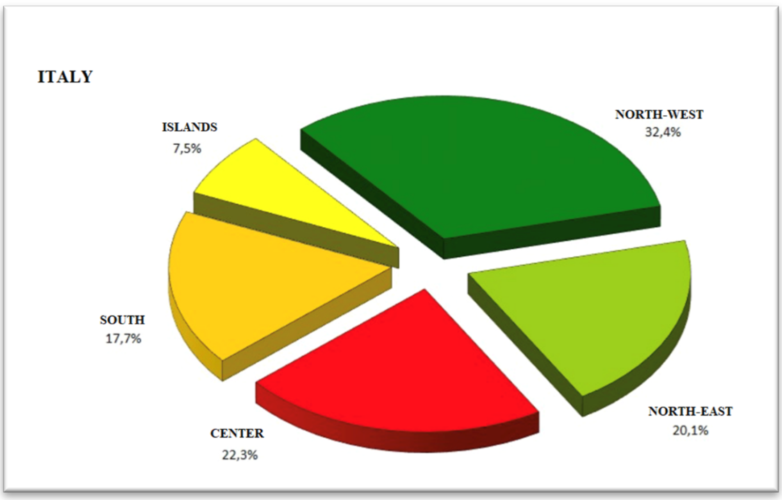
The following paragraph provides a brief analysis of the purchases and sales of the right of bare ownership on dwellings (NTN), i.e. transfers by the seller of ownership of the property but not of the real right of enjoyment of the asset (usufruct). In 2019, the volume of purchases and sales of bare ownership rights for dwellings in Italy increased compared to 2018, registering an increase of 4.1% (Table 13).

13_TAB. NTNNP AND ANNUAL VARIATION BY AREA, CAPITALS AND NON-CAPITALS

Area	NTN np 2019	Var.% NTN np 2018/19	NTN np quote per Area
Northwest	8.092	4,4%	32,4%
Northeast	5.023	10,1%	20,1%
Center	5.556	-0,9%	22,3%
South	4.407	8,6%	17,7%
Islands	1.881	-6,3%	7,5%
ITALY	**24.958**	**4,1%**	**100,0%**
Provincial Capitals	**NTN np 2019**	**Var.% NTN np 2018/19**	**NTN np quote per Area**
Northwest	2.803	11,6%	32,1%
Northeast	1.543	11,7%	17,7%
Center	2.501	-2,5%	28,6%
South	1.233	11,5%	14,1%
Islands	656	-8,0%	7,5%
ITALY	**8.737**	**5,5%**	**100,0%**
Non Capitals	**NTN np 2019**	**Var.% NTN np 2018/19**	**NTN np quote per Area**
Northwest	5.288	1,0%	32,6%
Northeast	3.480	9,4%	21,5%
Center	3.054	0,5%	18,8%
South	3.174	7,5%	19,6%
Islands	1.225	-5,4%	7,6%
ITALY	**16.222**	**3,3%**	**100,0%**

The trend differs from one geographical area to another: in the Northeast growth is more substantial (up 10.1%), while in the South there is a drop of 6.3%.

FIG. 09 - 2019 NTNnp DISTRIBUTION BY GEOGRAPHY



Central Italy is also down (-0.9%). One third of the exchanges is concentrated in the Northwest (Figure 9), where the growth recorded is 4.4%. In this area the increase in transfers of bare ownership rights for dwellings is mainly due to the increase observed in the capital cities, +11.6% compared to the almost stable situation in the non-capital municipalities (+1.0%). The Islands area is in the negative both in the capitals, -8% and the smaller municipalities, -5.4%.

Compared to 2018, the right of bare ownership for homes in the areas of the Center is decreasing most noticeably for the capitals (-2.5%), while for the non-capital municipalities it is substantially stable (+0.5%).

In the South, for the capitals, the increase reaches the levels of the North (+11.5%), while for the smaller municipalities the increase is more contained (+7.5%).

FIG. 10 - 2019 NTNnp DISTRIBUTION BY GEOGRAPHY (CAPITAL AND NON-CAPITAL)

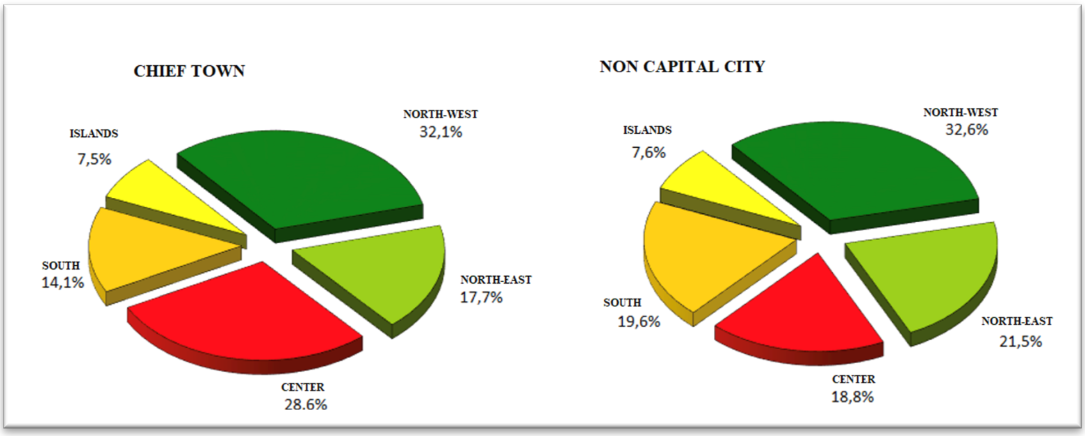


Figure 10 shows the graphs of the trend of the index number of the NTN_{np} since 2004, for Italy, for the capital cities and non-capital municipalities and the comparison with the trend of the index number of the NTN.

Looking at the trend of the NTN_{np} indexes, it is evident the growth of the volume of purchases and sales until 2006, the descent until 2009, the better market stability in the capitals until 2011. In 2012, as for purchases and sales of full ownership, it is clear the general collapse of bare ownership without distinction between capitals and non-capitals.

From 2014 the series shows a reversal of trend with increases for both markets, but much more pronounced for purchases of full ownership. The bottom lines of the cycle roughly follow that of the main market particularly in the downturn, while the recovery is markedly slower for the bare ownership market.

MORTGAGES

Volumes

In 2019, there were approximately 287 thousand purchases of mortgage-assisted housing (NTN IP, per its Italian acronym), an increase of 1.5% compared to 2018 (Table 14).

14_TAB. NTN IP, IMPACT ON NTN PF AND ANNUAL VARIATION BY AREA, CAPITALS AND NON-CAPITALS

Area	NTN IP 2019	Var % NTN IP 2018/19	NTN-IP quote per Area	INC-NTN PF 2019	Deviation INC 2018/19
Northwest	103,465	1.7%	36.1%	52.0%	-1.5
Northeast	61,736	2.9%	21.6%	53.4%	-1.3
Center	61,900	1.1%	21.6%	52.1%	-1.0
South	39,609	-0.1%	13.8%	41.2%	-1.5
Islands	19,763	0.1%	6.9%	39.6%	-0.8
ITALY	**286,474**	**1.5%**	**100.0%**	**49.5%**	**-1.3**
Provincial Capitals	**NTN IP 2019**	**Var % NTN IP 2018/19**	**NTN-IP quote per Area**	**INC-NTN PF 2019**	**Deviation INC 2018/19**
Northwest	31,831	0.5%	31.2%	50.8%	-1.9
Northeast	19,008	1.2%	18.6%	52.6%	-1.5
Center	31,105	0.4%	30.5%	56.6%	-0.7
South	12,106	-0.4%	11.9%	48.3%	-1.5
Islands	7,890	0.0%	7.7%	46.0%	-1.0
ITALY	**101,939**	**0.5%**	**100.0%**	**52.0%**	**-1.4**
Non-Capitals	**NTN IP 2019**	**Var% NTN IP 2018/19**	**NTN-IP quote per Area**	**INC-NTN PF 2019**	**Deviation INC 2018/19**
Northwest	71,634	2.2%	38.8%	52.6%	-1.4
Northeast	42,728	3.7%	23.2%	53.7%	-1.1
Center	30,796	1.8%	16.7%	48.3%	-1.2
South	27,503	0.0%	14.9%	38.7%	-1.4
Islands	11,873	0.2%	6.4%	36.3%	-0.7
ITALY	**184,534**	**2.0%**	**100.0%**	**48.2%**	**-1.2**

Of the total number of homes purchased by individuals (NTN PF, per its Italian acronym), those implemented with a mortgage accounted for just under half of the exchanges; however, the incidence decreases by about one percentage point compared to 2018.

Among the different areas of the country, the slight increases in NTN IP are observed in the Northeast and Northwest, +2.9% and +1.7%, respectively, areas where the incidence is close to 53.4% in the Northeast and 52% in the Northwest.

A positive change in the NTN IP is also observed in the Center (+1.1%), where the incidence of these purchases and sales is 52%. Finally, in 2019, the NTN IP is substantially similar to the previous year (-0.1%) for the South and 0.1% for the Islands, in the latter the incidence is minimal compared to other areas of the country (39.6%).

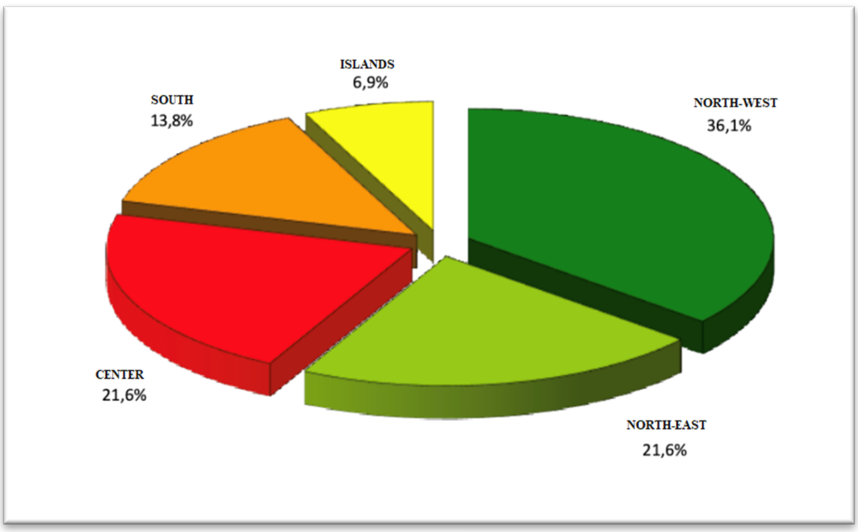
The separate analysis for provincial capitals only and for municipalities other than capitals, shown in Table 14, shows a decrease in the IP NTN of more than one percentage point more accentuated for the provincial capitals, in particular for those located in the Northeast, Northwest and South, which show the greatest decreases.

It should be noted that there is a difference in the value of the incidence, which is lower in non-capital municipalities.

The gap between capitals and non-mainland municipalities in terms of incidence is very evident in the areas of the Center, the South and the Islands, where between the incidence of smaller municipalities and that of capitals there are between 8 and 10 percentage points less.

Also interesting is the different weight of the NTN IP that is observed in the Central area for the capitals, 30.5%, which drops to 16.7% for municipalities that are not capitals.

FIG. 11 - 2019 NTP IP QUOTAS BY GEOGRAPHIC AREA



The analysis of the trend of the number of purchases with mortgage, carried out with the help of the series of indices of NTN IP on a fixed 2011 basis, shown in Figure 18, well shows, for all geographical areas, a growing trend, uninterrupted since 2014, which led to the reabsorption of the heavy losses of the two-year period 2012-2013.

It can also be seen that the increases concern, for all areas, to a greater extent the capital cities.

The only value bucking the trend in 2019 is that of the capital cities of the South, slightly down on 2018.

The analysis and comparison of trends since 2011 of the series of index numbers of the complex of home purchases and sales made by individuals (NTN PF), of purchases and sales of mortgage-assisted housing by individuals (NTN IP) and purchases attributable to the same individuals of homes on which there is no mortgage (NTN PF no IP), shows how the greatest contribution to the growth of purchases is due to purchases made with a mortgage.

The analysis shows, in fact, that in periods of expansion the growth rates of NTN IP are more pronounced than the NTN relative to PF and above all the NTN for which no mortgage was taken out (NTN PF no IP).

In other words, the increase in purchases and sales assisted by mortgages drags the purchases and sales of individuals into the positive range, while the purchases and sales of individuals without mortgages remain stable or fall.

Similarly, in periods of market decline, mortgage-backed sales show the greatest declines.

This has been observed throughout the country.

15_TAB. NTN IP, IMPACT ON NTN PF AND ANNUAL VARIATION BY MARKET SIZE OF THE MUNICIPALITIES

Market sizes	n. municipalities	NTN IP 2019	Var% NTN IP 2018/19	NTN-IP quote by Size	INC-NTN PF 2019	Deviation INC 2018/19
S	6,756	84,389	2.6%	29.5%	44.1%	-1.0
M	537	55,046	2.1%	19.2%	52.2%	-1.1
L	256	82,623	1.5%	28.8%	51.3%	-1.4
XL	13	32,207	-2.1%	11.2%	49.8%	-1.6
XXL	2	32,209	0.9%	11.2%	57.0%	-1.3
ITALIA	**7,564**	**286,474**	**1.5%**	**100.0%**	**49.5%**	**-1.3**

Table 15 shows the main indicators of mortgage purchase volumes for municipalities grouped into market sizes.

The 1.5% growth nationwide is confirmed in all groups except for XL size municipalities, which register -2.1%, in line with what was previously observed for the NTN as a whole.

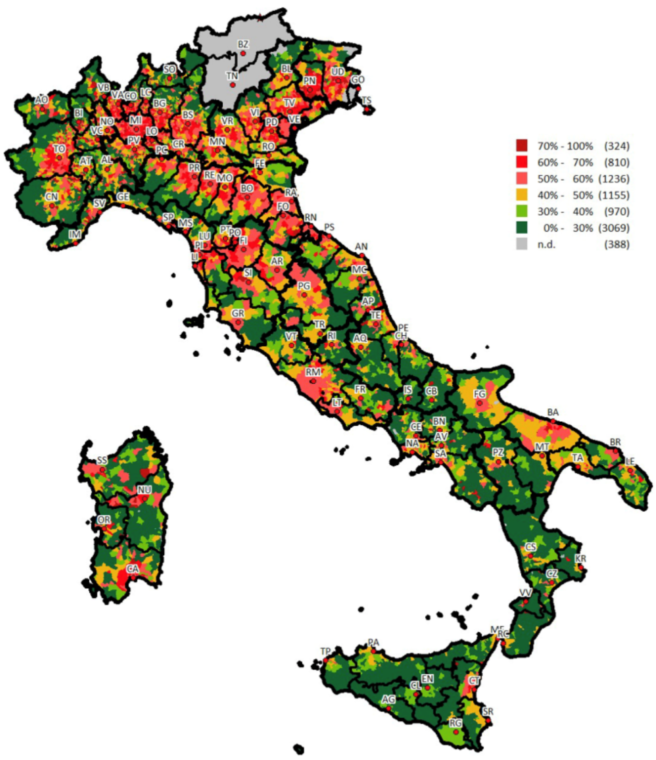
Among the rising values, the highest, +2.6%, is recorded for municipalities of size S and the lowest value, +0.9%, for Rome and Milan, which make up the size XXL.

In terms of incidence, the extreme classes also show the minimum values, 44.1% for size S municipalities and the maximum, 57% for XXL markets.

The incidence is around 50% in the municipalities in the intermediate classes.

Figure 20 shows the thematic map, at the municipal level, of the distribution of the incidence of mortgages on the corresponding purchases and sales of homes (NTN PF), which shows a lower recourse to credit in the municipalities of the South and Islands.

FIG. 12 - NTN IP ON NTN - 2019 RATIO DISTRIBUTION MAP - INDIVIDUALS (ITALIAN MUNICIPALITIES)



Sizes

The distribution of dwellings purchased with a mortgage broken down by size classes, shown in Tables 16 and 17, is quite similar to that already examined for overall housing purchases and sales

(Table 5).

In fact, in 2019, mortgaged dwellings that are in the area class between 85 m^2 and 115 m^2 and those in the class between 50 m^2 and 85 m^2 are the most purchased and most mortgaged, accounting for almost 60% of the total NTN IP.

Smaller housing units, with floor area up to 50 m^2, are the least numerous, accounting for only 4% of the total NTN IP. In terms of changes in NTN IP, in 2019, compared to 2018, dwellings in the largest size class, over 145 m^2, showed the strongest increases, +3.6%.

The incidence of purchases with a mortgage (Table 18) of mortgaged dwellings is high for dwellings over 85 m^2, where the share of purchases with recourse to a mortgage loan exceeds 55% (about 55.6% in the classes 85 m^2 - 115 m^2, in the class over 145 m^2 it is 56.5% and finally for dwellings between 115 m^2 and 145 m^2 the incidence is 57.4%).

The incidence is also quite high for housing with a surface area between 50 and 85 m^2, where there is a 44% share of purchases assisted by a mortgage compared to the total of purchases of homes of this size made by individuals.

The incidence of mortgage-assisted housing purchases by market size of municipalities (Table 19 and Table 20) is lowest for housing up to 50 m^2 purchased in size S municipalities (13.5%) and highest (63.1%) for housing between 85 and 115 m^2 purchased in the 2 metropolises (size XXL).

16_TAB. NTN IP 2019 BY SIZE OF HOUSES, BY AREA, CAPITALS AND NON-CAPITALS

Area	Up to 50 m²	From 50 m² Up to 85 m²	From 85 m² Up to 115 m²	From 115 m² Up to 145 m²	More than 145 m²	Total
Northwest	5,348	32,998	31,823	15,764	17,533	103,465
Northeast	1,752	14,641	19,206	11,307	14,830	61,736
Center	2,922	19,187	19,238	10,747	9,805	61,900
South	908	7,297	12,841	10,507	8,057	39,609
Islands	672	3,830	5,294	5,236	4,731	19,763
ITALY	**11,601**	**77,954**	**88,402**	**53,561**	**54,956**	**286,474**
Provincial Capitals	**Up to 50 m²**	**From 50 m² Up to 85 m²**	**From 85 m² Up to 115 m²**	**From 115 m² Up to 145 m²**	**More than 145 m²**	**Total**
Northwest	2,669	12,463	9,557	3,988	3,153	31,831
Northeast	810	5,352	6,813	3,210	2,823	19,008
Center	1,797	10,900	9,812	4,857	3,739	31,105
South	201	2,468	4,052	3,229	2,156	12,106
Islands	180	1,297	2,285	2,381	1,748	7,890
ITALY	**5,658**	**32,480**	**32,519**	**17,664**	**13,620**	**101,939**

Non- Capitals	Up to 50 m²	From 50 m² Up to 85 m²	From 85 m² Up to 115 m²	From 115 m² Up to 145 m²	More than 145 m²	Total
Northwest	2,678	20,534	22,265	11,776	14,380	71,634
Northeast	941	9,290	12,393	8,097	12,007	42,728
Center	1,125	8,288	9,426	5,890	6,067	30,796
South	707	4,829	8,789	7,278	5,901	27,503
Islands	492	2,533	3,010	2,855	2,982	11,873
ITALY	**5,944**	**45,474**	**55,883**	**35,897**	**41,337**	**184,534**

17_TAB. NTN IP ANNUAL VARIATION BY SIZE OF DWELLINGS, BY AREA, CAPITALS AND NON-CAPITALS

Area	Up to 50 m²	From 50 m² Up to 85 m²	From 85 m² Up to 115 m²	From 115 m² Up to 145 m²	More than 145 m²	Total
Northwest	1.7%	1.9%	0.6%	1.9%	3.1%	1.7%
Northeast	0.6%	2.6%	2.0%	1.5%	6.0%	2.9%
Center	2.8%	1.7%	0.8%	-0.6%	2.0%	1.1%
South	-7.9%	-2.9%	0.5%	0.9%	1.3%	-0.1%
Islands	-6.1%	-1.4%	-3.0%	0.8%	5.3%	0.1%
ITALY	**0.5%**	**1.3%**	**0.7%**	**1.0%**	**3.6%**	**1.5%**
Provincial Capitals	**Up to 50 m²**	**From 50 m² Up to 85 m²**	**From 85 m² Up to 115 m²**	**From 115 m² Up to 145 m²**	**More than 145 m²**	**Total**
Northwest	2.9%	2.1%	-0.1%	-2.7%	-1.5%	0.5%
Northeast	4.9%	1.2%	3.0%	-5.8%	4.3%	1.2%
Center	5.4%	2.0%	0.2%	-3.2%	-1.1%	0.4%
South	-32.1%	-1.8%	0.6%	1.7%	0.8%	-0.4%
Islands	-6.5%	-7.8%	-3.1%	4.8%	5.3%	0.0%
ITALY	**1.8%**	**1.2%**	**0.5%**	**-1.7%**	**1.0%**	**0.5%**
Non-Capitals	**Up to 50 m²**	**From 50 m² Up to 85 m²**	**From 85 m² Up to 115 m²**	**From 115 m² Up to 145 m²**	**More than 145 m²**	**Total**
Northwest	0.4%	1.8%	0.9%	3.5%	4.2%	2.2%
Northeast	-2.8%	3.4%	1.4%	4.7%	6.4%	3.7%
Center	-1.0%	1.2%	1.4%	1.6%	4.1%	1.8%
South	2.5%	-3.5%	0.4%	0.5%	1.4%	0.0%
Islands	-6.0%	2.3%	-2.9%	-2.2%	5.3%	0.2%
ITALY	**-0.7%**	**1.4%**	**0.8%**	**2.4%**	**4.5%**	**2.0%**

18_TAB. NTN IP IMPACT ON NTN PF 2019 BY SIZE OF DWELLINGS BY AREA, CAPITALS AND NON-CAPITALS

Area	Up to 50 m²	From 50 m² Up to 85 m²	From 85 m² Up to 115 m²	From 115 m² Up to 145 m²	More than 145 m²	Total
Northwest	27.6%	47.3%	59.1%	60.0%	59.1%	52.0%
Northeast	24.3%	45.8%	58.1%	60.0%	60.2%	53.4%
Center	29.8%	49.0%	57.7%	58.4%	54.2%	52.1%
South	8.8%	30.1%	48.8%	53.7%	51.3%	41.2%
Islands	12.9%	29.7%	42.6%	51.4%	51.5%	39.6%
ITALY	**22.4%**	**43.8%**	**55.6%**	**57.4%**	**56.5%**	**49.5%**
Provincial Capitals	**Up to 50 m²**	**From 50 m² Up to 85 m²**	**From 85 m² Up to 115 m²**	**From 115 m² Up to 145 m²**	**More than 145 m²**	**Total**
Northwest	30.8%	48.8%	59.3%	58.7%	56.5%	50.8%
Northeast	26.6%	47.4%	58.8%	59.3%	58.8%	52.6%
Center	38.2%	54.9%	61.3%	61.7%	57.3%	56.6%
South	9.1%	39.7%	54.2%	59.4%	57.6%	48.3%
Islands	10.9%	31.6%	50.2%	60.3%	60.3%	46.0%
ITALY	**27.9%**	**48.5%**	**58.3%**	**59.9%**	**57.8%**	**52.0%**
Non-Capitals	**Up to 50 m²**	**From 50 m² Up to 85 m²**	**From 85 m² Up to 115 m²**	**From 115 m² Up to 145 m²**	**More than 145 m²**	**Total**
Northwest	25.1%	46.5%	59.0%	60.4%	59.7%	52.6%
Northeast	22.6%	45.0%	57.8%	60.3%	60.6%	53.7%
Center	22.1%	43.0%	54.5%	56.0%	52.5%	48.3%
South	8.7%	26.8%	46.6%	51.4%	49.4%	38.7%
Islands	13.9%	28.9%	38.2%	45.8%	47.5%	36.3%
ITALY	**18.8%**	**41.0%**	**54.1%**	**56.2%**	**56.1%**	**48.2%**

19_TAB. NTN IP 2019 BY HOUSE SIZE AND BY MARKET SIZE OF MUNICIPALITIES

Year 2019 Market sizes	Up to 50 m²	From 50 m² Up to 85 m²	From 85 m² Up to 115 m²	From 115 m² Up to 145 m²	More than 145 m²	Total
S	2,089	16,584	23,757	17,580	24,379	84,389
M	1,635	13,855	17,564	11,049	10,943	55,046
L	3,231	23,730	27,204	15,533	12,926	82,623
XL	1,365	10,151	10,999	5,700	3,993	32,207
XXL	3,281	13,634	8,879	3,699	2,715	32,209
ITALY	**11,601**	**77,954**	**88,402**	**53,561**	**54,956**	**286,474**

20_TAB. NTN IP IMPACT ON NTN PF 2019 BY HOUSE SIZE AND BY MARKET SIZE OF MUNICIPALITIES

Year 2019 Market sizes	Up to 50 m²	From 50 m² Up to 85 m²	From 85 m² Up to 115 m²	From 115 m² Up to 145 m²	More than 145 m²	Total
S	13.5%	33.9%	49.1%	52.6%	53.8%	44.1%
M	21.1%	44.7%	57.7%	60.3%	60.6%	52.2%
L	23.9%	45.5%	57.7%	59.6%	58.3%	51.3%
XL	19.6%	45.7%	58.0%	59.4%	57.4%	49.8%
XXL	40.3%	57.5%	63.1%	62.8%	57.7%	57.0%
ITALY	**22.4%**	**43.8%**	**55.6%**	**57.4%**	**56.5%**	**49.5%**

Capital Disbursed

The total capital financed to support the purchase of homes, in 2019, amounts to 36.5 billion Euros, almost 1 billion more than in 2018, thus registering a change of 2.2%, a rate slightly higher than that observed for volumes (+1.5%). Table 21, which provides details of the extent and variation of capital, in the detail of the geographical areas, shows widespread rises throughout the country with percentages ranging from 3.9% in the Northeast to 0.5% in the South; the only exception is the decline recorded in the Central area (-0.3%).

21_TAB. TOTAL AND UNITARY CAPITAL DISBURSED AND ANNUAL VARIATION BY AREA, CAPITALS AND NON-CAPITALS

Year 2019 Area	Capital 2019 billion €	Capital % change 2018/19	Share Capital by Area	Unit capital 2019 €	Difference Capital unit 2018/19
Northwest	13.7	3.4%	37.5%	132,500	2,200
Northeast	7.5	3.9%	20.5%	121,000	1,200
Center	8.7	-0.3%	23.7%	139,800	-1,900
South	4.5	0.5%	12.3%	113,300	700
Islands	2.2	2.7%	6.0%	111,000	2,800
ITALY	**36.5**	**2.2%**	**100.0%**	**127,400**	**900**
Provincial Capitals	**Capital 2019 billion €**	**Capital % change 2018/19**	**Share Capital by Area**	**Unit capital 2019 €**	**Difference Capital unit 2018/19**
Northwest	4.9	4.2%	33.3%	152,600	5,500
Northeast	2.4	2.1%	16.4%	126,100	1,200
Center	4.9	-1.7%	33.6%	157,600	-3,500
South	1.5	0.3%	10.5%	126,000	800
Islands	0.9	0.3%	6.3%	115,800	300
ITALY	**14.6**	**1.2%**	**100.0%**	**143,200**	**1,000**

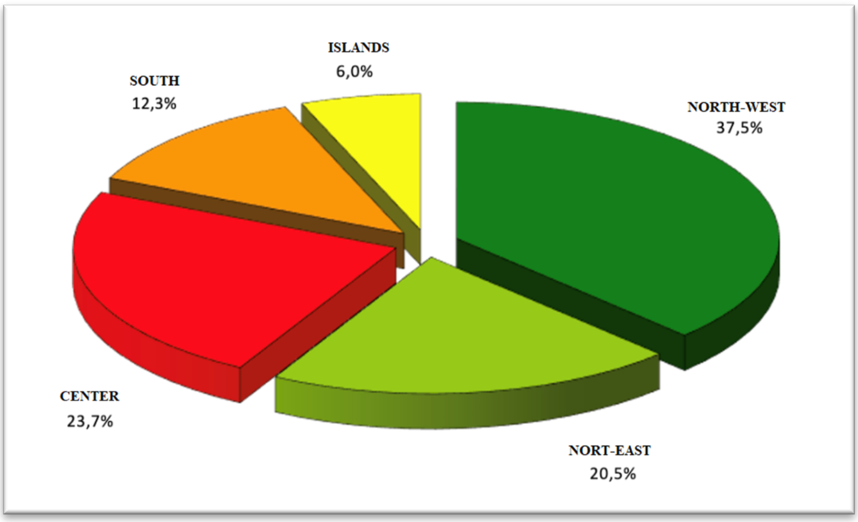
Non-Capitals	Capital 2019 billion €	Capital % change 2018/19	Share Capital by Area	Unit capital 2019 €	Difference Capital unit 2018/19
Northwest	8.8	3.0%	40.4%	123,500	900
Northeast	5.1	4.8%	23.1%	118,700	1,200
Center	3.7	1.7%	17.1%	121,700	-100
South	3.0	0.6%	13.5%	107,700	600
Islands	1.3	4.4%	5.8%	107,800	4,400
ITALY	**21.9**	**2.9%**	**100.0%**	**118,700**	**1,100**

In 2019, the unit capital for a mortgaged home appears to be increasing compared to the level found in 2018.

At the national level, the average value is about 127 thousand Euros, reaches almost 140 thousand Euros average unit in the Center and is minimal at 111 thousand Euros in the Islands.

Figure 13 shows the graphs of trends by geographic areas, also distinguishing capitals and non-main towns, of the index of the capital disbursed and the average capital per housing unit.

FIG. 13 - SHARES OF CAPITAL DISBURSED IN 2019 BY GEOGRAPHIC AREA



The trend of the indices of the capital disbursed registers, as for the NTN IP, the positive reversal underway since 2014.

After the sharp decline observed between 2011 and 2013, in all areas and in all territorial areas analyzed, the trend is reversed and, with the strong rises recorded in the two-year period 2015-2016 and the growth, albeit at lower rates, in 2018 and 2019, the index returns everywhere to values close to those of 2011. The exceptions are the areas of the North, and in particular the capitals, which report index values that are well above the base year value.

22_TAB. TOTAL AND UNITARY CAPITAL DISBURSED AND ANNUAL VARIATION BY MARKET SIZE OF THE MUNICIPALITIES

Market Sizes	Capital 2019 billion €	Capital % change 2018/19	Share Capital by Size	Unit capital 2019 €	Difference Capital unit 2018/19
S	9.5	3.5%	26.0%	112,500	1,000
M	6.7	3.4%	18.2%	121,000	1,500
L	10.2	2.4%	27.9%	123,100	1,000
XL	4.2	-1.8%	11.5%	130,300	500
XXL	6.0	1.5%	16.4%	185,900	1,000
ITALY	**36.5**	**2.2%**	**100.0%**	**127,400**	**900**

Table 22 examines the distribution of capital disbursed by market size of municipalities. In 2019, there are increases in capital disbursed at rates greater than 3% in the S- and M-class municipality markets, while for the two largest markets, XXL, the growth rate is 1.5%.

The average capital disbursed per unit bought and sold by individuals increases with market size, from around 112 thousand Euros for the size S market to 186 thousand Euros for the size XXL. Multiplying the area of homes purchased with a mortgage, by individuals, by the average municipal listing, an estimate of the exchange value of the mortgaged homes was made.

As shown in Table 23, the value of homes bought and sold using a mortgage, in 2019, exceeded 52 billion Euros; the capital provided thus represents almost 70% of the purchase expenditure. The share of value financed is lowest in the Center, around 62%, and highest in the Islands, 78%.

23_TAB. ESTIMATED NTN IP TURNOVER AND SHARE CAPITAL BY AREA, PROVINCIAL AND NON-CAPITALS

Area	Estimated turnover NTN IP 2019 billion €	Share of turnover per Area	INC Capital Value 2019
Northwest	19.3	36.5%	71.2%
Northeast	10.8	20.5%	69.1%
Center	14.0	26.6%	61.7%
South	5.8	11.1%	77.0%
Islands	2.8	5.3%	78.1%
ITALY	**52.7**	**100.0%**	**69.2%**

Provincial Capitals	Estimated turnover NTN IP 2019 billion €	Share of turnover per Area	INC Capital Value 2019
Northwest	8.0	33.8%	61.1%
Northeast	3.9	16.6%	61.5%
Center	8.2	34.9%	59.6%
South	2.2	9.4%	68.7%
Islands	1.3	5.3%	72.6%
ITALY	**23.6**	**100.0%**	**62.0%**
Non-Capitals	**Estimated turnover NTN IP 2019 billion €**	**Share of turnover per Area**	**INC Capital Value 2019**
Northwest	11.3	38.8%	78.2%
Northeast	6.9	23.7%	73.4%
Center	5.8	19.9%	64.6%
South	3.6	12.4%	82.0%
Islands	1.6	5.3%	82.5%
ITALY	**29.2**	**100.0%**	**75.1%**

Average Rate and Duration

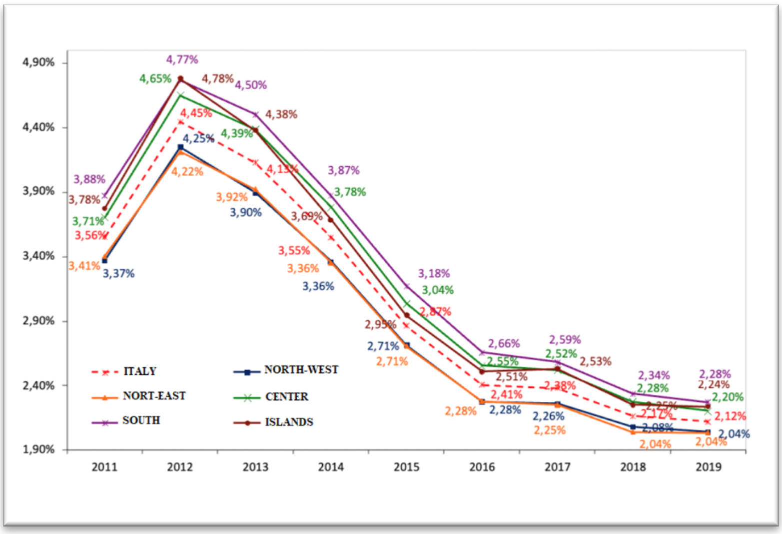
In 2019, the average rate applied to disbursements of mortgages for the purchase of homes is reduced, compared to 2018, by a further 0.04 percentage points to 2.12%, marking a new low.

The analysis by geographical areas, Table 24 and Figure 14, shows higher average rates in the Southern Regions (2.28%) and the Islands (2.24%), while the lowest rates, just above 2%, are recorded in the Northern Regions (2.04% in both the Northeast and the Northwest).

24_TAB. INITIAL INTEREST RATE, AVERAGE MORTGAGE DURATION (YEARS), AVERAGE MONTHLY PAYMENT (€) AND ANNUAL CHANGE

Area	Average rate 2019	Average rate change 2018/19	Average duration 2019 years	Delta average duration 2018/19	Average monthly payment 2019 €	Var% Average payment 2018/19
Northwest	2.04%	-0.04	23.0	0.2	€ 602	0.7%
Northeast	2.04%	-0.01	22.6	0.3	€ 556	-0.2%
Center	2.20%	-0.07	24.1	0.2	€ 624	-2.8%
South	2.28%	-0.06	22.7	0.2	€ 532	-0.9%
Islands	2.24%	-0.02	22.8	0.3	€ 518	1.4%
ITALY	**2.12%**	**-0.04**	**23.1**	**0.2**	**€ 582**	**-0.5%**

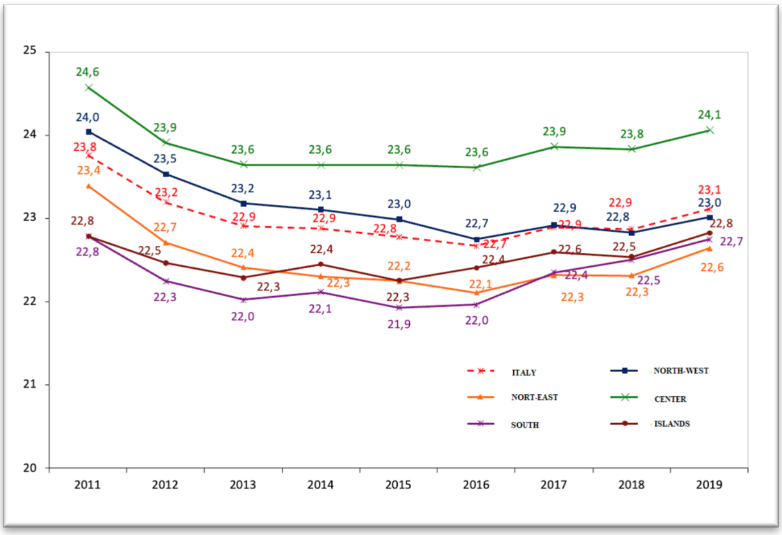
FIG. 14 - AVERAGE INITIAL INTEREST RATE - PERFORMANCE BY GEOGRAPHICAL AREA



The average mortgage term is essentially stationary at 23.1 years and is similar across areas of the country (Figure 15).

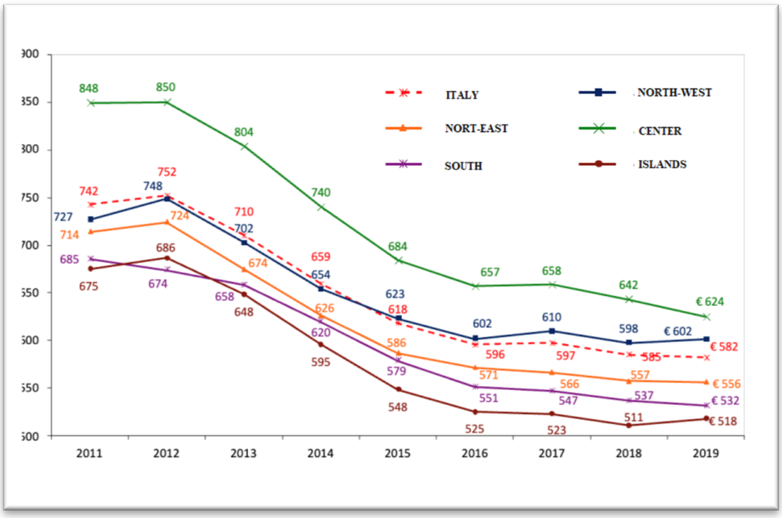
As a result of the stability of the durations, the decrease in the average monthly instalment, recorded in 2019, is entirely due to the fall in interest rates. In fact, the average instalment comes to 582 Euros per month, down 0.5% on 2018.

FIG. 15 - AVERAGE DURATION OF MORTGAGES (YEARS) - TREND BY GEOGRAPHICAL AREAS



In the Center, the highest average instalment is noted, which, despite a decrease of 2.8% compared to 2018, given the high levels of average capital per unit disbursed, in this area exceeds 620 Euros per month (Figure 16).

FIG. 16 - AVERAGE INITIAL MONTHLY PAYMENT (EUROS) – TREND BY GEOGRAPHICAL AREA



REGIONAL DATA

Sales

The increase in home purchases and sales observed at the national level (+4.2%) is widespread, albeit with different intensities, in all Regions (Table 25).

25_TAB. NTN, IMI AND ANNUAL VARIATION BY REGION

Region	NTN2019	Var.% NTN 2018/19	NTN quote per Region	IMI 2019	Difference IMI 2018/19
Abruzzo	11,267	6.7%	1.9%	1.26%	0.08
Basilicata	3,670	9.2%	0.6%	1.01%	0.08
Calabria	11,909	3.5%	2.0%	0.87%	0.03
Campania	35,602	1.4%	5.9%	1.24%	0.02
Emilia-Romagna	54,538	4.9%	9.0%	2.15%	0.10
Friuli- Venezia Giulia	9,133	8.5%	1.5%	1.91%	0.15
Lazio	60,870	3.1%	10.1%	1.92%	0.06
Liguria	21,705	3.8%	3.6%	1.84%	0.07
Lombardy	130,675	5.9%	21.7%	2.34%	0.13
Marche	13,047	6.9%	2.2%	1.50%	0.10
Molise	2,326	4.6%	0.4%	1.00%	0.04
Piedmont	53,912	3.2%	8.9%	1.93%	0.06
Apulia	34,770	3.3%	5.8%	1.51%	0.05
Sardinia	13,843	2.3%	2.3%	1.34%	0.03
Sicily	37,764	2.3%	6.3%	1.19%	0.03
Tuscany	41,352	1.5%	6.9%	1.94%	0.03
Umbria	7,725	7.1%	1.3%	1.54%	0.10
Aosta Valley	1,967	16.6%	0.3%	1.45%	0.21
Veneto	57,466	5.4%	9.5%	2.18%	0.11
ITALY	**603,541**	**4.2%**	**100.0%**	**1.76%**	**0.07**

’Aosta Valley, which accounts for only 0.3% of total trade in 2019, is the Region that has achieved the greatest growth, at +16.6%.

Further significant increases are found in Basilicata, with +9%, where the number of transactions represents only 0.6% of the national total and, in Friuli-Venezia Giulia, with 8.5%, which represents a small share of about 1.5% of the total national purchases and sales.

Increases are also registered, with rates between 6% and 7%, in Umbria, Marche and Abruzzo.

In Lombardy, a Region that alone accounts for almost 22% of total transactions, the increase in the number of homes purchased is 5.9%. The lowest increases were observed in Veneto, at +5.4%, and Emilia-Romagna, at +4.9%. Finally, the lowest rate is recorded in Campania with +1.4%. In terms of intensity, the IMI is above 2% in Veneto, Lombardy and Emilia-Romagna, and slightly below 2% in Tuscany, Piedmont, Lazio and Friuli-Venezia Giulia.

In all of the southern Regions, the IMI is lower than the national average, with Apulia having the highest value at 1.51%, followed by Abruzzo at around 1.20%, Basilicata and Molise at around 1% and finally Calabria at only 0.87%. The IMI is on the rise in all Regions, with differences ranging from 0.21 percentage points in 'Aosta Valley to 0.02 in Campania.

The analysis of purchases and sales of homes for the right of bare ownership in regional detail, shown in Table 26, shows how the 4.1% increase recorded at the national level is confirmed by most of the Regions.

26_TAB. NTN, IMI AND ANNUAL VARIATION BY REGION

Area	NTN $_{np}$ 2019	Var.% NTN $_{np}$ 2018/19	NTN $_{np}$ quote per Area
Abruzzo	538	20.9%	2.2%
Basilicata	136	7.1%	0.5%
Calabria	500	18.7%	2.0%
Campania	1,824	4.2%	7.3%
Emilia-Romagna	2,246	8.7%	9.0%
Friuli- Venezia Giulia	297	6.6%	1.2%
Lazio	2,701	1.7%	10.8%
Liguria	1,275	5.6%	5.1%
Lombardy	4,457	2.2%	17.9%
Marche	601	5.9%	2.4%
Molise	103	17.5%	0.4%
Piedmont	2,231	8.1%	8.9%
Apulia	1,305	6.5%	5.2%
Sardinia	517	-1.7%	2.1%
Sicily	1,365	-8.0%	5.5%
Tuscany	1,931	-3.8%	7.7%
Umbria	323	-13.7%	1.3%
'Aosta Valley	129	10.4%	0.5%
Veneto	2,480	11.8%	9.9%
ITALY	**24,958**	**4.1%**	**100.0%**

However, divergent trends are noted among the various Regions. Declines in these types of transactions were recorded in four Regions, with the most marked rates of decline in Umbria, at -13.7%, Sicily, at -8%, Tuscany, at -3.8% and Sardinia, at -1.7%.

Among the Regions that recorded an increase in home bare ownership rights transfers, the rates of increase exceeded 20% in Abruzzo, followed with double-digit growth rates in Campania (+18.7%), Molise (+17.5%), Veneto (+11.8%) and 'Aosta Valley (+10.4%).

Table 27 shows the estimated turnover rate for homes bought and sold in various Regions in 2019.

27_TAB. ESTIMATED TOTAL AND AVERAGE TURNOVER PER UNIT AND ANNUAL CHANGE PER REGION

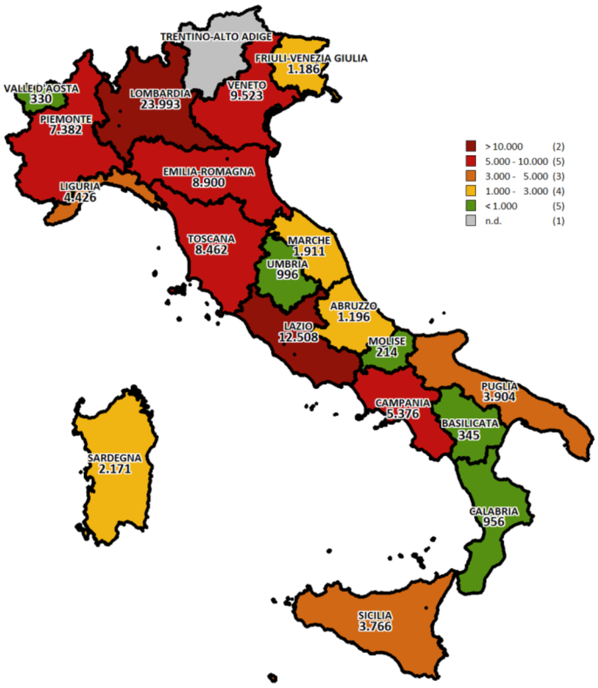
Region	Estimated turnover 2019 millions €	Average turnover h.u. 2019 €	Turnover quote per Region	Turnover Var.% 2018/19	Difference in average turnover h.u. 2018/19 €
Abruzzo	1,196	106,100	1.2%	5.5%	-1,100
Basilicata	345	94,100	0.4%	10.8%	1,400
Calabria	956	80,300	1.0%	2.2%	-1,000
Campania	5,376	151,000	5.5%	1.2%	-300
Emilia-Romagna	8,900	163,200	9.1%	4.5%	-600
Friuli- Venezia Giulia	1,186	129,800	1.2%	8.8%	400
Lazio	12,508	205,500	12.8%	0.3%	-5,800
Liguria	4,426	203,900	4.5%	1.9%	-3,900
Lombardy	23,993	183,600	24.6%	6.4%	800
Marche	1,911	146,400	2.0%	5.9%	-1,500
Molise	214	91,800	0.2%	2.7%	-1,700
Piedmont	7,382	136,900	7.6%	2.1%	-1,500
Apulia	3,904	112,300	4.0%	2.0%	-1,400
Sardinia	2,171	156,800	2.2%	2.4%	100
Sicily	3,766	99,700	3.9%	1.6%	-600
Tuscany	8,462	204,600	8.7%	0.4%	-2,300
Umbria	996	128,900	1.0%	3.5%	-4,500
'Aosta Valley	330	167,900	0.3%	14.7%	-2,700
Veneto	9,523	165,700	9.8%	5.7%	400
ITALY	**97,544**	**161,600**	**100.0%**	**3.5%**	**-1,100**

Of the 97 billion Euros estimated for home purchases in 2019, almost a quarter (23.9 billion) were spent on properties located in the Lombardy Region alone, up 6.4% compared to 2018. Compared to 2018, the Regions with the highest growth rate were 'Aosta Valley and Basilicata, which increased 14.7% and 10.8%, respectively. For all Regions, there is growth in turnover, with rates ranging from a high of 8.8% in Friuli-Venezia Giulia to a low of 0.3% in Lazio.

The average turnover per home is high, exceeding 200 thousand Euros, in Lazio, Tuscany and Liguria, while it remains below 100 thousand Euros in Calabria, Sicily and Basilicata.

Figure 17 shows the regional map with the distribution of transaction values per housing unit in 2019.

FIG. 17 - 2019 REVENUES DISTRIBUTION MAP (MILLIONS OF EUROS) IN ITALIAN REGIONS



Mortgage Loans

In 2019, the number of mortgage-assisted homes purchased (NTN IP), is on the rise in almost all Regions, with 'Aosta Valley registering the strongest increase, just under 14%, followed by Friuli-Venezia Giulia with an increase of 9.2% (Table 29).

28_TAB. NTN IP, IMPACT ON NTN PF AND ANNUAL VARIATION BY REGION

Region	NTN IP2019	Var% NTN IP 2018/19	NTN-IP quote per Region	INC-NTN PF 2019	INC difference 2018/19
Abruzzo	4,536	5.1%	1.6%	41.8%	-0.7
Basilicata	1,206	6.0%	0.4%	33.8%	-1.2
Calabria	3,213	-0.7%	1.1%	27.7%	-1.4
Campania	15,061	-3.5%	5.3%	43.9%	-2.2
Emilia Romagna	28,074	1.9%	9.8%	53.6%	-1.7
Friuli Venezia Giulia	4,904	9.2%	1.7%	56.3%	0.0
Lazio	31,600	1.1%	11.0%	53.5%	-1.0
Liguria	9,168	-3.2%	3.2%	43.7%	-3.0
Lombardy	69,114	3.5%	24.1%	55.5%	-1.1
Marche	5,884	4.0%	2.1%	47.4%	-1.5
Molise	703	-7.1%	0.2%	31.3%	-3.5
Piedmont	24,450	-1.6%	8.5%	47.4%	-2.3
Apulia	14,890	1.9%	5.2%	44.4%	-0.7
Sardinia	6,023	0.5%	2.1%	45.7%	-0.7
Sicily	13,740	-0.1%	4.8%	37.4%	-0.8
Tuscany	21,003	0.5%	7.3%	52.7%	-0.5
Umbria	3,413	0.3%	1.2%	46.3%	-2.6
'Aosta Valley	733	13.8%	0.3%	40.8%	1.1
Veneto	28,758	3.0%	10.0%	52.7%	-1.1
ITALY	**286,474**	**1.5%**	**100.0%**	**49.5%**	**-1.3**

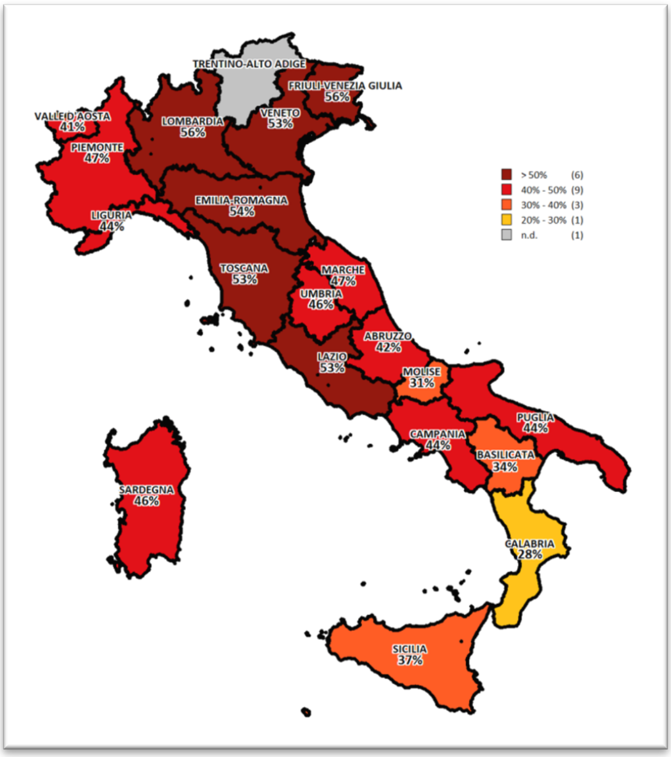
Several Regions reported a decrease in the NTN IP, including Molise (-7.2%) and Campania (-3.5%). In Lombardy, purchases of homes with mortgages, which account for 24% of the national total, grew by 3.5% compared to 2018. In Abruzzo, Basilicata and Marche, the increase in NTN IP is between 4% and 6%. Lombardy, Emilia-Romagna, Veneto, Tuscany and Lazio, which together account for more than 60% of NTN IP, show an incidence above 50%, although Friuli-Venezia Giulia, with a modest share of NTN IP (1.7%), reaches an incidence (56.3%)

higher than that observed in Lombardy (Figure 18).

The lowest incidences are registered in the southern Regions, with Calabria stopping just below 28%, Basilicata, Molise and Sicily with percentages between 31% and 37%, and a rather low rate in ’Aosta Valley, where it is around 40%. The incidence is decreasing almost everywhere, with losses of around three percentage points in Liguria and Molise. The decrease is less marked in Umbria (down 2.6%), Piedmont (down 2.3%), and Campania (down 2.2%). For the remaining Regions, it is substantially stable.

The analysis of the amount of capital disbursed in 2019, in regional detail, shown in (Table 29), shows rates of change in line with what was seen for NTN IP. Some of the most sustained increases are observed in ’Aosta Valley and Friuli-Venezia Giulia, where the capital financed for the purchase of homes grew by 16% and 12%, respectively, compared to 2018; followed by Basilicata with an increase of 10% and Sardinia with 9%. Among declines in capital, there are Molise, by -5.5%, Liguria, by -4.6%, and Piedmont, by -3.1%.

FIG. 18 - MAP DISTRIBUTION RATIO NTN IP 2019 ON NTN PF (%) - (ITALIAN REGION)



The value of the unit capital of each Region, shown in the same table, reflects the differences in average housing prices that exist between them. In 2019, in fact, the capital disbursed for a housing unit is highest (about 153 thousand Euros) in Lazio, a Region with high price levels, and falls to about 90 thousand Euros in Calabria.

29_TAB. TOTAL AND UNITARY CAPITAL DISBURSED AND ANNUAL VARIATION BY REGION

Region	Capital 2019 million €	Capital Var.% 2018/19	Share Capital by Region	Unit capital 2019 €	Difference Capital unit 2018/19 €
Abruzzo	450.8	2.9%	1.2%	99,400	-2,100
Basilicata	122.8	10.0%	0.3%	101,800	3,700
Calabria	292.4	-1.5%	0.8%	91,000	-700
Campania	1,961.7	-1.7%	5.4%	130,200	2,300
Emilia Romagna	3,462.2	2.7%	9.5%	123,300	1,100
Friuli Venezia Giulia	548.0	11.9%	1.5%	111,800	2,800
Lazio	4,816.1	-1.2%	13.2%	152,400	-3,600
Liguria	1,090.3	-4.6%	3.0%	118,900	-1,600
Lombardy	9,811.9	6.2%	26.9%	142,000	3,700
Marche	659.8	3.6%	1.8%	112,100	-500
Molise	65.9	-5.5%	0.2%	93,600	1,600
Piedmont	2,697.4	-3.1%	7.4%	110,300	-1,700
Apulia	1,593.4	2.5%	4.4%	107,000	600
Sardinia	740.0	9.0%	2.0%	122,900	9,600
Sicily	1,453.0	-0.3%	4.0%	105,700	-200
Tuscany	2,840.4	0.7%	7.8%	135,200	300
Umbria	334.8	-1.9%	0.9%	98,100	-2,200
'Aosta Valley	106.8	16.2%	0.3%	145,700	3,000
Veneto	3,457.6	3.9%	9.5%	120,200	1,100
ITALY	**36,505.2**	**2.2%**	**100.0%**	**127,400**	**900**

The interest rate applied to the first instalment, which is still falling slightly almost everywhere, is lower than the national average in all northern Regions (Table 30).

A rate lower than 2.12% is also observed in Tuscany, while the highest values are recorded for all the other Regions, with the maximum observed in Calabria (2.31%).

The decrease in rates, the stability of the durations compared to 2018, determine a value of the instalment that, in 2019, is decreasing in almost all Regions, with the exception of Sardinia where, instead, the instalment increases by 6.6%, and in Lombardy, by +1.6%.

Due to the high levels of housing prices, Lazio, where higher average unit capitals are disbursed, shows the maximum value of the initial instalment, around 700 Euros per month.

The monthly instalment is kept below 500 Euros in Apulia, Abruzzo, Molise, Calabria and Umbria.

30_TAB. INITIAL INTEREST RATE, AVERAGE MORTGAGE DURATION (YEARS), AVERAGE MONTHLY INSTALMENT (€) AND ANNUAL VARIATION

Year 2019 Region	Average rate 2019	Average rate difference 2018/19	Average duration 2019 (years)	Difference average duration 2018/19 (months)	Average monthly payment 2019 €	Var% Average payment 2018/19
Abruzzo	2.18%	-0.14	21.6	0.1	€ 481	-3.7%
Basilicata	2.29%	-0.09	21.3	0.9	€ 504	-0.7%
Calabria	2.31%	-0.11	20.5	-0.1	€ 465	-1.6%
Campania	2.31%	-0.01	23.4	0.3	€ 601	0.7%
Emilia Romagna	2.01%	-0.02	22.5	0.3	€ 567	-0.4%
Friuli Venezia Giulia	2.08%	-0.02	22.4	0.7	€ 520	-0.1%
Lazio	2.31%	-0.06	24.5	0.2	€ 679	-3.3%
Liguria	1.99%	-0.02	22.1	0.3	€ 555	-2.5%
Lombardy	2.03%	-0.05	23.4	0.2	€ 635	1.6%
Marche	2.12%	-0.12	22.3	0.1	€ 527	-2.1%
Molise	2.20%	-0.01	21.5	0.2	€ 456	0.7%
Piedmont	2.08%	-0.03	22.1	0.1	€ 519	-2.2%
Apulia	2.27%	-0.08	23.1	0.3	€ 496	-1.2%
Sardinia	2.28%	-0.12	23.8	0.1	€ 558	6.6%
Sicily	2.22%	0.03	22.4	0.4	€ 500	-1.2%
Tuscany	2.06%	-0.09	24.1	0.4	€ 594	-2.0%
Umbria	2.19%	-0.02	22.4	0.1	€ 461	-2.9%
’Aosta Valley	2.10%	-0.07	23.8	0.3	€ 649	0.4%
Veneto	2.06%	0.01	22.8	0.3	€ 551	0.0%
ITALY	**2.12%**	**-0.04**	**23.1**	**0.2**	**€ 582**	**-0.5%**

31_TAB. NTN AND IMI AND ANNUAL VARIATION FOR THE MAIN CITIES AND THE REST OF THE PROVINCE

City	NTN 2019	Var.% NTN 2018/19	NTN quote	IMI 2019	Difference IMI 2018/19
ROME	32,759	2.0%	31.4%	2.28%	0.04
MILAN	26,226	6.9%	25.1%	3.26%	0.19
TURIN	13,647	1.0%	13.1%	2.72%	0.02
NAPLES	7,431	-2.4%	7.1%	1.69%	-0.04
GENOA	7,396	3.7%	7.1%	2.25%	0.08
PALERMO	5,695	2.9%	5.5%	1.75%	0.05
BOLOGNA	6,290	6.2%	6.0%	2.78%	0.15
FLORENCE	4,966	-7.5%	4.8%	2.42%	-0.20

TOTAL	104,409	2.6%	100.0%	2.45%	0.06
Rest of the Province	**NTN 2019**	**Var.% NTN 2018/19**	**NTN quote**	**IMI 2019**	**Difference IMI 2018/19**
ROME	16,050	5.1%	15.5%	2.02%	0.09
MILAN	36,806	5.4%	35.5%	2.73%	0.13
TURIN	16,992	1.9%	16.4%	2.02%	0.03
NAPLES	11,863	3.3%	11.4%	1.27%	0.04
GENOA	3,511	3.2%	3.4%	1.54%	0.05
PALERMO	4,175	5.1%	4.0%	1.03%	0.05
BOLOGNA	7,848	1.8%	7.6%	2.28%	0.04
FLORENCE	6,467	-3.2%	6.2%	2.05%	-0.07
TOTAL	**103,711**	**3.6%**	**100.0%**	**1.99%**	**0.06**

Sales in the Main Cities

Sales figures for the eight main Italian cities also confirm an expansionary trend, with the exception of Naples (-2.4%) and Florence (-7.5%).

Milan recorded the most significant increase in transactions (+6.9%), followed by Bologna (+6.2%).

This trend is also confirmed if we analyze the “relative” data, i.e. compared to stocks (IMI): the most dynamic cities, after Milan (the only one with IMI higher than 3%), are in this case Bologna, Turin, Florence, Rome, with IMI respectively equal to 2.78%, 2.72%, 2.42%, and 2.28% while, in absolute terms, Rome continues to record the highest volume of purchases and sales (NTN over 32,700 units).

As regards the other municipalities belonging to the eight provinces (excluding, therefore, the capitals), the most dynamic market was confirmed in Milan, both in absolute terms (NTN equal to 36. 806), and in relative terms (IMI equal to 2.73%); the highest growth rates were recorded in the territories of Milan (+5.4%), Rome (+5.1%) and Palermo (+5.1%), while the territory of Florence is the only one of the territorial aggregations detected that presents a negative rate (-3.2% NTN, -0.07 IMI).

As regards the regional capitals, it should be noted that, after a phase of generalized growth, (even quite sustained, between 2004 and 2006), starting from 2007 and, in some cases, as early as 2006 (Rome, Naples, Milan and Palermo), the downward phase of the cycle began, triggered by the crisis of 2008-2009.

The contraction in the volume of purchases and sales continued until 2008 and eased in 2009; in 2010 where, with the exception of Bologna, the negative trend was reversed.

After all cities had turned positive in 2011, in 2012 none was spared from the collapse of the real estate market caused by the second recession, with the sole exception of Naples, whose dynamic is, however, largely attributable to local factors (the substantial divestment of the municipality's real estate assets).

In 2013, there was a general deceleration of the negative rates, with some first signs of recovery; since 2014, the increases concern all the large cities, both in the capital cities and in the smaller ones, with a notable peak in 2016.

32_TAB. NTN AND % ANNUAL VARIATION OF THE MAIN CITIES BY SIZE CLASSES OF HOUSES

City	Up to 50 m²	From 50 m² Up to 85 m²	From 85 m² Up to 115 m²	From 115 m² Up to 145 m²	More than 145 m²	Total
ROME	3,110	13,448	9,204	3,912	3,084	32,759
MILAN	5,593	11,104	5,303	2,265	1,960	26,226
TURIN	1,843	6,379	3,245	1,226	954	13,647
NAPLES	1,168	2,039	2,146	1,257	821	7,431
GENOA	407	2,921	2,454	995	619	7,396
PALERMO	549	1,257	1,584	1,307	998	5,695
BOLOGNA	958	2,575	1,693	608	456	6,290
FLORENCE	552	1,764	1,434	628	588	4,966
TOTAL	**14,180**	**41,486**	**27,063**	**12,199**	**9,480**	**104,409**
Rest of the province	**Up to 50 m²**	**From 50 m² Up to 85 m²**	**From 85 m² Up to 115 m²**	**From 115 m² Up to 145 m²**	**More than 145 m²**	**Total**
ROME	1,501	6,219	4,203	2,223	1,905	16,050
MILAN	2,992	14,601	11,046	4,461	3,705	36,806
TURIN	1,152	5,395	4,756	2,265	3,423	16,992
NAPLES	1,110	2,662	3,783	2,548	1,760	11,863
GENOA	369	1,372	1,019	407	343	3,511
PALERMO	423	1,041	1,048	893	768	4,175
BOLOGNA	373	2,556	2,430	1,132	1,356	7,848
FLORENCE	348	1,812	1,992	1,130	1,186	6,467
TOTAL	**8,268**	**35,658**	**30,278**	**15,059**	**14,447**	**103,711**

Var% 2018/19 City	Up to 50 m²	From 50 m² Up to 85 m²	From 85 m² Up to 115 m²	From 115 m² Up to 145 m²	More than 145 m²	Total
ROME	6,9%	3,8%	0,5%	-3,3%	1,2%	2,0%
MILAN	11,7%	7,1%	3,0%	4,5%	7,0%	6,9%
TURIN	-7,8%	3,2%	0,4%	5,4%	1,2%	1,0%
NAPLES	-2,8%	-7,4%	-0,7%	3,1%	-0,7%	-2,4%
GENOA	-4,1%	5,6%	3,3%	9,1%	-5,2%	3,7%
PALERMO	0,4%	-0,5%	4,1%	2,8%	7,3%	2,9%
BOLOGNA	20,0%	5,3%	6,1%	-0,4%	-3,3%	6,2%
FLORENCE	-7,3%	-7,3%	-5,3%	-14,7%	-5,0%	-7,5%
TOTAL	**5,2%**	**3,5%**	**1,3%**	**0,6%**	**1,7%**	**2,6%**
Rest of the province	**Up to 50 m²**	**From 50 m² Up to 85 m²**	**From 85 m² Up to 115 m²**	**From 115 m² Up to 145 m²**	**More than 145 m²**	**Total**
ROME	1,5%	7,0%	1,9%	8,3%	5,3%	5,1%
MILAN	12,8%	6,0%	3,6%	4,0%	5,1%	5,4%
TURIN	15,6%	2,5%	-1,3%	-0,5%	3,0%	1,9%
NAPLES	10,7%	6,5%	-0,9%	1,5%	6,4%	3,3%
GENOA	2,4%	6,2%	4,7%	-2,8%	-3,9%	3,2%
PALERMO	-6,3%	7,4%	6,3%	9,1%	2,9%	5,1%
BOLOGNA	-9,0%	0,0%	-0,4%	4,4%	11,3%	1,8%
FLORENCE	-2,5%	-7,1%	0,0%	-3,9%	-1,6%	-3,2%
TOTAL	**7,3%**	**4,5%**	**1,5%**	**3,0%**	**4,4%**	**3,6%**

Table 32 shows the number of homes bought and sold in the main cities and in the respective provinces, with reference to size; the data does not suggest general trends, obviously adhering to the different specificities expressed by the local contexts.

33_TAB. TOTAL AND AVERAGE SURFACE AREA FOR HOMES BOUGHT AND SOLD IN 2019 (ESTIMATED) – area in m²

Province	City		Rest of the province	
	Total area	Average area per unit	Total area	Average area per unit
ROME	3,055,330	93.3	1,574,269	98.1
MILAN	2,151,557	82.0	3,491,068	94.9
TURIN	1,164,311	85.3	1,886,459	111.0
NAPLES	712,715	95.9	1,267,561	106.9
GENOA	708,986	95.9	328,938	93.7
PALERMO	623,136	109.4	457,685	109.6
BOLOGNA	553,652	88.0	856,156	109.1
FLORENCE	490,573	98.8	736,995	114.0
TOTAL	**9,460,260**	**90.6**	**10,599,132**	**102.2**

The average surface area of housing units bought and sold in major cities (Table 33) is 90.6 m². In detail, in 2019, the average surface area of the housing units traded remains relatively contained and decreasing compared to the previous year in the cities of Bologna (88 m^2), and Milan (82 m^2), while the highest value, as well as increasing compared to 2019, was recorded in Palermo, with 109.6 m^2. In the provincial municipalities, the average surface areas are generally higher than those of the relative capital municipalities, with the maximum observed for the municipalities of the province of Florence, around 114 m^2; the only exception is represented by Genoa, whose average surfaces are slightly lower in the province (93.7 m^2) than in the city (95.9 m^2).

More than a quarter of the value of national turnover was concentrated in the eight cities analyzed, with an estimated value that totals more than 25 billion Euros, up 2.2% compared to 2018 (Table 34); those that showed a decrease were the cities of Rome (-1.2%), Naples (-1.4%), and Florence (-6.3%). Milan is the city with the highest average value of a home bought and sold, approximately 316,600 Euros, followed by Florence, with an average value of 275,300 Euros, and Rome, with an average value of approximately 257,000 Euros; of the eight cities Rome, Genoa and Bologna mark a decrease in average sales.

34_TAB. ESTIMATED TOTAL AND AVERAGE TURNOVER PER UNIT AND ANNUAL CHANGE IN MAIN CITIES

City	Estimated turnover 2019 million €	Estimated average turnover u. i. €	Share of turnover per city	Var.% turnover 2018/19	Difference average turnover h.u. 2018/19
ROME	8,419	256,999	32.5%	-1.2%	-8,249
MILAN	8,305	316,661	32.1%	8.1%	3,428
TURIN	2,478	181,541	9.6%	2.2%	2,266
NAPLES	1,568	211,031	6.1%	-1.4%	2,006
GENOA	1,424	192,563	5.5%	0.0%	-7,099
PALERMO	750	131,646	2.9%	4.3%	1,703
BOLOGNA	1,555	247,205	6.0%	4.9%	-2,995
FLORENCE	1,367	275,335	5.3%	-6.3%	3,550
TOTAL	**25,865**	**247,730**	**100.0%**	**2.2%**	-967
Rest of the province	**Estimated turnover 2019 million €**	**Estimated average turnover u. i. €**	**Share of turnover per city**	**Var.% turnover 2018/19**	**Difference average turnover h.u. 2018/19**
ROME	2,403	149,715	14.8%	2.5%	-3,836
MILAN	5,948	161,604	36.6%	5.2%	-387
TURIN	2,186	128,673	13.5%	0.0%	-2,428
NAPLES	1,827	154,016	11.3%	3.2%	-129
GENOA	807	229,976	5.0%	-3.4%	-15,623
PALERMO	344	82,479	2.1%	5.8%	606
BOLOGNA	1,349	171,918	8.3%	3.0%	1,963
FLORENCE	1,367	211,432	8.4%	-3.8%	-1,387
TOTAL	**16,233**	**156,518**	**100.0%**	**2.4%**	**-1,805**

Analyzing the relative provincial areas, on the other hand, Genoa and Florence record the highest average turnover (around 230,000 and 211,000 Euros, respectively); Genoa is down in terms of overall turnover (-3.4%), as is Florence (-3.8%), which is also down in the rest of the province (-3.8%). Finally, Table 35 shows data relating to purchases and sales of bare ownership rights: the case of Palermo stands out, where the highest growth rate among the eight provinces (+26%) and the most significant negative rate among the capitals (-11.1%) coexist. Turin is the city with the highest increase (+20%).

35_TAB. NTNNP AND ANNUAL VARIATION BY MAIN CITIES

Tab 35 - City	NTN np 2019	Var.% NTN np 2018/19	NTN np quote
ROME	1,490	0.4%	31.4%
MILAN	1,101	15.7%	23.2%
TURIN	605	20.0%	12.8%
NAPLES	499	14.6%	10.5%
GENOA	315	7.0%	6.6%
PALERMO	237	-11.1%	5.0%
BOLOGNA	259	14.7%	5.5%
FLORENCE	235	-10.2%	5.0%
TOTAL	**4,741**	**7.2%**	**100.0%**
Tab 35 - Rest of the province	**NTN np 2019**	**Var.% NTN np 2018/19**	**NTN np quote**
ROME	632	4.3%	17.6%
MILAN	858	-1.0%	23.9%
TURIN	628	4.3%	17.5%
NAPLES	552	2.3%	15.3%
GENOA	212	-6.3%	5.9%
PALERMO	136	26.0%	3.8%
BOLOGNA	295	0.7%	8.2%
FLORENCE	281	-5.0%	7.8%
TOTAL	**3,594**	**1.6%**	**100.0%**

36_TAB. NTN IP AND INCIDENCE ON NTN PF AND ANNUAL VARIATION - MAIN CITIES AND THE REST OF THE PROVINCE

City	NTN IP 2019	Var% NTN IP 2018/19	NTN-IP quote per city	INC-NTN PF 2019	Difference INC 2018/19
ROME	18,980	0.9%	35.3%	59.7%	-0.4
MILAN	13,229	1.0%	24.6%	53.4%	-2.5
TURIN	6,351	-3.2%	11.8%	48.4%	-2.5
NAPLES	3,257	-4.0%	6.1%	44.8%	-1.1
GENOA	2,635	1.4%	4.9%	47.1%	-0.7
PALERMO	3,584	-6.1%	6.7%	50.2%	-4.1
BOLOGNA	3,179	3.1%	5.9%	52.2%	-1.2
FLORENCE	2,501	-7.8%	4.7%	52.6%	0.0
TOTAL	**53,716**	**-0.7%**	**100.0%**	**53.4%**	**-1.5**

Rest of the province	NTN IP 2019	Var% NTN IP 2018/19	NTN-IP quote per city	INC-NTN PF 2019	Difference INC 2018/19
ROME	7,970	2.6%	14.5%	51.0%	-1.3
MILAN	21,957	3.4%	39.9%	61.6%	-1.3
TURIN	8,842	-4.2%	16.1%	54.2%	-3.0
NAPLES	5,521	-3.1%	10.0%	48.5%	-3.1
GENOA	1,379	-1.2%	2.5%	34.0%	-1.7
PALERMO	1,419	-3.1%	2.6%	42.0%	-2.0
BOLOGNA	4,328	-0.2%	7.9%	57.2%	-0.6
FLORENCE	3,663	-4.6%	6.7%	58.5%	-0.9
TOTAL	**55,080**	**0.3%**	**100.0%**	**55.0%**	**-1.7**

Mortgage Loans in Major Cities

In 2019, in the main cities, 53.4% of homes purchased by PF (individuals, per its Italian acronym) are assisted by mortgage loans (Table 36). There is a slight decrease in home purchases with mortgage loans (-0.7%) in the cities, while the increase in the rest of the province remains positive, albeit modest (+0.3%). Among the cities, the greatest decrease was registered in Florence (-7.8%), followed by Genoa (-6.1%), Naples (-4.0%) and finally Turin (-3.2%). For the remaining cities, home purchases with mortgages rose with rates between 0.9% and 3.1%. To finance housing purchases, the capital disbursed for the eight major Italian cities as a whole is about 8.8 billion, about the same value recorded in 2018 (Table 37 – Table 38).

37_TAB. TOTAL AND PER-UNIT CAPITAL DISBURSED AND ANNUAL CHANGE – MAIN CITIES AND REST OF PROVINCE

City	Capital 2019 million €	Var.% capital 2018/19	Capital quote per city	Unit capital 2019 €	Difference Unit capital 2018/19 €
ROME	3,317	-2.3%	37.6%	174,800	-5,600
MILAN	2,671	6.5%	30.3%	201,900	10,400
TURIN	700	-7.8%	7.9%	110,200	-5,500
NAPLES	517	0.3%	5.9%	158,900	6,800
GENOA	329	1.6%	3.7%	124,700	300
PALERMO	383	-6.8%	4.3%	107,000	-800
BOLOGNA	465	4.2%	5.3%	146,400	1,600
FLORENCE	436	-5.3%	4.9%	174,300	4,600
TOTAL	**8,819**	**0.0%**	**100.0%**	**164,200**	**1,100**

City	Capital 2019 million €	Var.% capital 2018/19	Capital quote per city	Unit capital 2019 €	Difference Unit capital 2018/19 €
ROME	995	2.4%	14.3%	124,800	-200
MILAN	2,828	3.3%	40.6%	128,800	-100
TURIN	996	-5.8%	14.3%	112,600	-1,900
NAPLES	730	-1.4%	10.5%	132,200	2,400
GENOA	147	1.1%	2.1%	106,300	2,400
PALERMO	189	-4.3%	2.7%	133,400	-1,600
BOLOGNA	576	6.8%	8.3%	133,100	8,800
FLORENCE	501	-5.2%	7.2%	136,700	-900
TOTAL	**6,961**	**0.6%**	**100.0%**	**126,400**	**600**

In terms of capital disbursed, Rome and Milan also account for an important share of total loans in the metropolises, with around 3.3 billion Euros disbursed in the capital (although down 2.3%) and 2.7 billion in Milan (up, however, by 6.5%). Also registering the largest increase compared with last year, Milan remains the city with the highest unit capital, with an average of around 202 thousand Euros financed to purchase a home.

Leases

In 2019, the number of new leases transmitted electronically or submitted to the counter for registration was 1,752,742, 4.2% more than last year. These contracts involved more than 2 million properties.

38_TAB. NUMBER OF UNITS, FOR RESIDENTIAL AND NONRESIDENTIAL USE, SUBJECT TO NEW LEASE AGREEMENT

	2017	2018	2019	Var% 2018/19
RESIDENTIAL	1,373,091	1,377,364	1,414,350	2.7%
NON RESIDENTIAL	369,782	363,509	377,002	3.7%
TOTAL	**1,742,873**	**1,740,873**	**1,791,352**	**2.9%**

Limiting the analysis to properties leased in full, Table 38 shows that the units for residential use subject to new leases totalled 1,414,350, almost 80% of the total, an increase over last year's figure (+2.7%).

Slightly more than 377,000 properties leased for non-housing use, also up when compared to 2018 (+3.7%).

Below is a brief analysis carried out by analyzing the different types and durations of registered leases relative to four different segments of the rental market.

ORD_T: ORDINARY TRANSITORY

Non-subsidized contracts with a term from 1 year to under 3 years.

This group of contracts is comprised of the market for non-subsidized rentals of a transitory nature, bearing in mind in any case that this group could include contracts to students if the property is not located in municipalities with a high population density.

ORD_L: ORDINARY LONG TERM

Non-concessional contracts with a term of at least three years.

The long-term rental market belongs to this group of contracts, bearing in mind in any case that this group could include contracts at agreed rent where the property is not located in municipalities with high housing problems.

AGE_S: SUBSIDIZED STUDENTS

Subsidized contracts with a term from one year to under three years.

This group of contracts is comprised of the market of subsidized rents for students relative to homes located in municipalities with high population density.

AGE_C: SUBSIDIZED AGREED

Facilitated contracts with a term of at least three years.

This group of contracts is comprised of the market of subsidized rents at an agreed rental rate relating to homes located in municipalities with high population density (a.t.a., per its Italian acronym), bearing in mind in any case that this set could include, albeit with low concentration, contracts for students in municipalities with high population density with a duration of three years (maximum duration for this type of contract).

The new leases registered in 2019, represent, depending on the market segment, between 89% and 95% of the total new leases of whole and residential properties, with a minimum duration of 12 months, registered during the year.

For this group of properties, the main parameters are shown below, and their distribution in the various areas and municipalities with a high level of residential tension (*ref. Resolution of Inter-Ministerial Committee for Economic Planning*) was analyzed.

For each market segment identified, in addition to the number of homes rented, the surface area of the properties and the rent established in the contracts are reported.

In addition, similarly to what was defined for purchases and sales, for the rental market the share of the residential stock rented, in one year and for each area analyzed, was represented.

This parameter, called IMI, intensity of the rental market, was calculated as the ratio between the number of homes rented (new contracts) and the number of homes that could potentially be rented.

New leases, in fact, cannot affect the entire stock since part of it is used as principal residence. The stock of potentially leasable dwellings is therefore the stock adjusted for properties used as principal dwellings.

Overall, rented dwellings in 2019 amount to more than 6% of the potentially rentable stock, corresponding to 5.4 billion Euros of total rent for almost 81 million square meters of rented housing.

Table 39 and Table 40 show the national summary data of new residential leases registered in 2019, in the distinction of the four market segments as specified above. These contracts involved more than 2 million properties.

39_TAB. RENTAL MARKET SEGMENTS - RENTAL HOUSING FLOW DATA 2019

Market Segments	Homes leased 2019 No.	Homes rented var% 2018/19	Share % by market segment 2019	Market segment share difference 2018/19	IML2019 %	Difference IML 2018/19
ORD_T	164,942	1.6%	17.4%	-0.4	1.1%	0.0
ORD_L	508,544	1.9%	53.6%	-1.0	3.3%	0.1
AGE_S	37,560	17.9%	4.0%	0.5	0.2%	0.0
AGE_C	237,243	7.9%	25.0%	0.9	1.5%	0.1
TOTAL	**948,289**	**3.8%**	**100.0%**	-	**6.1%**	0.2

The average surface area of the rented home is around 85 m^2 with an average annual rent per unit area of 67.1 €/ m^2.

40_TAB. RENTAL MARKET SEGMENTS - RENTAL HOUSING FLOW DATA 2019

Market Segments	Homes leased 2019 No.	Homes rented var% 2018/19	Share % by market segment 2019	Market segment share difference 2018/19	IML2019 %	Difference IML 2018/19
ORD_T	13.3	1.9%	80.6	924	2.6%	69.5
ORD_L	43.5	1.3%	85.6	2.857	2.0%	65.7
AGE_S	3.3	18.0%	87.1	251	18.2%	76.6
AGE_C	20.8	8.1%	87.5	1.396	8.9%	67.3
TOTAL	**80.8**	**3.7%**	**85.3**	**5.428**	**4.5%**	**67.1**

The composition of the residential rental market shows slight variations in line with some of the trends already noted in recent years. The segment of ordinary long-term contracts has seen its market share further eroded (one percentage point less than in 2018), although it has confirmed itself as the prevailing type of contract both in terms of the number of homes and the rent generated.

It is followed in importance by the segment of the facilitated agreed that returns to grow recording over 237,000 properties rented in 2019, and a market share that is 25% of the total (almost one percentage point more than 2018). The rise of rents with subsidized contracts for students continues, which in 2019, compared to 2018, show a growth of around 18% both in terms of number, surfaces and rents.

The average annual rent per unit area, without prejudice to its purely indicative value, is confirmed to be higher in subsidized leases for students (76.6 €/ m^2) and lower in ordinary long-term contracts (65.7 €/ m^2).

In order to make the various segments of the rental market described above comparable, data on ordinary rental contracts (transitory and long-term) have been processed with reference only to municipalities with high housing density, where the properties to which the subsidized contracts (for students or at an agreed rent) refer are normally located.

These are 737 municipalities, including all provincial capitals, in which more than 50% of the Italian population is concentrated.

Table 41 and Table 42 and Figure 19 show the summary data and their distribution in the various market segments, limited to municipalities with high housing tension.

The share of homes rented with subsidized contracts (for students or at an agreed rent) reaches almost 39% in these municipalities, 1.4 percentage points more than in 2018.

The intensity index of the rental market reaches, in the area of municipalities with high housing tension, 8.4%, of which 3.8% relates to the market for ordinary long-term contracts.

Once again, as is to be expected, the average annual rent per unit area is higher for both segments of the ordinary market compared with the same figure for all the municipalities, but also compared with the segments of the subsidized market.

However, the ratios are reversed, with the long-term segment prevailing, albeit slightly, over the temporary segment (79.9 and 79.6 Euros per square meter, respectively).

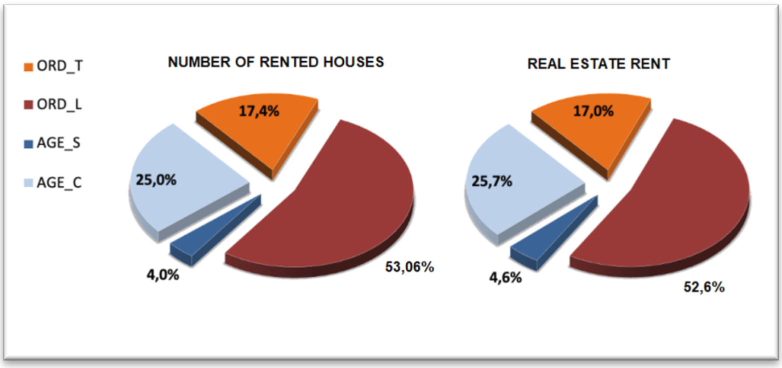
41_TAB. RENTAL MARKET SEGMENTS - RENTAL HOUSING FLOW DATA 2019 MUNICIPALITIES A.T.A.

Market Segments a.t.a. Municipality	Homes leased 2019 No.	Homes rented Var % 2018/19	Share % by market segment 2019	Market segment share difference 2018/19	IML 2019 %	Difference IML 2018/19
ORD_T	98,904	0.0%	15.6%	-0.6	1.3%	0.0
ORD_L	288,078	2.4%	45.5%	-0.8	3.8%	0.0
AGE_S	35,500	17.4%	5.6%	0.6	0.5%	0.1
AGE_C	210,079	6.6%	33.2%	0.8	2.8%	0.2
TOTAL	**632,561**	**4.1%**	**100.0%**	**-**	**8.4%**	**0.3**

42_TAB. RENTAL MARKET SEGMENTS - RENTAL HOUSING FLOW DATA 2019 MUNICIPALITIES A.T.A.

Market Segments a.t.a. Municipality	Homes leased 2019 No.	Homes rented Var % 2018/19	Share % by market segment 2019	Annual rent for leased homes 2019 mln €	Annual rent for leased homes var % 2018/19	Average annual rent 2019 €/m²
ORD_T	7.8	0.2%	78.8	623	1.9%	79.9
ORD_L	23.4	1.8%	81.2	1,862	2.3%	79.6
AGE_S	3.1	17.6%	87.0	241	17.9%	78.0
AGE_C	18.2	6.7%	86.7	1,270	8.0%	69.7
TOTAL	**52.5**	**4.0%**	**83.0**	**3,996**	**4.8%**	**76.1**

FIG. 19 - RENTAL MARKET SEGMENTS (%) SHARE OF HOMES RENTED AND TOTAL RENT 2019



Finally, Tables 43 and 44 complete the picture on leased housing, below is data on new leases signed in 2019 in the remaining municipalities (not with high housing tension), in which there may be homes leased under an agreed rent regime or because they are located in municipalities that have suffered calamitous events or in municipalities in which territorial agreements are in force in this area.

43_TAB. RENTAL MARKET SEGMENTS - LEASED HOUSING FLOW DATA 2019 NON-AGRICULTURAL MUNICIPALITIES.

Market Segments non a.t.a. Municipality	Homes leased 2019 No.	Homes rented Var % 2018/19	Share % by market segment 2019	Difference in segment share of market 2018/19	IML 2019 %	Difference IML 2018/19
ORD_T	66,038	3.9%	20.9%	0.1	0.8%	0.0
ORD_L	220,466	1.3%	69.8%	-1.3	2.8%	0.0
AGE_S	2,060	27.2%	0.7%	0.1	0.0%	0.0
AGE_C	27,164	19.0%	8.6%	1.1	0.3%	0.1
TOTAL	**315,728**	**3.3%**	**100.0%**	-	**3.9%**	0.1

44_TAB. RENTAL MARKET SEGMENTS - LEASED HOUSING FLOW DATA 2019 NON-AGENCY MUNICIPALITIES.

Market Segments non a.t.a. Municipality	Leased housing area 2019 milion m²	Leased housing area 2019 Var % 2018/19	Average surface 2019 m²	Annual rent for leased homes 2019 Million of €	Annual rent for leased home var % 2018/19	Average annual rent 201 €/m²
ORD_T	5.5	4.5%	83.3	301	4.2%	54.7
ORD_L	20.1	0.8%	91.3	996	1.6%	49.4
AGE_S	0.2	25.5%	89.6	10	26.1%	53.1
AGE_C	2.5	19.2%	93.2	126	19.0%	49.7
TOTAL	**28.4**	**3.0%**	**89.8**	**1,432**	**3.6%**	**50.5**

THE FIRST QUARTER OF 2021

In this chapter we refer to the economic survey on the housing market in Italy relating to the fourth quarter of 2020 published by **Bankitalia**, a survey conducted among 1,269 real estate agents from January 13 to February 10, 2021

Even if the current scenario is still bleak or bright, the most encouraging survey is certainly represented by the share of agencies that sold at least one property in the fourth quarter, a figure that is once again on the rise, almost reaching the values of a year earlier.

The outlook is therefore improving, albeit in an uncertain context in which most real estate agents continue to fear the negative repercussions of the health crisis on the demand for housing and on sales prices.

Purchases and sales are increasing and one of the most interesting aspects highlighted, as anticipated, concerns the share of agents that have concluded at least one transaction during the last quarter of last year.

The percentage of agencies that sold at least one home in the October-December 2020 quarter has therefore once again risen to 82.1%, bringing it just below the values of a year earlier.

Of course, legislation to combat the pandemic continued to play a role. In fact, more than 25% of the agencies surveyed admitted that difficulties in organizing home visits due to restrictive measures or fear of contagion had a significant effect on brokerage. For 60% of the sample, however, these repercussions were mitigated by the use of electronic and digital tools.

Changes remain negligible in terms of the average discount on sales prices compared to the seller's initial requests, slightly up on the previous quarter. Sales times have also remained unchanged: it takes seven and a half months to complete a sale.
Bankitalia's survey seems to confirm the trends represented in the analyses set out above.

It is not surprising, for example, that the average surface area of the properties brokered has increased: 56.4% have a surface area between 80 and 140 square meters, while for 37.8% the surface area is less than 80 square meters (51.5% and 44.3%, respectively, in the survey referring to the fourth quarter of 2019).

The gap between requested and asked prices is also confirmed as the prevailing cause of termination of the assignment, because the purchase proposals are considered too low by sellers (54.3%) or because buyers consider the prices offered too high (50.5%).

Making accurate predictions about the Italian real estate market without running the risk of making mistakes is, however, a far from simple exercise, especially since the Italian economy, brought to its knees by the spread of Covid-19, has been damaged by the loss of jobs, i.e. the loss of potential buyers or renters of houses and apartments.

However, we summarize in extreme synthesis, below, some elements that will allow us to understand "the sentiment" of what is happening (after the detailed analysis of data up to December 31, 2020) in the months of January, February and March of the current year, so as to be able to give a first idea of possible future scenarios for the year 2021 both in terms of buying and selling, and renting houses and apartments.

The Situation in January 2021

In January 2021, rents followed the downward trend of 2020 due to the greater supply on the market of houses and apartments for rent. The mortgage market was largely unchanged, while purchases and sales went down (between 530 and 540 thousand) with prices down from the previous year (between -3% and -1%). This is because the lockdown period from March to May forced people indoors, preventing visits to new properties, making people appreciate what they had or pushing them to make changes and improvements.

To "get an initial idea," let's examine trends in three sample Regions. In Tuscany, renters asked for an average of 12 Euros per square meter and property sellers asked for an average of 2,436 Euros per square meter; the most expensive cities were Carrara (rents) and Florence (purchases). In Trentino-South Tyrol, renters requested an average of 10.20 Euros per square meter and sellers requested an average of 2,818 Euros per square meter; the most expensive cities were Bolzano (rents) and Trento (purchases). In Umbria, renters asked for an average of 6.7 Euros per square meter and property sellers asked for an average of 1,151 Euros per square meter; the most expensive city for rents and purchases was Perugia.

In January 2021, the trend of the real estate market in Italy shows first of all, house rentals for shorter periods and rentals of shared apartments stopped. The rents of studio apartments are stable, while with regard to real estate purchases, there is an increase in demand for more spacious houses located on the ground floor, better if in the provinces, and that precisely because of their geographical location would cost less as well as being potentially located in less risky environments under the pandemic profile. The collapse of the purchase and sale of investment properties continues (source: **Stock Exchange Projections**).

According to the data collected by **ISTAT**, **Nomisma** and **Corriere della Sera**, it can be said that there was still a slowdown in January 2021, but it was less dramatic than expected. The overall decrease in home prices was limited due to the new property market bucking the trend. List prices went up while transactions experienced a downward period as they did during 2020 and that period continued into January 2021.

The Situation in February 2021

In February 2021, prices of properties offered for sale increased the most in Trentino-South Tyrol (around 2,695 Euros per square meter). The cheapest prices were offered by Calabria (934 Euros per square meter). Speaking of Calabria, it was also the Region with the lowest average prices for a rented property: it was possible to spend 5 Euros per square meter per month.
Lombardy, on the other hand, offered the most expensive rents; in Lombardy, in fact, anyone wishing to occupy any rented home had to spend 14.40 Euros per square meter per month.

The same Region, however, when it came to the purchase of properties, asked for less than Trentino-South Tyrol (which, in turn, appears to have asked for 10.70 Euros per month per square meter in rent).

This means that buyers paid an average of 2,059 Euros per square meter.
The real estate market in Italy, according to the above, therefore seems to be showing a period of slight recovery.
Compared to February 2020, there has been an increase of 2.28% in prices for residential properties offered for sale, which means that from 1,888 Euros per square meter there has been a rise to 1,931 Euros per square meter.

The Situation in March 2021

The first few days of March saw an upward trend in the Italian real estate market.
Taking the city of Milan as an example, as well as its provinces, there could be a marked recovery of the market relating to the purchase and sale of newly built homes, from +4.5% to +8%. As far as the second-hand market is concerned, a return to pre-crisis values is not expected, or at least there are no elements that would suggest a similar recovery in the immediate future. This trend appears to be generalized throughout the country, where it emerges, however, decided interest in more peripheral locations than large centers in search of greater healthiness, liveability and space.

The Italian Real Estate Market: What Future?

As far as 2021 is concerned, the common "sentiment" is of an annual forecast according to which there would be, at the end of the year, an overall recovery of buying and selling transactions of no less than 500 thousand units (between 550 and 560 thousand), even though prices could still fall by 2% or, at best, remain substantially stable.

A certain recovery cannot be ruled out in the course of 2022.

The crucial point, a prerequisite for this hypothesis, is economic recovery and an increase in jobs, because the more people are left at home by companies and enterprises of all types and sizes, the less likely it is that they will have sufficient funds to support a lease or purchase agreement.

Also based on **Bankitalia** survey data, after a pandemic year, the first decline in used housing prices has manifested itself in a major way with a -1.5% in the first quarter of 2021 nationwide. This decline reduces the average value per square meter to 1,718 Euros.

Taking the annual change into account, prices instead remain in positive territory, with an increase of 1.1%.

This is the first repercussion of the prolongation of the crisis caused by Covid-19 with generalized negative effects on prices that have remained substantially stable throughout 2020 in a market that has experienced a moment of significant vitality after the first lockdown, precisely because many have gained the awareness of having to have a home more suitable to their new needs.

A wave that seems to have come to an abrupt halt in the face of the continuing crisis and the difficulties of families, for which the first tangible slowdowns due to difficulties in the provision of mortgages are beginning to be seen.

In the coming months (if the reopenings do not proceed in sync with the continuation of the vaccination campaign, the effect of the latter being delayed if not –altogether eliminated, the weakening of the economy could not fail to be mitigated by the ECB's monetary policy, with consequences on mortgage rates and the injection of EU liquidity.

These could further revive demand, especially in the large markets, in phases of successful consolidation of vaccination processes, leading to a rapid recovery of transactions and prices.

On a regional basis, in the first quarter of 2021 only in Veneto did prices remain stable, while in the rest of the macro-areas there are still variations both upwards (14 Regions) and downwards (7 Regions).

Lombardy (-4.2%) leads the long series of regional declines, ahead of Lazio (-2.3%), Marche (-2.2% and Umbria (-1.9%). On the other hand, the best performance came from 'Aosta Valley (2.8%), followed by Friuli-Venezia Giulia (2.4%) and Trentino-South Tyrol. Basilicata and Calabria also recovered marginally (both 0.4%).

By virtue of the Covid-19 effect, Trentino-South Tyrol leads for the first time the ranking of unit prices with 2,473 euro per square meter, ahead of Liguria, which falls to the second step of the podium by virtue of yet another drop that sets the price at 2,440 euro. They are followed by 'Aosta Valley (2,402 Euros per square meter), Tuscany (2,222 Euros), Lazio (2,078 Euros) and Lombardy (1,755 Euros).

There are 65 cities where owners have reduced prices during the first quarter. The biggest drop occurred in Agrigento (-11.1%), followed by Frosinone (-8.8%) and Fermo (-6.7%). At the other end, Pordenone posted the highest increase (12.6%), followed by Ragusa (5.1%) and Gorizia (4%).

Among the large markets, Milan and Naples (both down 1.4%) reported the highest levels of non-performing loans, followed by Turin (down 1.3%) and Rome (down 0.5%).

All the main cities also suffered, from Palermo (down 2.1%) to Bologna (down 0.3%). Venice (4,455 Euros per square meter) dominates the list of city prices ahead of Milan (4,005 Euros).

This is followed by Florence (3,940 Euros), Bolzano (3,870 Euros) and Bologna (3,053 Euros). Biella is at the bottom of the list with 704 Euros per square meter.

In any case, the Italian real estate market has shown an unsuspected capacity to resist the first pandemic wave that hit our country starting last March (**Nomisma - 3rd Observatory on the Real Estate Market 2020**).

The immediate revitalization was achieved thanks to the "impressive purchase intentions" on the part of families associated with the expansive attitude of banks made possible by "the derisory cost of capital."

At the base of the "summer effervescence" was the illusory expectation that the pandemic was now in its waning phase and that the overall macroeconomic collapse would therefore have modest effects on family budgets.

Once freedom of movement had been regained following the first lockdown, economic operators in fact opted for an expansive approach that contributed to fuelling ephemeral optimism at the sector level.

In spite of a health and macroeconomic framework that advised caution and the massive requests for mortgage moratoria that laid bare the income fragilities of the most recent borrowers, the credit sector continued to support the financing requests coming from families.

Only after the second viral wave did the credit institutions decide to gradually change their orientation, adopting a more careful and selective approach.

For Nomisma, this was an "*inevitable*" and, in some ways, almost "late" consequence.
Specifically, the first half of 2020 saw a drop in mortgage disbursement of just -1.7% compared to the same period in 2019, thanks to the finalization of practices initiated pre-lockdown.

The third quarter remained on substantially favourable ground, but not so in the fourth quarter, with an overall decline well over 6.5 percentage points (between 6.5% and 8.7%).

In the residential market, the first six months of the year saw a substantial drop in the level of transaction activity, as evidenced by a downturn of 15.5% in the first quarter, followed by an even more intense drop of 27.2% in the second quarter.

The preliminary figures for 2020 will ultimately lead to the year closing in the region of 500,000 transacted units (-17.1%) according to the conservative scenario, or 491,000 transacted units (-18.7%) according to the gloomiest scenario. Considering that, prior to the release of Covid-19, the forecasts for the current year foresaw a number of purchases and sales equal to 612,000, the large market share that the pandemic has eroded is evident.

Pre-Covid, the demand for investment had returned to the market, attracted not only by the rental dimension, but also by the prospect of a rise in values, albeit timid. As far as demand for direct use is concerned, due to the pandemic, purchase intentions have not so much diminished as the sustainability of part of them, since they are strictly dependent on the credit system.

In 2021, the trend of transactional activity will depend on the extent of the rebound in the economy and "the actual continuity and effectiveness with which vaccines, after hesitation and uncertainties, will be made available to the productive segments of the population."

Uncertainties in this regard accredit for 2021 a scenario for purchases and sales not dissimilar to that of the current year, with an overall result of 495 thousand transactions in the most favourable scenario and 467 thousand in the most adverse scenario.

The recovery will be slow, gradual and will manifest itself in the two-year period 2022-2023 with an intensity that will not allow to recover in a short time the pre-Covid-19 levels, relegating the market, at least until 2023, below 600 thousand transactions.

During 2020, the corporate segment presented "a recomposition of transacted types and investor origins that made it possible to mitigate the effects of the pandemic on turnover and values."

In fact, again on the basis of the **Nomisma** report, "*the drastic drop in interest in the hotel and commercial sectors was partly offset by the leap forward made by logistics and the substantial stability of the management segment*."

But, in any case, the difficulties in which the core segments (management, commercial and hotel) find themselves and will still encounter, also in the light of the spread of "remote work," cannot be fully compensated in the next two years by the dynamism of the alternative segments (logistics in the first place, in addition to residential in the different inclinations), limiting the volume of investments to substantially lower levels (-31.4% in 2020 and -20.9% in 2021 referring to the scenario that now seems most likely) compared to those reached in 2019.

With regard to 2021, **Nomisma** therefore forecasts negative signs for all sectors, more pronounced for business properties (respectively -2.5% and -1.9% for offices and stores in the "base" scenario), compared to the residential sector (-1.6%).

The most intense contractions are expected for the office segment, with a drop of 4.5 percentage points at the end of the three-year forecast period (2021/2023), while the commercial sector in the same period will show a drop of 3.3%.

The residential sector during 2021 will be the least affected by the reduction in values (-2% the differential at the end of the period 2021/2023 compared to the average prices of 2020) and will in any case be the area in which the reversal of the trend will occur first.

Analyzing specifically, the cities of Milan and Bologna will be the first to show signs of growth from 2022, followed by Florence, Venice, Palermo and Cagliari in 2023. The most marked drops will concern Turin, Genoa and Rome, with a deflationary trend throughout the three-year period considered.

In contrast to the forecasts that gave a general collapse of the market, the real estate sector has held up well, indeed, the sale prices of homes have unexpectedly increased, according to **ISTAT**, by 3.4% last year.

Just think back to the black years of the sovereign debt crisis. In 2012, the brick sector collapsed by 24%, almost twice as much as in 2020.

This means that, despite the uncertain times, there is hope for a fairly rapid return to normality. The situation is different for rents, both for apartments and rooms, where supply has exceeded demand by one percentage point in 2020, creating a sort of short circuit. Just think of university

cities such as Milan and Bologna, where the rooms available in more than the same period in 2019, were respectively 290% more and 270% more.
As for the recovery, at the current state of the art the national real estate market is expected to return to pre-Covid levels in the first half of 2021, recovering with a growth of 7.7%, equal to an increase of 119 billion Euros.

Great confidence in the building sector is also placed by the population, which seems in general little frightened by this uncertain period.

According to some surveys conducted by **Assofin-Demetra**, in fact, 46% of Italians have declared their willingness to buy a property within the next five years, while 69% even believe that this is the best period to think about investing in brick-and-mortar.

Probably due to the numerous bonuses and reductions introduced by the Government to face the pandemic and to encourage the green turn of the country.

How Italians' Priorities Have Changed During the Pandemic

Staying more or less completely confined to the home and then having to work from their bedroom desk rather than the kitchen has changed the scale of priorities for Italians over the past year.

Dealing with all of this, with all the trappings, in a studio apartment of 30-40 square meters has been quite different from dealing with it in a house with a garden. That's why, when the first reopenings took place in the spring of 2020, Italians (especially out-of-towners who didn't return home) started looking for more comfortable, ground-floor and less claustrophobic apartments.

Smart working was the first cause of "mindset changes".

Many, in fact, during the lockdown found themselves having to share common spaces or bedrooms with other roommates without having any kind of privacy during working hours.

This is why the second and especially the third quarter of last year (the summer quarter, characterized by the largest openings) saw an increase in demand for larger apartments.

Those who were first looking for a two-room apartment then started looking for a three-room apartment.

The search for comfort has definitely overridden financial savings.

In addition, the thought of having to deal with any other hard lockdowns or similar health emergencies in the future has pushed Italians to look for apartments with ample outdoor space: balconies, terraces and gardens.

This, among other things, has fostered and is fostering the repopulation of peripheral areas and smaller towns, emptied by the migration to the large metropolitan poles.

In this sense, a strong boom in real estate purchases and sales has taken place and is still foreseen in Southern Italy, where part of the workers who moved to the cities of the North, returned immediately after the first lockdown.

Ultimately, is buying a home in 2021 worthwhile?

The answer is very simple: buying a home in 2021 is worthwhile, especially if you are oriented towards buildings to be renovated.

In fact, the bonuses made available by the government bring the cost of renovation to practically zero. We are talking about the Eco and Sismabonus to 110%.

Interventions of insulation of buildings that allow to increase the energy class, bonus facades to 90%, which allows refunds on restoration work carried out on the main facade of the building, 50% bonus for ordinary renovations ... etc... ...

For all these incentives, then, there is the possibility to transfer the credit and refunds occur almost immediately. An opportunity not to be wasted.

Just as the possibility of accessing mortgages at low rates should not be wasted. The pandemic, in fact, has led to a lowering of credit costs that will continue in 2021 also thanks to the intervention of the European Central Bank which, it is estimated, will further reduce deposit rates from -0.5% to -0.6%.

According to some statistics from (e.g., Mutuionline.it), both 20- and 30-year fixed-rate mortgages have reached an all-time low of 1% including all costs.

In addition, the larger banks have introduced mortgage proposals for the first home on very advantageous terms, especially for younger people also facilitated by the *Growth Decree (Decreto Crescita) which has refinanced the Guarantee Fund for first home loans of Consap, a company within the Ministry of Economy and Finance*.

The fund is aimed in particular at young couples (one of the two must not be over 35 years of age), singles with minor children, holders of council houses and young temporary workers under 35 years of age.

For these subjects, the **Consap** loan covers up to 50% of the capital value of the property.

In order to access it, in addition to belonging to one of the categories listed above, it is necessary to apply for a loan not exceeding 250,000 Euros, it is not necessary to be the owner of other properties for residential use (except for those inherited "mortis causa") and it is necessary to apply for the fund for homes that are not listed as luxury homes.

MIR: Some Reactivation "Ideas" After the Pandemic

The reactivation of the real estate market was the focus of "*Italy 2021: Skills to Reactivate the Future*", a recent conference organized by **PwC Italia**, a company that provides consulting services to businesses.

During the debate, which was attended by many experts in the building sector, important points were identified from which the brick market must restart immediately after the pandemic. Starting from the shared assumption that the MIR has never actually come to a complete halt (except for last March and April), this emergency could be the right opportunity to make a definitive turnaround and promote a more sustainable approach.

Among the priorities, there is certainly the identification of new ways to use spaces, so as to make activities such as smart working or distance learning more comfortable.

Spaces that encourage privacy, but also leisure activities should be a priority, accompanied by the need to overcome the strict regulations on the use of buildings.

Furthermore, it is very important that this phase of blanket vaccination be completed as soon as possible, because this inevitably has an impact on international investors. And the vaccination campaign, after General Figliuolo's appointment, seems to be moving forward quickly.

Precisely with reference to investments from abroad, it seems urgent to start a process of bureaucratization.

In fact, the impossibility of travelling for an undetermined amount of time and in safe conditions, and therefore not dealing personally, makes it necessary to intervene to simplify all administrative procedures and, not least, fiscal ones.

Taking advantage of all the European funds expected, above all with the Recovery Fund, it is important to revise the urbanization plans in a green version.
Sustainable building is an incredibly promising sector in which to invest and over the years will become a “real feather in the cap” for our country, also in view of the EU’s planned climate neutralisation by 2050.

Moreover, it is precisely the properties in the top energy bracket that are the only ones that do not lose any value in both sale and rent.

In the third and final part, therefore, we will provide more detailed information on the hypotheses, data and timing of the restart of the MIR.

3RD PART: FORECAST

MIR: An Overview of Short-Term Forecasts

Reference is made below to the report published by **Bankitalia** from which some forecasts on the evolution of the Italian real estate market after the pandemic are extracted, together with an overview from other sources.

In the survey conducted among 1,269 real estate agents, collecting data and information from the beginning of the year to February 15, 2021, the share of agencies that sold at least one property in the fourth quarter has risen again, settling almost at the values of a year earlier; most operators report a substantial stability of prices compared to the previous survey, a third of the sample reports decreasing quotations.

Judgments on demand conditions and on the trend of new orders to sell worsened; sale times remained stable, but with a slight increase in the average discount on the price requested by the seller.

Prospects have therefore improved, both in their own reference market and in the domestic market, although negative expectations remain prevalent in both cases. In fact, the majority of agents foresee negative effects of the epidemic on the demand for homes and on sale prices that, for about one third of the sample, would last until mid-2022.
This confirms the trend according to which, after the outbreak of the pandemic, there would have been a change in the requests concerning the type and average size of the homes to be bought and sold.

According to the Head of the "*Real Estate Department*" of the Bank of Italy, the traditional models of condominiums in large cities, now characterized by the absence of common areas and open spaces, will enter a strong crisis.

More "friendly" constructions will prevail, with greater possibilities of leisure.

In addition, a "significant revenge" will be taken by the peripheral areas, the small towns against the metropolitan areas.

The percentage of agents who have completed at least one transaction has rebounded to pre-epidemic levels, and nearly 60 percent of the agencies surveyed reported substantial stability in sales prices in the first two months of 2021, although the percentage of agents reporting a decline in prices remains significant (33.7 percent).

The percentage of agencies that have sold at least one home has risen again (to 82.1 percent), bringing it to just below the values of a year earlier. The average surface area of the properties brokered has increased: 56.4% have a surface area of between 80 and 140 m^2, while 37.8% have a surface area of less than 80 m^2.

Almost all of the homes sold were vacant; most were habitable, but in need of partial renovation (74.6 percent, compared with 18.2 percent of those that were new or in excellent condition), and were of a stately or civilian nature (53.6 percent, compared with 39.5 percent of those that were affordable or working-class).

The energy class of properties is generally low, but slightly improved from a year earlier.

46.2 percent of potential buyers intended to purchase a first home for themselves or their family members, 32.9 were changing homes, and 15.8 were looking for a second home for investment purposes.

Difficulties in visiting homes due to the epidemic have penalized agency activity.

In fact, difficulties in organizing home visits due to restrictive measures to combat the pandemic or the fear of contagion had a significant impact on agency activity for more than a quarter of the agencies surveyed; for almost 60 percent the effect was low or medium, thanks in part to the use of electronic and digital tools.

Only 16.1 percent of respondents felt that they had not experienced any limitations in their visits.

The balance between judgments of increased and decreased potential buyers during the reporting period returned negative. Demand judgments are unfavourable in both urban and suburban areas. The balance between the percentage of agencies reporting an increase in new assignments to sell and the share of those indicating a decrease has worsened sharply (to -29.5 percentage points, from -11.8); the result is slightly more negative in cities.

Half of the agents saw a stable number of outstanding assignments compared with the previous year; the proportion of those indicating a decrease fell slightly (to 36.4% from 37.6%).

At the same time the proportion of those indicating an increase in outstanding orders fell again (13.6 percent from 19.9 percent).

Selling times remain stable, but the gap between offered and asked prices remains wide.

The share of purchases financed by mortgages has risen while rents are falling in large cities. The average discount on sales prices compared with the seller's initial requests increased slightly compared with the previous year (to 11.3% from 10.9%); sales times remained substantially stable at around 7.5 months.

The percentage of agencies reporting difficulties in obtaining mortgages from buyers has decreased (25.8 percent, down from 27.6). The discrepancy between asking and asking prices remains the predominant cause for termination of the assignment, either because purchase offers are considered too low by sellers (54.3 percent of agents) or because buyers consider the prices offered too high (50.5 percent).

The share of purchases and sales financed with a mortgage loan rose again, to 73.8 percent (from 71.5), returning to 2019 values. The ratio of loan size to property value just declined, to 76.7 percent.

The percentage of operators who reported leasing at least one property declined slightly, to 79.1 percent (from 80.2 in the third; table), but remains more than 10 percentage points above the levels seen in the second half of 2020.

Indications of a reduction in average rents in urban and metropolitan areas have again emerged: the share of operators reporting a reduction in rents has risen slightly.

Outside the large cities, on the other hand, opinions on rents have remained substantially stable. The balance between the prospects for rent increases and decreases in the first quarter of 2021 remains largely negative, affected by expectations that are still particularly negative in urban centers (-36.2 percentage points), which are only slightly recovering.

Agents' expectations of their own reference market are improving, but remain predominantly unfavourable...
After the sharp deterioration recorded in 2020, the expectations of agencies regarding their reference market have improved considerably, although they remain pessimistic: 26.3% of operators have unfavourable expectations for the first quarter compared with only 9.4% of those who have favourable expectations.

A similar proportion of agencies also express negative outlooks for at least two years, but compared with 45.0% who have favourable expectations.

The balance between the percentage of agencies anticipating an increase in new assignments to sell in the first half of 2021 and the percentage of those expecting a decrease has greatly improved, though it remains negative (down 7.6 percentage points from -26.0).

Expectations regarding sales price trends in the first quarter also remain decidedly downwards, but to a much lesser extent than in 2020: the relative balance fell to -32.3 (from -43.6).

In summary, expectations regarding the evolution of the national real estate market have improved: with reference to the trend in the current quarter, the balance remains negative, but to a much lesser extent than in the last survey (-26.6 percentage points from -44.8).

The two-year outlook has become cautiously positive again: the share of agents expecting a negative impact of the epidemic on housing demand remains high.

For nearly half of them, the effects of the pandemic will finally wear off by the end of 2021; for nearly a third, they will linger until mid-2022, in any case no later than the end of 2022.

Nearly 60 percent of agencies foresee negative effects on sales prices (up from 66.8); of these, 46.2 percent expect these effects to wear off by the end of 2021 compared with 32.7 who believe they will continue until mid-2022, while nearly 12 expect an impact beyond that horizon.

Opinions regarding the impact of the epidemic on the supply of housing remained more mixed: 34.5% of operators believe that the epidemic is causing a reduction in housing supply, compared with 43.3% who believe it is increasing.

The Long-Term MIR

The year 2020 was one of the worst years for the real estate sector, as already highlighted also on the basis of data from the **ADE - Agenzia delle Entrate (Italian Revenue Agency)**.

In this scenario, however, the price of bricks and mortar has not undergone substantial reductions.

The Reactivation Decree (Decreto Rilancio) 2020 has given important signals to the market, with tax deductions for specific activities, while the gradual exit from the pandemic will benefit new housing needs that have already appeared in Phase 2.

So what can be reasonable forecasts for the real estate market in 2021?
What are the trends in the housing market beyond 2021?

According to **Istat's IPAB (***average house prices index, per its Italian acronym***)**, in the first quarter of 2021 the IPAB purchased by households, for housing or investment purposes, will increase by 0.3% compared to the previous quarter and by 1.6% compared to the same period in 2020.

However, the acquired rate of change in the IPAB at the end of 2021 will be in negative territory of at least -0.3% (-0.6% for existing homes and +0.8% for new homes).
The initial increase in the IPAB is due to both new home prices increasing by 1.7%, slowing from the previous quarter (when the change was +3.0%), and existing home prices increasing by 1.4%, accelerating from the third quarter of 2020 (it was +0.7%).

These trends will be manifested in a context of growth, albeit cautious, of the volumes of purchases and sales compared to the +8.8% of the trend increase assumed by the Observatory of the Real Estate Market of the Italian Revenue Agency for the residential sector.

On a cyclical basis, the increase in IPAB (+0.3%) is due solely to the prices of existing homes, which record an increase of 0.3%, while those of new homes decrease by 0.3%.

On average, in 2021, home prices will increase 1.9% with new home prices registering a +2.1% increase and existing home prices (which weigh more than 80% of the aggregate index) increasing 1.9%.

Compared to the average of 2010, the first year for which the historical series of IPAB is available, in 2020 housing prices decreased by 15.0% (-21.6% for existing homes, +3.6% for new homes).

In the first quarter the year-on-year increase in home prices was driven by the South and the Islands (+3.0%); prices rose, but less sharply, in the Northwest and Northeast (+1.7% and +1.8% respectively) and only slightly in the Center (+0.2%).

Also in the first quarter in Milan, home prices will increase, on an annual basis, by around 7.4%, confirming a sustained growth, although decelerating compared to the previous quarter (+12.0%). In Turin and Rome, on the other hand, home prices are falling (by 2.0% and 0.5% respectively).

Thanks to the tax incentives of the "Reactivation Decree (Decreto Rilancio)," the Italians' desire to own a property remains, with new trends emerging, of which the main ones are:

- Multifunctional homes, with greater size and versatility, also used for smart working:
- Large outdoor spaces, such as balconies, terraces or gardens, intended as outlets from the property;
- Condominium services, such as shared multi-functional rooms, courtyards, green areas or gyms;
- Second homes, increasingly suitable for smart working and/or time off from work.

The hope of a gradual exit from the epidemic also leads to the strengthening of the position of stately villas (which, according to the Land Registry, are 0.1% of the total) and homes in tourist resorts, despite the fact that in April, May, June and September 2020 their short term rentals have marked a -70%.

Good auspices also for the purchase of homes for investment use, which according to the data of the major real estate brands could record new rises especially on independent or semi-independent properties; until February 2020, income properties accounted for 17.9% of total demand, then fell to 16.8%.

According to data from the **Italian Revenue Agency** (**ADE**), transactions for suburban municipalities were up 8.1% in the first quarter, while those for provincial capitals and large metropolises were down 6.7%.

The various institutes and companies in the sector present estimates for 2021 that are very different from one another and in many ways contradictory, a sign of a tangible and widespread sense of confusion:

Nomisma foresees two outlooks, a basic one and a negative one, in the less pessimistic one purchases and sales will have a 1.1% drop and mortgages a 34.9% drop, recording a shortfall of over 5 billion Euros in bank financing, for a situation that will return to the + sign only from 2022.

According to **Nomisma**, in 2021 the trend of transactional activity will depend on the extent of the rebound at the economic level, which is in turn a consequence of the effectiveness of the vaccination campaign on the "productive segments" of the population. The uncertainties in this regard accredit for 2021 a scenario for purchases and sales not dissimilar to that of 2020, with an overall result of 495 thousand transactions in the most favourable scenario and 467 thousand in the most adverse scenario.

For the Bologna-based institute, the recovery will be slow and gradual and will manifest itself in the two-year period 2022-2023 with an intensity that will not allow to quickly recover the pre-Covid-19 levels, relegating the market, at least until 2023, below 600 thousand transactions. The residential sector will however be less affected by the reduction in values than the corporate sector (-2% the differential at the end of the period 2021/2023 compared to the average prices of 2020) and will in any case be the area in which the trend reversal will occur first.

Analyzing the cities specifically, Milan and Bologna will be the first to show signs of growth starting from 2022, followed by Florence, Venice, Palermo and Cagliari in 2023. The most intense declines will concern Turin, Genoa and Rome, with a deflationary trend for the entire three-year period considered.

Scenari Immobiliari estimates a market growth of 7.8% for a value of about 119 billion Euros from which, however, is still excluded the commercial sector.

At the 28th Forum in Santa Margherita Ligure, **Scenari Immobiliari** presented the European Outlook 2021, a study that shows that after an increase in residential sales of almost a quarter in the last five years, during 2020 the trend stopped throughout the EU while for the current year is expected an increase of about 10%.

The Italian market is improving, as fortunately happens after every sudden collapse of the indicators, even in real estate important rebounds are expected for 2021 with - in fact - a plus 7.8% compared to 2020.

This also hoping for a resumption of access to mortgages thanks to the rates offered by the Central Banks and warning, at the same time, the danger of a bubble in the new housing trends once the CoViD emergency is over.

Idealista forecasts a price increase in the first quarter of 2021 of a further 2% compared to +2.3% in 2020, particularly in large provincial capitals, where there could be new increases of up to 20%.

Gabetti, Professione Casa and **Grimaldi** foresee a 2021 that will follow the same trend as the previous year, with a 1.1% drop in the price of properties in peripheral areas and purchases and sales potentially falling by 15-20%.

Here, then, are the main data on the Italian residential market in large cities:

Buying and selling: In 2020, all macro-areas experienced a negative change: -7.1% in the North, -7.5% in the Center and -7.7% in the South. On the whole, the capitals show a variation of -11.4%, while the non-capitals -5.7%. Looking at the eight largest Italian cities by population, overall 90,590 transactions were recorded in 2020, -13.3% compared to 2019. At the same time, the remaining provinces recorded a change of -7.6%. The largest negative changes were in Milan (-17.6%), Bologna and Florence (-15.1%), Naples (-14.8%), Turin (-13.1%), Palermo (-12.6%). Rome and Genoa closed the quarter with losses of 10% and 9.4%, respectively. Considering only the fourth quarter, the change in large cities was positive (up 0.2%), with transactions up in Genoa (up 8.4%) and Rome (up 7.9%); stable transactions in Turin, Palermo and Naples. Figures are still down for Milan, Bologna and Florence.

Prices: In terms of prices, the second half of the year saw an average change of around -0.9%, similar to that of the previous half-year (-1.1%), bringing the overall change in 2020, compared to 2019, to -2%. Considering the annual variation, Milan emerges for the positive figure (+1.8%), the result of +0.2% in the first semester and +1.6% in the second semester. There was also a slight upturn in Bologna (up 0.3%), which in the second half of the year made up for the drop in the first half. Naples (down 0.8%) and Florence (down 1.1%) registered only slight annual changes, followed by Rome (down 2.2%). Palermo registered an annual change of 3.2%, with a reduction in the negative change in the second half of the year. More marked changes were registered in Turin and Genoa (down 5.3%).

Average Selling Times: In the large cities they remained stable overall, at an average of 4.5 months. Within the various cities they were stable in Rome, slightly down in Florence, Turin and Bologna, slightly up in Milan, Genoa, Naples and Palermo.

Average Discounts: In 2020, for large cities they remained at an average of 12%, for used solutions. Even this average actually sees a significant difference between “priced” properties, which see the indicated percentage fall even below 10%, and those that instead are placed on the market at non-current prices, with subsequent declines.

Residential Market, Some Trends for 2021: For the first half of 2021, a slight drop in prices is expected, in a context of increasing purchases and sales, should the health situation improve, also following the spread of the vaccine. Another factor to take into consideration on the performance of the residential and credit markets in 2021 is the tax advantage of the 110% Superbonus. This acts as a stimulus to the demand for used homes to be requalified also with recourse to credit, as the projects for energy qualification of buildings may provide for an overlap of the various incentives currently present in the Italian panorama which, unlike the Superbonus, do not cover all the resources invested. The positive impact of the incentives introduced by the Budget Law linked to the extension of the 50% IRPEF deduction for renovations and the furniture bonus and the deduction for energy requalification activities, to which the 90% facade bonus is added, as well as the green bonus, is also to be noted.

Finally, it is expected that the residential will be increasingly on the radar of investors and, in line with new consumption and living behaviours, characterized by a growth in terms of interest, linked to new forms of multifamily living, such as co-living, service apartments, as well as senior living.

Tecnocasa estimates buying and selling on a national level between 550,000 and 560,000 units, with an increase of 3-5% in the provinces of large cities, although prices are expected to fall by up to 2% in peripheral areas, there is also an increase in short term rentals for tourist destinations of up to 5% (see Tab. 45).

Incentives to renovate properties are supporting the second-hand market, while on the new market the trend of adapting supply to the new characteristics sought by potential buyers is confirmed. The recovery in values in recent years, especially in the metropolises, had determined a shift of potential buyers to the suburbs and hinterlands of large cities in search of more affordable homes.

This trend should be confirmed also in the light of new desires (outdoor spaces and larger sizes) easier to find outside the metropolis.

We expect a substantial holding of the stately types, a segment less affected by the pandemic. Here, then, are the main data on the Italian residential market in large cities:

45_TAB. 2021 REAL ESTATE FORECASTS

REAL ESTATE FORECASTS 2021	ITALY	BIG CITIES	PROVINCIAL CAPITALS	BIG CITIES HINTERLAND
SALES AND PURCHASES	FROM +3% TO +5%	FROM +2% TO +4%	FROM +2% TO +4%	FROM +3% TO +5%
PRICES	FORM -2% TO 0%	FORM -2% TO 0%	FORM -3% TO -1%	FORM -2% TO 0%

As for the rental market, which has responded faster to the changes that have taken place, expect with declining rents, mainly due to the greater supply on the market. The year 2021 could still give weak negative signals and the recovery will certainly come in 2022.

On the mortgage side, finally, there should be no important changes at rate levels that will still remain contained.

According to **Savills Investment Management's** 2021 Building Resilience in Global Real Estate Portfolios outlook, there is a climate of cautious optimism, with 45% of European real estate investors expecting a recovery within the year, and only 5% fearing a prolongation of the market downturn.

This outlook concerns the various sectors related to real estate:

Offices: Despite the difficulties of the situation and the increasing digitalization of work, office presence will still be a crucial element of productive activities, creativity and corporate cultures; the office will represent an added value and a support to the various smart working policies.

Logistics: A sector chosen by 55% of investors in the outlook because it is highly diversified, also thanks to the growth of digital transactions, logistics has acquired a central role that does not tend to diminish; the logistics center will represent a competitive advantage of the companies that own it.

Retail: Among the sectors that have suffered the greatest impact from the Coronavirus, retail has seen many of its exponents forced to change business strategy between transfers and resource storage, a decision that has led them to gain resilience; if on the one hand it discourages investors due to the current situation, on the other hand it incentivizes them with the creation of chains and commercial groups.

Residential and Hospitality: Chosen by private investors with the objective of creating returns over time, homes and hospitality facilities capture interest not so much for their returns but for their stability on the market, both being among the safest and most balanced assets, as they are able to reconcile any losses over time.

On balance, each sector finally presents favourable scenarios.

It must be remembered, however, that all this is subject to a recovery of the various factors affecting the economy and an overcoming, albeit partial, of certain social brakes.

Especially at a national level, it is in fact necessary not to neglect, first and foremost, the aging of the population (according to Eurostat, 22.8% of Italians are over 65), which, together with GDP, is a signal that strongly conditions demand.

In addition to the above, the stay in the parents' home until late in life and one-way transfers, often to provincial capitals or large cities, are a sign of low dynamism especially in the peripheral residential market.

The impact of the lockdown has had consequences on Italian real estate assets that we are still unable to fully assess.

Many studies have been carried out and are still underway in order to construct an econometric model that allows for the forecasting of price trends up to 2025, estimating the reaction of real estate assets to the Covid crisis and, specifically, to the post-Covid recovery phase.

The risk of assessing the impact of Covid on the real estate sector in an inaccurate manner is that of underestimating the recovery and therefore the revenues that can be generated in the future from the assets purchased today, generating a self-fulfilling prophecy, and not a positive one for the sector.

MIR: Price Trend 2021-2025

The only certainty regarding the trend of real estate indicators is that they will be dominated by a downward trend and most of them may close 2021 with a minus sign.

The uncertainty concerns both the quantification and the duration of the sign itself, which will certainly remain so at least until after the summer of 2021.

This is the direction in which the econometric analysis, the results of which are presented below, is heading.

It starts from the analysis of seven moments of crisis of the last century, evaluating for each of them, the main social and economic variables and the way they have reacted to the crisis (very much, a little, positively or negatively).

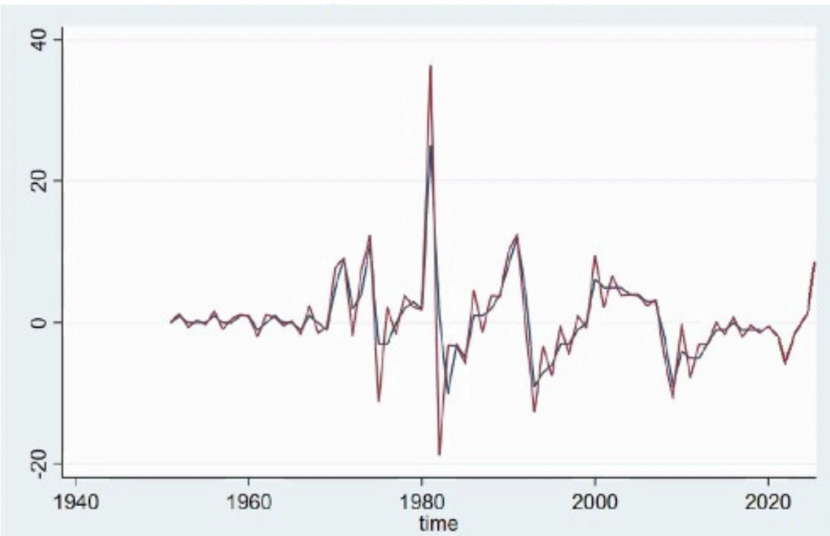
This model is then transferred to the current emergency, adjusting the parameters on the basis of the specifics of this particular moment.

The forecast that emerges from this analysis is that real estate prices will undoubtedly fall this year, but a strong recovery is expected in the next five years.

Fig. 20 shows the summary graph which, as a function of time, shows the percentage price increase, while Tab. 46 provides an overview at **European** level and Tab. 47 an overview in Italy.

FIG. 20 *(source: https://www.idealista.it/news/finanza/investimenti/)*

PERCENTAGE CHANGE IN PRICES IN THE REAL ESTATE MARKET AS A FUNCTION OF TIME



46_TAB. EUROPEAN RESIDENTIAL PROPERTY SALES TO 2021

European residential property sales to 2021

	2015	2016	2017	2018	2019	2020*	2021°
Italy	100	117	126	137	138	106	115
France	100	109	129	137	144	120	128
Germany	100	104	109	135	143	126	139
Spain	100	118	136	149	146	108	121
UK	100	102	98	93	93	80	91
Eu5	100	108	115	121	123	100	111

2015=100

(source: https://www.idealista.it/news/finanza/investimenti/)

Reactions to the Covid pandemic are very different from those that occurred, for example, to early 20th century Spanish, or even the subprime mortgage crisis.

In particular, social changes will affect real estate now more than ever, as communications and travel, work, school, tourism, cultural and entertainment venues will need to be rethought.

Something in the perception and needs of residential real estate has changed, and if the trends towards green, sustainability or smart living were already underway and will therefore continue strengthened, the relationship between the private space of housing and the public space of work, especially their physical dimensions, will change.

47_TAB. ESTIMATED PERCENTAGE CHANGE IN PRICES AND RENTS 2020-2025 - MIR

Estimated % change in prices and rents in Italy

MIR 2020-2025

YEAR	PRICES	RENTS
2020	-2,1%	-3,5%
2021	-4,2%	-7,3%
2022	-1,5%	-2,7%
2023	0,5%	-0,3%
2024	3,4%	2,7%
2025	5,6%	3,8%

(source: https://www.idealista.it/news/finanza/investimenti/)

At the same time, for a large part of the population, the lower income has determined and will determine a hardening of the existing housing situation and the propensity to invest. With regard to leases, in urban areas it is foreseeable an easing of the pressure of housing demand with consequent compression of rent levels that will tend to realign to the pre-coronavirus situation only after the full recovery of all activities.

Also, a Look at the "Office Sector" - Forecasts 2021-2025

As far as the tertiary/office sector is concerned, there will be a period of deep reflection on individual spaces and smart working. The need to have an "individual safety space" will lead to an increase in demand for office space that is attentive to the needs of workers. Co-working will also be rethought and increasingly used (see Tab. 48).

48_TAB. ESTIMATED PERCENTAGE CHANGE IN PRICES AND RENTS 2020-2025 – BUSINESS

Estimated % change in prices and rents in Italy
2020-2025

YEAR	PRICES	RENTS
2020	-3,2%	-3,9%
2021	-4,7%	-6,2%
2022	-2,0%	-3,3%
2023	0,8%	-1,0%
2024	2,8%	1,0%
2025	3,5%	2,0%

(source: https://www.idealista.it/news/finanza/investimenti/)

Another issue, in the case of the tertiary/office sector, is that of yields, whose curves, in the different markets (Milan firstly - Tab. 49, and Rome to follow - Tab. 50) were, from 2015 until the beginning of this year, characterized by a slow but steady descent, indicative of a perception of the Italian market as less and less risky.

The current crisis phase can only reverse this downward phase, but not significantly and only in the short term, as:

- The country-risk differential, compared to competing markets, is expected to grow in a limited way;

- Important realities such as the Milanese metropolitan area have, in recent years, experienced growth of a structural nature, which will enable them, once the difficult phase has passed, to realign themselves;
- The cost of debt, which should remain contained;
- It is likely that, in part, properties with less privileged locations will still "suffer."

In these cases, prices will be affected by both falling rents and higher expected returns. In the medium term, starting with the most central areas, the effect should be less and less marked until it almost disappears.

49_TAB. ESTIMATED PERCENTAGE CHANGE IN PRICES AND RENTS 2020-2025 – MILAN

Estimated % change in prices and rents in Italy
2020-2025

BUSINESS

YEAR	PRICES	RENTS
2020	-0,5%	-2,2%
2021	-1,9%	-2,5%
2022	2,1%	2,7%
2023	3,5%	3,0%
2024	4,8%	3,3%
2025	5,6%	4,2%

(source: https://www.idealista.it/news/finanza/investimenti/)

With regard to the market for "prime" properties (tertiary sky-land, top location, with prime tenants), both in Milan and Rome, the decline, even in the short term, is relatively contained and the return to the pre-crisis situation faster.

50_TAB. ESTIMATED PERCENTAGE CHANGE IN PRICES AND RENTS 2020-2025 – ROME

Estimated % change in prices and rents in Italy
2020-2025

BUSINESS

YEAR	PRICES	RENTS
2020	-1,1%	-2,4%
2021	-2,8%	-2,9%
2022	1,5%	1,4%
2023	3,5%	2,0%
2024	4,7%	3,1%
2025	5,4%	4,0%

(source: https://www.idealista.it/news/finanza/investimenti/)

There are also offices, shopping centers, logistics, hotels, and with them large investments by funds and asset managers.

According to the report by **Scenari Immobiliari**, the growth of the entire real estate sector has been able to count mainly on the driving force of one sector, that of large investments.

In particular, investments from abroad in 2019 broke all previous records, generating more than 12 billion Euros, a growth of 37% on 2018 and 6% on 2017 (which held the previous record with 11.2 billion Euros of investments).

The funds had also resumed "investing on residential development" since for now, with the Coronavirus, shopping centers and hotels represent a category of properties where it is difficult to imagine large investments.

On the other hand, on residential as an investment, the positive trend will continue, again due to future demand for properties with characteristics more in line with current needs.

In investments it is "*very difficult to make estimates*," but "*a reduction of less than 20% remains plausible*," because those who invest have a long-term vision, compared to the individual who buys or sells a home.

Moreover, the Coronavirus crisis is a crisis linked to consumption, not financial, and "*the liquidity available on the markets is extraordinarily high*."

The risk factor of investing in real estate continues to be small compared to other assets, it is true, but it has nonetheless increased over time.

"*The crisis of 2008 and 2009 opened our eyes: before, people thought that the real estate sector was a separate thing, with a value strictly linked to the square meter. We finally realized that real estate is worth in relation to the content that is inside. If the content inside suffers, the value of the container suffers as well*".

Smart Working and Smart Office

The main driver of the transformation underway is smart working, in the dual meaning of home working and smart office.

The phenomenon of smart working should be seen as a rapid evolution, imposed by the emergency, of the work model, both public and private.

It goes without saying that the emergence of the model depends on the basic division between "*teleworkable*" activities and activities that must necessarily be carried out in the presence, such as those, first and foremost, of the manufacturing sector, the health sector and the security sector.

The other issue is the availability of adequate IT connections and equipment: the digital divide can hinder home working.

On the performance of all the activities not bound by physicality and, therefore, transferred by the pandemic to the home, the debate has been very lively and contrasted, even if focused above all on the public administration.

Thus, smart working has been exalted, attributing to it a high social value and a strong increase in productivity, or it has been "criminalized" as an opportunity for a long vacation for public employees; in a more balanced way, its advantages and risks have been highlighted, considering it, reasonably, as a complementary work method and not a substitute for the one in presence.

The opportunities for savings and mitigation of traffic and environmental pollution for cities were then highlighted; while for private companies, an opportunity for cost containment emerged, in terms of logistics and services, greater for the more innovative sectors, based on consolidated forms of communication and socialization at a distance.

For the public administration, the question of home working is even more complex, because it is grafted onto an organizational environment characterized by undoubted structural deficiencies.

But even in the PA, the evolution of working methods, insofar as imposed by external reality, has started. It can only develop in a patchy manner, depending, in particular, on the uneven growth in levels of digitalization, the simplification of processes that will be achieved, and the management skills of managers.

In any case, it should be noted that this is a transformation that does not result from a regulatory reform (which can always remain on paper, as has frequently occurred) but, rather, from a broad exogenous push, the impact of which cannot be avoided.

It goes without saying that evolution, operating on several levels, is accentuated by a series of concomitant factors that condition each other.

For example, the greater the difficulty in safely using public transport, the greater the push towards home working; the greater the distance learning component for schools, the less facilitating a return to face-to-face working; the more welcoming and secure offices are, the more competitive they will be with respect to working from home; conversely, by adapting homes to the new need for mixed use, as a place to live and work, the gap in operational functionality with respect to office structures, found in the first phase of the lockdown, will be eliminated.

But, in any case, the road to smart working is marked out and, even once the health emergency has been overcome, a return to the past is unthinkable.

The New "Three-in-One" Properties: Residential + Office + Leisure

The largely positive experimentation with home working and the possible savings that this can bring in general terms are requiring a case-by-case review of the current configuration of the office concept.

A rapid, widespread abandonment of the spaces now used is not, however, likely. It would be too many difficulties and costs for the reuse of buildings owned, or for the closure of leases in place, but, in addition, there are many fears that lead to caution with respect to a massive resort to remote working.

With home working, in fact, much of the synergy and exchange of experience that only direct contact can provide is lost, especially in the training of new recruits; and it is difficult to maintain full sharing of company strategies and objectives from home.

However, a new philosophy of living is emerging, new configurations of spaces with which the real estate sector is already coming to terms in a sort of contamination between residence, office, place of relaxation and leisure.

The result is new prospects for development of the facility management industry, also in terms of employment levels.

In addition, the mix between telework and activities in presence involves the necessity to guarantee in more robust way of the past the confidentiality and the continuity of the services and the computer connections, raising consequently the role of the defences regarding the cyber-crime.

Moreover, examining the structure of work environments, it traditionally, especially in public administrations, repeats the basic parameters of a fixed workstation, in environments shared by many employees or in a single room for senior staff, with few rooms and support services (with the exception of meeting rooms), with minimal furniture, if not vintage.

In short, the opposite of the model that is now tending to take hold and which excludes, first and foremost, crowded open spaces, where social distancing cannot be adequately guaranteed.

But, conversely, if the presences in the office occur in rotation, with an incidence of employees in telework that is assumed in the new normal not numerically dissimilar from that of colleagues in presence, what sense will have offices largely empty, against an obviously oversized expenditure?

Moreover, attachment to the personal desk falls in the face of the prospect of greater flexibility in work performance and more "agile" work days from home.

In addition, with the digitization of processes and the gradual disappearance of paper documents, the materiality and physicality of a traditional work environment is no longer required, starting with filing cabinets and archives.

The result is the widespread use of shared workstations, with light but technologically advanced structures, whether at the company or at home.

The transformation, dictated by the experience of the emergency phase, is not, however, only quantitative.

First of all, if the time shared in the working environment is less and direct relationships tend to be rarefied, it is necessary to make the most of the moments and opportunities for contact, even informal ones, of working together (especially for the aspects of exchange of experiences and sharing of projects).

From another point of view, after experimenting with work at home, it is hard to return to cold, standardized environments. On the other hand, the need for sociality and direct confrontation can be fully satisfied with a presence, even a reduced one, if carried out in environments that stimulate contact, especially if informal.

The smart office paradigm is now emerging in its various components, from the structural and furnishing one to the digitalization of work processes and services, from corporate mobility to the coordination of presences and meetings.

The evolution described determines two consequences for the real estate sector: the first is that the tendency to reduce office space will be moderated by the need for a more modern and functional configuration, attentive to personal services and shared environments; the second is that for the reorganization of spaces and furnishings there is a precious opportunity for development to be seized by focusing on innovation and, obviously, on technology.

Therefore, the prospect of smart buildings opens up, characterized by a widespread use of technology for building management, which will suitably accompany the complete digitization of work. The choice of companies and people between teleworking and working in person will not depend, therefore, on technical and organizational constraints, but on the balancing of different social and individual needs and on the objective of the good functioning of the organizational machine.

And if we look at the situation of public administration offices, it is not difficult to see that even in this sector there is ample room for manoeuvre for the affirmation of the smart office, also because of the consequent opportunity to review the dislocation of many public offices, often located in a non-functional manner in buildings rented from private individuals.

Prospects and Opportunities

Last summer, the Italian economy had shown signs of recovery that exceeded expectations, but with the continuation of the pandemic in recent months, short-term economic prospects have inevitably appeared at risk.

In particular, the fourth quarter of 2020 should see a contraction in economic activity, although not on the same scale as that seen in the spring.

Consequently, in 2021 growth will probably be slower than expected both in Europe and in Italy, but - in relation to the trends outlined above - in any case such as to justify a climate of progressive, greater confidence in the construction sector, especially for the segment of renovations and upgrades, supported by the significant incentives introduced.

In order to achieve the desired expansive effect, strong support for both public and private investment will be necessary, via resources found primarily through implementation in Italy of the **Next Generation EU Program**.

In concrete terms, the activities should widely concern the real estate sector, starting from energy efficiency and safety, including seismic safety, of the public and private building heritage; the sectors with priority can only be hospitals and schools (also through building replacement), followed by viaducts and road bridges and social housing.

These stimuli will be inserted in a context in which, on the one hand, there is ample liquidity of families and businesses, accompanied by a slight acceleration of mortgages for the purchase of homes at low and stable rates, and, on the other hand, also due to the slowdown of construction sites, there is still a lack of supply in terms of breadth and quality of products.

In summary, in the coming months the real estate sector seems destined for a further phase of weakness, while in the medium term positive signs could, prudently, be expected. We certainly do not know when and how the new normal will take place, but what is certain is that a profound transformation has taken place in the real estate sector.

With respect to the new context, as demand evolves, new players and new brands will be able to establish themselves on the market, while the value chain in organizations is already being transformed. As always when new perspectives open up in the market, nothing comes about automatically; it is up to the operators to seize the opportunities and identify the right way to innovate and to adapt the range of products to the new demand, the contours of which now appear, in any case, well defined.

Brief Recognition of the Instruments and Resources Available

What instruments and how many resources have been introduced by the Government and what impact will they have on the recovery of the residential real estate market in Italy? Below is a brief survey of the instruments available:

First Home Bonus

Simplification Decree

Furniture and Household Appliance Bonus

2021 Renovation Bonus

110 Superbonus

Green Bonus

Recovery Plan.

First Home Bonus (Bonus Prima Casa)

The **First Home Bonus** consists of a series of tax benefits aimed at encouraging the purchase of property to be used as a primary residence. In practice, the facility for the purchase of the "first home" allows one to pay lower taxes on the purchase of a home, provided certain conditions are met. Obviously, like any form of tax relief, homebuyers must meet certain requirements. These are characteristics that must be attested to by means of a special declaration to be included in the notarial deed of sale and range from the timing of the transfer of residence to the type of home purchased.

The first home bonus has also found space in the Support Decree (**Decreto Sostegni bis** - *https://www.altalex.com/documents/news/2021/05/20/decreto-sostegni-bis*). The measure was indicated in the Economic and Financial Document recently approved by the Council of Ministers.

This is one of the most important incentives among those provided in the real estate sector.

Tax relief is also available for free deeds (donations and inheritances) that carry out a real estate transfer, but only limited to mortgage and cadastral taxes, and also for properties under construction, provided that they have the characteristics of a non-luxury home and that, once the work is completed, all the requirements for a first home are met.

The benefits are not allowed for the purchase of a home belonging to cadastral categories A/1 (noble homes), A/8 (villa homes) and A/9 (castles and palaces of eminent artistic and historical value).

For those who buy a property that meets the first home requirements, or an appurtenance thereto (a garage or cellar), there are tax benefits which differ depending on whether the sale is made through a company or an individual.

If the seller is an individual or a company whose sales are VAT-exempt, the taxpayer will pay the proportional registration tax in the amount of 2% and the mortgage and cadastral taxes will be fixed at the amount of 50.00 Euros each.

If, instead, the seller is a company whose sales are subject to VAT, it will be reduced to 4% and the registration, mortgage and cadastral taxes will be fixed at the amount of 200.00 Euros each.

The same reduced taxes are applied to the appurtenances, even if purchased with a separate deed from that of purchase of the main property.

In order to benefit from the reductions provided for by law, the home being purchased must belong to cadastral categories A/2 (civil homes), A/3 (economic homes), A/4 (popular homes), A/5 (ultrapopular homes), A/6 (rural homes), A/7 (small villa homes) and A/11 (home and lodgings typical of the location).

The benefits are also available for the purchase of appurtenances, classified or classifiable in cadastral categories C/2 (warehouses and storage rooms), C/6 (garages and parking structures), and C/7 (closed or open canopies), limited to one appurtenance per category.

The property purchased must be used on a permanent basis as a primary residence (with any appurtenances) and it is also necessary that the property be located in the territory of the municipality in which the buyer has or undertakes to establish their residence within 18 months of the purchase. Exceptions are provided for the municipality in which one's work is carried out, for Italians residing abroad, and for moving abroad for work reasons.

Tax benefits are also provided for the taxpayer who already owns a property purchased with first home benefits, provided that the home already owned is sold within one year of the new purchase. In the deed of sale of the new property, there must be a commitment to sell the property already owned within one year, otherwise the benefits used for the purchase of the new property are lost.

Anyone who sells a home purchased with benefits, and within a year buys another while meeting the conditions to take advantage of the "first home" benefits, is entitled to a tax credit equal to registration tax or VAT paid for the first purchase made.

In this regard, Italian Revenue Agency has specified that the tax credit is also due when the taxpayer buys the new home before selling the property already owned and that this credit cannot exceed the tax due on the second purchase and, <u>can be used, at the choice of the taxpayer</u>:

1. To reduce the registration tax due on the new purchase;
2. To reduce registration, mortgage, cadastral, inheritance, and donation taxes due on deeds and returns submitted after the date of acquisition of the credit;
3. To reduce IRPEF due on the basis of the first tax return following the new purchase; or
4. To offset other taxes and contributions due when making single payments using the F24 form.

<u>The tax credit does not apply if:</u>

1. The "first home" benefits have been lost in relation to the previous purchase;
2. The taxpayer has purchased the previous property at the ordinary rate, not benefiting from the concessions;
3. The newly purchased property does not meet the first home requirements;
4. A property purchased with the benefits is sold, and another building that meets the benefit requirements is repurchased without a profit.
5. It should be noted that the benefits obtained when buying a home with "first home" benefits may be lost if the requirements are no longer met and, consequently, one will have to pay the taxes "saved"," interest, and a penalty of 30%.

This can happen if the declarations required by law in the deed of sale are false or if the home is sold or donated before 5 years have elapsed since the date of purchase, unless, within a year, one buys another property, even free of charge, to be used in a "reasonable" time as one's primary residence.

In the event that the credit for the repurchase of the first home is only partially used for the payment of the registration tax due for the purchase deed in which the credit itself accrued, the taxpayer may use the residual amount as a reduction of income tax for individuals or as compensation for the amounts due under Legislative Decree No. 241 of 1997.

This residual amount cannot be used to reduce registration, mortgage, cadastral, inheritance, and gift taxes due for deeds filed thereafter. In relation to the taxes due for such deeds, in fact, the credit must be used for the entire amount.

The taxpayer will be able to use the residual tax credit as a reduction of personal income tax and as income.

The residual tax credit may be claimed when submitting the first tax return following the purchase of the new property or when submitting the tax return relating to the tax period in which the new purchase was made.

Simplifications Decree

Already a decisive acceleration towards the simplification of building permits has been recorded since 2011 with the "**Development Decree (Decreto Sviluppo -** *https://www.altalex.com/documents/leggi/2012/07/02/decreto-sviluppo-il-testo-coordinato-in-gazzetta-ufficiale*)", aimed at introducing a regulation for the enhancement of degraded urban areas through provisions aimed at simplifying administrative procedures.

The "**Unblock Italy Decree -** Decree Law No. 133/2014 - **(Decreto Sblocca Italia -** *https://www.altalex.com/documents/leggi/2014/11/14/sblocca-italia-il-testo-coordinato-del-decreto-legge-in-gazzetta*)", known as Unblock Italy (Sblocca Italia), which came into force on September 13, 2020, bearing "Urgent measures for the opening of construction sites, the execution of public works, the digitalization of the country, the simplification of bureaucracy, the emergency of hydrogeological instability, and for the resumption of productive activities" was published in Official Gazette No. 212 of September 13, 2020.

After the "final "yes" of the Chamber of Deputies" for its conversion into law, which took place on September 10, 2020, the last decisive step also arrived. Law 120 of September 11, 2020 which converts Decree Law 76/2020 (with amendments) into law, was published in Official

Gazette No. 228 of September 14, 2020, and is officially in force from Tuesday, September 15, 2020. At the same time, the consolidated text of Decree Law 76, along with the conversion law, was also published in the Official Gazette.

Let's see a summary of the regulations of interest to the construction industry.

Chapter V, entitled "Construction industry reactivation measures"," contains 11 articles aimed at simplifying and relaunching the entire sector.

In the context of administrative law, the term "construction" refers to the set of legal rules governing the construction and modification of buildings on the territory.

The entire Chapter V "Construction industry reactivation measures" is dedicated to the construction industry, with Articles:

17. Simplifications and other measures on construction.

18. Liberalization of the market for large-scale non-residential leases use.

19. Full tax exemption for rent reduction agreements.

20. Real estate sector reactivation measures.

21. Measures to encourage investment in rental housing.

22. Energy billing.

23. Regulations governing contracts for the subsequent sale of properties.

24. Measures to facilitate the participation of local communities in the protection and enhancement of the territory.

25. Urgent measures for administrative simplification and acceleration of cultural heritage formalities.

26. Urgent measures for the enhancement of unused state property.

27. Urgent measures regarding INAIL (National Institute for Occupational Hazard Insurance, per its Italian acronym) assets.

The most significant simplifications contained in the measure include:

1. The possibility of splitting an apartment into several units or merging several apartments together

Previously, this operation was classified as "building renovation" and a "building permit" (90/150 days) was required, as well as the payment of a "construction contribution". Now this operation is classified as "extraordinary maintenance" and can be done with a simple "*notice of commencement of work*" (CIL, per its Italian acronym), does not require a building permit and the contributions to be paid are only those for urbanization charges. Therefore, times and costs are drastically shortened. This rule also applies to stores.

2. Non-structural home renovations

That is, work that changes the interior surfaces but not the overall volume of the home (extraordinary maintenance).

Today, the filing of the CIL plus a declaration by a qualified technician that one is not interfering with structural parts is sufficient. The communication is also valid for cadastral purposes and is forwarded by the municipality to the territorial Internal Revenue Agency. In essence, less paperwork (no need for blueprints) and lower cost to the citizen (no need to pay cadastral update charges). The same procedure also applies to the extraordinary maintenance of corporate buildings of a company (warehouses).

Before September 13, it was necessary to for citizens to file the CIL, the particulars of the company performing the work, a technical report certified by a qualified technician, restructuring blueprints, and filing cadastral update deeds.

3. Building permit exception

Today, thanks to the "***Sblocca Italia***" Decree, the building permit is used as an exception to urban planning instruments for building and urban restructuring activities carried out also in abandoned industrial areas, in compliance with the provisions contained in the "*Code of Cultural Heritage and Landscape*" and other sector regulations. A building permit request may also be filed by way of an exception from the intended use, subject to a resolution of the City Council certifying the public interest. The terms of the preliminary investigation are doubled only in cases of particularly complex projects.

Previously, the building permit as an exception to urban planning instruments was issued exclusively for public buildings and facilities or those of public interest, subject to a resolution of the City Council, in compliance with the provisions contained in the Code of Cultural Heritage and Landscape and other sector regulations. The exemption could only concern the limits on building density, height and distance between buildings. The terms of the preliminary investigation were in fact doubled for municipalities with more than 100 thousand inhabitants as well as for particularly complex projects.

Other points of interest are:

- Tax breaks for those who buy a property and rent it out;
- Concessions for rental with option to buy.

Lastly, the definitions of building activities classifiable as “extraordinary maintenance” and “building renovation” have been updated. These innovations, also in relation to the serious crisis deriving from the Covid-19 pandemic, seem to be inspired as never before by the need to reactivate building entrepreneurial activity through “simplification”. In particular, the changes introduced aim to ensure the recovery and redevelopment of the existing building stock and the development of processes to improve the energy performance and anti-seismic safety of buildings.

After all, the purpose of the simplification policies is precisely that of avoiding that the direct and indirect costs of the administrative procedure become unnecessarily burdensome for the citizen in order to reactivate economic development and competitiveness.

On the one hand, in fact, there is the “building permit”, which constitutes an authorization measure foreseen by the law and issued by the Municipality, which authorizes the activity of urban and building transformation of the territory, in compliance with the general and detailed urban planning instruments.

On the other hand, there is the “free building activity” which includes all the building activities that are not subject to any kind of control and that can be carried out even without prior authorizations or without filing documents and activity commencement notices.

Thus, it is in the bifurcation between free building activities and activities subject to the building permit that the building activity simplification instruments are inserted.

Therefore, the legislator, in pursuing the main objective of simplifying building procedures, seems to have followed a twofold path: on the one hand, it has widened the scope of application of building permits that were once defined as minor (DIA, SCIA, CILA) to the detriment of traditional permits such as the building permit of an authorizing nature; on the other hand, it has extended the building categories including activities for which permits other than the building permit are sufficient, thus submitting to SCIA or other permits building interventions that were previously subject to a building permit.

With the publication in the Official Gazette of Law No. 120 of September 11, 2020, Law Decree No. 76/2020, the so-called “Simplification Decree (**Decreto Semplificazioni** - *https://www.altalex.com/documents/leggi/2020/09/11/decreto-semplificazioni*)”, was recently converted into law. Therefore, this measure is characterized by being a decisive intervention of innovation of the legislative sector in this area due to the serious crisis triggered by the Covid-19 pandemic.

2021 Furniture and Household Appliance Bonus

You can take advantage of an IRPEF deduction of 50% for the purchase of furniture and large household appliances of class not less than A+ (A or higher for ovens and washer-dryers), intended to furnish a property undergoing renovation.

The Budget Law confirmed the furniture and household appliances bonus for 2021 as well; a tax deduction of 50% up to a maximum expenditure of 16,000 Euros. Let's see what the requirements are, who can benefit and the list of expenses allowed in deduction.

With the 2021 Budget Law, some tax incentives have been extended for 2021, including the Furniture and Household Appliance Bonus (which falls within the Renovation Bonus).

The deduction provided is 50% of the expenditure, to be calculated on a maximum amount of 16,000 Euros. The Budget Law has raised the threshold of the expenditure ceiling from 10,000 Euros to 16,000 Euros.

The relief is also available for purchases made in 2021, but can only be requested by those who carry out a building renovation started from January 1, 2020.

The deduction is divided among those eligible in ten equal, annual instalments and is calculated on a total amount not exceeding 10,000 Euros. For 2021, the expenditure ceiling on which to calculate the deduction is raised to 16,000 Euros.

To take advantage of the facility, it is necessary that the date of commencement of work is prior to that on which the expenses are incurred for the purchase of furniture and major appliances. The commencement date can be proven by any administrative authorizations or communications required by building regulations, from the prior communication to the ASL (Local Heath Unit, per its Italian acronym) (indicating the date of commencement of work), if mandatory, or, for works for which no communications or housing titles are required, by a declaration in lieu of affidavit (*Article 47 of Presidential Decree 445/2000*), as prescribed by the measure of the Director of the Italian Revenue Agency (ADE) of November 2, 2011.

The taxpayer who performs renovation work on multiple property units will be entitled to the benefit several times. The maximum amount of expenditure is, in fact, referred to each housing unit under renovation.

The deduction is for expenses incurred until December 31, 2021 for the purchase of new furniture and new large household appliances of energy class not less than A+, (A or higher for ovens and washer-dryers), for equipment for which the energy label is provided.

By way of example, eligible furniture includes beds, closets, chests of drawers, bookcases, desks, tables, chairs, bedside tables, sofas, armchairs, sideboards, as well as mattresses and lighting fixtures that are a necessary complement to the furnishings of the property being renovated.

On the other hand, purchases of doors, flooring (for example, parquet), curtains and draperies, as well as other furnishing accessories, are not eligible.

As far as large household appliances are concerned, the regulation limits the benefit to the purchase of those types with an energy label of class A+ or higher, A or higher for ovens, if for those types the energy label is compulsory. The purchase of large household appliances without an energy label is eligible only if the energy label is not yet compulsory for that type. For example, large household appliances include: refrigerators, freezers, washing machines, washer-dryers, dishwashers, cooking appliances, electric stoves, electric hot plates, microwave ovens, electric heating appliances, electric radiators, electric fans, air conditioning appliances.

In the amount of expenses incurred for the purchase of furniture and large appliances, transportation costs and assembly of goods purchased can also be considered, provided that the expenses were incurred with the payment methods required to take advantage of the deduction (bank transfer, credit cards or debit cards).

The implementation of renovation work on the common areas of condominiums allows individual owners (who benefit pro rata from the related deduction) to deduct the expenses incurred to purchase furniture for the common parts, such as guardhouses or the concierge's apartment, but does not allow them to deduct the expenses for the purchase of furniture and large appliances for their real estate unit.

The purchase of furniture or large household appliances is eligible even if the goods are intended to furnish a different environment of the same property subject to building intervention.

To get the deduction you must make payments by bank transfer or debit or credit card.

It is not allowed, instead, to pay with bank checks, cash or other means of payment. If the payment is made by bank or postal transfer, it is not necessary to use the one (subject to withholding) specially prepared by banks and Poste S.p.a. for building renovation expenses.

The deduction is also allowed if the goods have been purchased with an instalment financing, provided that the company providing the financing pays the consideration in the same manner as before and the taxpayer has a copy of the receipt of the payment.

2021 Renovation Bonus

The 2021 Budget Law confirmed the deduction of 50 percent, up to the expenditure limit of 96,000 Euros, recognized to taxpayers who carry out ordinary and extraordinary maintenance work in condominiums or individual buildings.

Alongside the introduction of new tax bonuses, including those for the replacement of sanitary ware and faucets and drinking water filtration systems and changes to the 110 percent **Superbonus, Law No. 178 of December 30, 2020** includes in the expenses admitted to the 2021 Renovation Bonus also those for the replacement of the emergency power generator unit.

Let's see what work is allowed, the limits and how it works because, despite the fact that years have passed since its introduction, there are still many who do not know how it works.

The Renovation Bonus, extended by the Budget Law until December 31, 2021, allows access to an IRPEF refund for expenses incurred, up to a maximum of 96,000 Euros.

With regard to the established requirements, it is confirmed also for 2021, for renovation works that also involve energy saving, a mandatory notice to be sent to **ENEA** (National Agency for New Technologies, Energy and Sustainable Economic Development, per its Italian acronym).

For works carried out in 2020 and 2021, instead of the direct use of the tax deduction, the taxpayer may choose to monetize immediately the bonus recognized by IRPEF, also in relation to the 50 percent Renovation Bonus.

The novelty is part of the package home of the Reactivation decree, which next to the start of the 110 percent bonus for the "leading works" and "trailing" of energy upgrading and anti-seismic adaptation, regulates the two new tools of the transfer of credit and discount on the invoice.

In detail, Article 121 of the Reactivation Decree provides that the assignment of credit and the direct discount by the company apply for works of:

1. Recovery of the building heritage: extraordinary maintenance, restoration and conservative rehabilitation and building renovation carried out on individual building units as well as previous activities and those of ordinary maintenance carried out on the common parts of buildings;

2. Energy requalification falling within the ordinary "*Ecobonus*", such as, for example, the replacement of heating systems or windows including frames, activities on the structures or on the shell of buildings, as well as those aimed jointly also to the reduction of seismic risk;
3. Adoption of anti-seismic measures included in the "*Sismabonus*" the option can also be exercised with reference to the deduction due for the purchase of "anti-seismic homes;"
4. Renovation or restoration of the facade of existing buildings, including those only cleaning or external painting, for which the facade bonus extended by the 2021 Budget Law is due.

The exercise of the option must be communicated to the Italian Revenue Agency through the software available online.

In the case of invoice discounts, the company receiving the credit may in turn transfer it to other parties, including banks. Banks in the field also for the transfer of credit by the taxpayer.

The works admitted to the bonus of 50 percent are numerous, and in this sense also intervenes the 2021 Budget Law, introducing an important novelty to the article 16-bis of TUIR (Income Tax Consolidated Text, per its Italian acronym).

The deduction of 50 percent is available for:

- Ordinary, extraordinary maintenance, restoration, conservative rehabilitation and building renovation works carried out on common parts of residential buildings, i.e. on condominiums (activities indicated in letters a), b), c) and d) of Article 3 of **Presidential Decree 380/2001**);
- Extraordinary maintenance, restoration and renovation activities and building renovations carried out on individual residential building units of any cadastral category, including rural and appurtenances (activities listed in letters b), c) and d) of Article 3 of Presidential Decree 380/2001).

Some examples of ordinary maintenance work for which the renovation bonus is recognized are as follows:

1. *Installation of elevators and safety stairs;*
2. *Construction and improvement of toilets;*
3. *Replacement of exterior fixtures and fittings or shutters with dampers and with modification of material or type of fixture;*
4. *Reconstruction of stairs and ramps;*
5. *Energy–saving activities;*
6. *Fencing of private areas;*
7. *Construction of internal stairs.*

For 2021, in accordance with the provisions of paragraph 60 of Article 1 of the 2021 Budget Law, the deduction of 50 percent is also available for work on the replacement of the emergency power generator unit, if any, with emergency gas generators of the latest generation.

The 2021 Renovation Bonus also applies to the replacement of interior doors.

It was the MEF (Ministry of Economy and Finance, per its Italian acronym) to provide clarification on the 50 percent IRPEF deduction for the replacement of doors, work that many mistakenly believe that falls under the furniture bonus.

The expense incurred to change the doors in the home falls under ordinary maintenance. This means that the work is automatically deductible in condominiums, while it would be excluded for individual buildings.

However, there is a possibility to access the renovation bonus for the replacement of doors even in single buildings: as clarified by the Ministry, the 50 percent deduction is recognized if the expenditure is part of a more articulated intervention of extraordinary maintenance.

As established by the Ministry of Economy and Finance's **Circular No. 57 of 1998**, (*https://def.finanze.it/DocTribFrontend/getPrassiDetail.do?id={35E8941F-9344-4FF7-9FEB-42C00A06208C}*), the expense incurred for activities that are not individually eligible for tax relief (ordinary maintenance) is added to the total deductible charges if integrated or related to activities in different categories for which the tax deduction is applicable.

In order to identify which works fall within the total of those admitted to the Renovation Bonus, it is necessary to consider the absorbing character of the "higher" category of activities compared to the "lower" one.

In simple words, the expense incurred to replace the interior doors is deductible if it is a finishing work useful to complete the remaining activities.

This means that in the case of extraordinary maintenance or renovation on a single building, the deduction of 50 percent can also be calculated for the cost of replacing interior doors (normally falling under ordinary maintenance), if necessary to complete the work carried out as a whole.

The Renovation Bonus can be requested by all taxpayers subject to the payment of income taxes, residents or non-residents in Italy. The 50 percent IRPEF deduction can be requested not only by the owner but also by the following subjects who bear the expenses:

- *Owners or bare owners;*
- *Holders of an in rem right of enjoyment (usufruct, use, dwelling or surface);*
- *Lessees or borrowers;*
- *Members of divided and undivided cooperatives;*
- *Individual entrepreneurs, for property not included among capital goods or merchandise;*
- *Individuals who produce income in association (simple partnerships, general partnerships, limited partnerships and persons treated as such, family businesses), under the same conditions provided for individual entrepreneurs.*

If a promissory purchase and sale contract has been executed, the person who has bought the property may benefit from the bonus if:

- *They have been given possession of the property;*
- *They carry out the renovation work at their own expense;*
- *The contract has been duly registered.*

To demonstrate the expenses incurred to pay the invoices for the works covered by the 2021 Renovation Bonus , it will be necessary to use a bank transfer or mail order, within which the following data must be indicated:

- *Reason for payment: Bank transfer relating to building works that entitle to the deduction provided for in Article 16-bis of Presidential Decree No. 917/1986;*
- *Tax code of the beneficiary of the deduction;*
- *Tax code or VAT number of the beneficiary of the payment.*

The Renovation Bonus can also be requested if the work has been paid for with financing.

In this case the finance company must pay by bank transfer, following all the instructions for the compilation (indicating the CF (*Taxpayer ID, per its Italian acronym*) of the subject for which the payment is made) and the holder of the tax relief must keep the receipt of the bank transfer.

110 Superbonus

The Superbonus is a facility provided by the Reactivation Decree that raises to 110% the rate of deduction of expenses incurred from July 1, 2020 to June 30, 2022, for specific activities in the field of energy efficiency, anti-seismic measures, installation of photovoltaic systems or infrastructure for recharging electric vehicles in buildings.

110% Ecobonus - Energy Efficiency Measures:

Facilitates thermal insulation activities and/or replacement of the thermal system with a heat pump or high efficiency system.

110% "Sismabonus" - Seismic Risk Reduction Activities:

Facilitates seismic safety activities for homes and productive buildings in seismic risk zones 1, 2 and 3.

The regulation provides for so-called "leading" activities, that is, those activities that can be carried out autonomously, and "driven" activities, that is, activities that can be carried out "in association" with leading activities.

The term "Superbonus" refers, in substance, to the strengthening of existing tax deductions.

In particular, the enhancement took place through the increase up to 110% of the percentages of deductions already provided for, under certain conditions and only for expenses incurred - at present - from July 1, 2020 until June 30, 2022 (only for the IACP (Antonomous Public Housing Institute, per its Italian acronym) and for entities having the same purposes, and limited to Ecobonus, the enhancement to 110% operates for expenses incurred until June 30, 2022).

Bonuses increased to 110% are recognized only to:

- Condominiums, for works carried out on the common parts of condominium buildings aimed at obtaining energy savings and reducing seismic risk;
- Individuals outside the exercise of business, arts and professions in relation to activities on individual property units (no more than two in the case of Ecobonus enhanced to 110%);
- **Institutes autonomous housing (IACP)**, however denominated, as well as institutions with the same social purpose, for activities on real estate, owned or managed on behalf of municipalities, used for public housing;
- Housing cooperatives with indivisible ownership for activities carried out on real estate owned by them and assigned in enjoyment to its members;
- Third sector, non-profit organizations of social activity, voluntary organizations, associations of social promotion;
- Amateur sports associations and clubs, limited to work on buildings or parts of buildings used as changing rooms.

Excluded are properties owned by companies, which can count on the percentages "ordinary," except in the case of real estate units owned by companies within condominium buildings and in relation to work carried out on the common parts of the same.

For the 110% Ecobonus (not the enhanced Sismabonus), a maximum of 2 real estate units owned by the same individual (without prejudice to the deductions due for the common parts of buildings) can apply. Real estate units belonging to the cadastral categories A/1, A/8 and A/9 are excluded.

There are three ways to obtain the Superbonus:

1. The beneficiary pays the supplier directly and keeps the tax deduction to 110% of expenses incurred, to be used in the next 5 years;
2. The beneficiary pays the supplier directly. Their 110% tax deduction of the expenditure incurred is transformed into a tax credit to be transferred to a third company, including banks and financial intermediaries;
3. The beneficiary receives an invoice discount from the supplier in exchange for waiving the deduction directly, and the supplier receives compensation in the form of a tax credit equal to 110% of the invoice value.

For expenses incurred in 2020 and 2021, the deduction should be divided into 5 equal instalments. For example, for an expenditure of 10,000 Euros, one gets an 11,000 Euro deduction, equal to 2,200 Euros per year to be recovered in the 5 tax returns submitted from the year of execution of the work.

For expenditure made in 2022, the deduction must be divided into 4 equal instalments. For example, for an expenditure of 10,000 Euros the 11,000 Euro deduction is recovered in instalments of 2,750 Euros from the return submitted in 2023 and for the next 3 years.

For activities carried out by individual taxpayers or condominiums, for which by June 30, 2022 work has been carried out for at least 60% of the total intervention, the 110% deduction is also entitled to the expenses incurred by December 31, 2022.

On the other hand, for the activities carried out by the autonomous institutes for social housing, if on December 31, 2022 work has been carried out for at least 60% of the overall intervention, the 110% deduction is also due for the expenses incurred by June 30, 2023.

The criterion of cash payments, so the expenses are considered incurred in the year in which they were paid, regardless of the date of the invoice.

The activities related to the “Sismabonus” must be attested by professionals in charge of structural design, supervision of works on structures and static testing according to their respective professional skills, and enrolled in the relevant Professional Orders or Colleges.

The technician’s attestation is the main document with which it is documented and certified the right to obtain the “Superbonus”.

The attestation for “Ecobonus” and “Sismabonus” is issued at the end of the work or for each work progress equal to at least 30% of the total value of the estimate of the work to be carried out.

The attestation must be prepared online by the technician on the ENEA website through the official forms issued by the MISE (Italian Ministry of Economic Development, per its Italian acronym), which differ depending on whether it is made for the end of work or for the state of progress and must be printed and signed with the stamp of the technician on each page.

A copy of the attestation must be sent by the technician electronically to ENEA within 90 days of completion of the work, along with a copy of the professional insurance policyholder’s declaration, signed by the professional, with a copy of their identity document.

The technician receives the receipt of successful transmission which shows the code assigned to the declared intervention.

Green Bonus

Among the home bonuses extended by the 2021 Budget Law, also appears the green bonus, i.e. a tax deduction of 36% of the expenses incurred for the greening of private outdoor areas of existing buildings, including appurtenances, fences, irrigation systems, the construction of wells, green roofs and roof gardens.

Entitled to the bonus, the extraordinary activities, i.e. works that are part of an intervention relating to the entire garden or area concerned, and leading to the arrangement of green ex novo or renewal of the existing.

The 2021 Green Bonus is an IRPEF tax deduction equal to 36% of expenses made for the arrangement of gardens, terraces and green areas in general.

The tax relief that applies in the tax return, must be divided into 10 annual instalments of equal amount and must be calculated considering a maximum expenditure limit of 5,000 Euros for each real estate unit having residential use.

In other words, the maximum deduction that can be obtained is equal to 1,800 Euros.

The tax benefit is not provided for properties having a destination other than housing, such as stores or offices that are therefore excluded.

In case of work carried out on residential properties used promiscuously to the exercise of a profession or a commercial activity, the deduction is reduced by half.

In case of condominium work, the deduction will go to each condominium within the limits of his share, provided that he has contributed economically to the execution of the work.

The following are among the expenses eligible for deduction:

- Irrigation systems;
- Realization of wells;
- Greening of private outdoor areas of existing buildings, real estate units, appurtenances or fences;
- Major pruning;
- Redevelopment lawns;
- Construction of green roofs and roof gardens;
- Planning expenses related to works subsequently carried out.

On the other hand, ordinary maintenance and the purchase of specific equipment are excluded from deductions. Deductible costs also include design expenses provided that they relate to work subsequently carried out.

The following do not apply for the 2021 Green Bonus:

Routine maintenance of already existing gardens, not actually producing any innovative or modifying work than indicated in the previous paragraph, the purchase of specific equipment for the care of the garden (shovels, pickaxes, lawnmowers, ...) and work activities in economy by the owner (i.e. buying the materials). The Green Bonus refers to the property for which the work is carried out, and not to the person who owns or holds a right on the property. Therefore, each individual can add up the deductions for expenses incurred on each property they own.

The Recovery Plan

The Recovery Plan, in its final version submitted for EU approval, contains several proposals concerning the construction and real estate sectors. **The National Recovery and Resilience Plan (PNRR, per its Italian acronym)**, the Italian Recovery Plan, contemplates the projects that Italy will implement by adhering to the Next Generation EU program, the European Union's initiative to deal with the crisis resulting from the Covid-19 pandemic. The Next Generation EU program - including loans, grants and other lines of financing - consists of 750 billion Euros (390 grants, 360 loans) with a repayment period to 2058.

51_TAB. THE NEXT GENERATION EU PROGRAMM

NGEU	
Grants	390,0
(of which guarantees cover)	*5,6*
Loans	360,0
Total	750,0

	NGEU	Total with QFP
Recovery and Resilience Facility (RRF)	672,5	673,3
Grants	312,5	313,3
Loans	360,0	360,0
REACT-EU	47,5	47,5
Rural development	7,5	85,4
Just Transition Fund (JTF)	10,0	17,5
InvestEU	5,6	9,4
RescEU	1,9	3,0
Horizon Europe	5,0	84,9

SOURCE: European Commission

The Italian Plan provides for investments of 191.5 billion Euros, financed through the Recovery and Resilience Facility, the key instrument of the NGEU.

A further 30.6 billion is part of the Complementary Fund, financed through the multi-year budget variance approved in the Council of Ministers on April 15.

The total planned investment is therefore 248.0 billion Euros, including additional resources from the React-EU program and EU structural investment fund programming.

In addition, adding other national and European funds, "the total resources dedicated to the six Missions of the NRP in the period 2021-2026, exceed 310 billion Euros."

Strategy and Missions

The Italian Recovery Plan is based on six Missions.

1. *The Missions group 16 Components which, in turn, encompass 48 lines of intervention:*
1. *Digitization, innovation, competitiveness and culture (3 components);*
2. *Green revolution and ecological transition (4 components);*
3. *Infrastructure for sustainable mobility (2 components);*
4. *Education and research (2 components);*
5. *Inclusion and cohesion (3 components);*
6. *Health (2 components).*

All Plan initiatives follow precise implementation milestones, with different horizons in the 2021-2026 timeframe.

Energy Efficiency and Building Upgrades

Under the second Mission, there is the Component dedicated to "Energy Efficiency and Renovation of Buildings" (M2C3), which aims at the energy efficiency of public and private building stock with simultaneous safety and digitization of structures. 15.22 billion Euros are planned for this Component.

The objectives set for building requalification are as follows:

Energy efficiency of the public and private building stock, with simultaneous securing and digitization of structures;

Reactivation of the building industry in terms of environmental sustainability and anti-seismic performance.

There are also two project lines indicated in the Recovery Plan:

1. Public buildings: The implementation of a program to improve the efficiency and safety of the public building stock, with particular reference to schools, public residential buildings, municipalities and ""courthouses;
2. Private buildings: The introduction of a temporary incentive for the energy requalification and anti-seismic adaptation of private building stock, through a tax deduction equal to 110% of the costs incurred for the activities.

Public Housing

Proposals for public buildings are described in the Plan in these five points:

1. Energy efficiency and seismic safety of school buildings;
2. Construction of new schools, with the replacement of part of the aging school real estate;
3. Redevelopment of public housing stock, with energy efficiency and seismic upgrading;
4. Redevelopment, for social uses, of municipal buildings;
5. Construction of courthouses, ecological and digital upgrading of judicial real estate assets.

Private Buildings

For private construction, the Recovery Plan focuses on the Superbonus.

In order to stimulate the building sector, which has been in serious crisis for years, and to achieve the challenging goals of energy saving and emission reduction by 2030, the document proposes an extension of the time within which to take advantage of the 110% relief: in practice, it extends the 110% Superbonus measure recently introduced (Article 119 of the Reactivation Decree) from 2021 to 2023.

For IACPs until June 30, 2023, plus an additional six months provided that at least 60% of the work has been carried out by the end of 2022.

For condominiums until December 31, 2022, without the need for 60% work status.

The goal of the Plan is to activate investments that allow the renovation of approximately 50,000 buildings/year, for a total area of 20 million square meters/year.

In Perspective

The Recovery Plan, before it is actually active for our country, will, however, need more detail both at the planning level and in terms of the actual impact of the individual measures.

With regard to the measures on building requalification, it seems to me that there are interesting ideas, both in terms of public and private building.

The extension of a further six months for the Superbonus is a positive sign precisely because we are coming back from years that have been "problematic, to say the least"."

The start-up of the Superbonus, which officially dates back to last May, was inevitably slow and still is, also because the activities foreseen for this facilitation necessarily require a reasonable time for analysis, planning and execution.

In my opinion, much more could have been done right away by allowing the amnesty of abuses in the process and not as an upstream condition before starting the practices for obtaining bonuses. And the Italian Government is currently moving in this direction.

In any case, the Recovery Plan is undoubtedly a significant step.

It will certainly give an important boost, both directly and indirectly, to the real estate sector, which will also be able to benefit from the induced effects of the many types of activities aimed at the social, tourism and cultural recovery and animation of the territories; environmental conditions that will also have repercussions on the quality of real estate assets.

It will also be interesting to understand how the measures described above will be integrated with the **Renovation Wave**, the European Union's plan to renovate up to 35 billion buildings with the aim of doubling the rates of building renovation in the next 10 years, reducing consumption and increasing the quality of life.

The **Renovation Wave Strategy** is an integral part of the **European Green Deal** and has the primary objective of reducing emissions while boosting the economy and competitiveness of the old continent.

European buildings, diverse in their style as they reflect the culture of the individual countries of the Continent, for the most part, are old and inefficient, to the point of being responsible for about 40% of total energy consumption in the European Union and 36% of greenhouse gas emissions from energy. Upgrading the building stock is, therefore, an essential measure for decarbonization.

In this context, the Renovation Wave aims to double the retrofit rate, today fixed at 1% and, according to forecasts, 35 million buildings could be renovated by the end of the decade.

In addition to the ecological benefits, energy retrofitting would also create jobs, stimulate new investment and give a decisive boost to the real estate market.

The European Commission sees potential for as many as 160,000 new jobs in the building and real estate sector by 2030.

In detail, the Renovation Wave strategy will prioritize three areas: The decarbonization of heating and cooling systems; combating poverty and energy inefficiency; and the renovation of public buildings (schools, hospitals and offices).

CASAVO - CASE STUDY

FIG. 21 - CASAVO LOGO

The "Casavo Case"

Casavo is the first Italian real estate **Instant Buyer**, an operator that uses large amounts of data and technological tools to drastically reduce the time of sale, in this case, of a property.

<u>Casavo is not a real estate agency</u>, nor does it act as an intermediary, but buys the property for sale directly, paying for it within 30 days.

Thanks to the use of databases, the Casavo website (**www.casavo.com**) offers an "**automatic appraiser**" feature that allows you to understand what the market price of the property is by analyzing about 70 parameters.

Subsequently, it is possible to request a direct contact to refine that appraisal and receive a real purchase offer.

This avoids organizing direct visits to the property as well as intermediation and transaction costs.

The entire sales process consists of these steps:

1. Algorithmic appraisal (done by a computer) of the price of the property based on its address (free appraisal);
2. Visiting the property and confirming or modifying the online appraisal.
3. Signing of the binding offer subject to certain conditions precedent (verification of urban planning regulations, freedom from constraints of any kind, technical feasibility of the renovation/enhancement work planned by Casavo, financeability of the operation, etc...);
4. Final confirmation sent to the seller within 15 business days in the event that the checks referred to in the previous point have a positive outcome;
5. Signing of the contract with simultaneous payment of the entire agreed-upon sum.

In consideration of the accuracy of the process of formulation of the offer, Casavo does not adopt a negotiation approach and offers a guaranteed price discounted by 8-10% on the market price. The offer, therefore, cannot be modified and the service, in its preliminary stages, is free of charge.

The discount percentage may vary from property to property based on any risks associated with the type of real estate development that Casavo intends to carry out on the property (renovation, enhancement, promotion, brokerage) for the subsequent resale of the property.

Casavo is an innovative startup founded in Milan in 2017 by Giorgio Tinacci and Simon Specka, (the latter, however, sold his stake in the company at the beginning of 2019) that has already carried out dozens of transactions in Italy (mainly in Milan, the city where the service was initially launched, and currently also in Rome, Turin, Florence, Bologna and Verona). Since January 2020, the company is also present in Spain, in the city of Madrid.

Casavo has also appeared in numerous newspapers and magazines of national importance such as **Il Sole 24 Ore, Repubblica**, **Forbes**, **Wired.it**.

The Main Features of Casavo

The operational logic of this prop-tech platform is really simple: Casavo does not act as an intermediary but as a buyer. It is the company itself, in fact, that purchases the property by paying the agreed upon amount calculated by special algorithms capable of making a precise evaluation of the property.

The properties managed by Casavo enjoy further advantages:

- Two years of insurance and free repairs;
- Dedicated assistance from the Casavo team for 2 years;
- Mortgage service;
- Free furnishing project prepared by Casavo designers with the possibility of purchasing the home already furnished;
- Agreements with **Veneta Cucine** and other brands.

Pros and Cons of Casavo

Cons

1) The evaluation made by Casavo is not negotiable;
2) The service is only available in a few Italian cities;
3) The site appears to be very similar to that of any Real Estate Agency;

4) Information and support (on the homepage of the Casavo site there is a “frequently asked questions” section and a live chat that is not always available).

Pros

1) Great efficiency: Immediate property appraisal, just one visit, sale within 30 days;
2) For sellers: Guaranteed price and 100% payment upon notary’s signature;
3) For buyers: Verified listings, all properties for sale are guaranteed by the Casavo Team.

The startup has received the trust of Italian and international investors, who have decided to support the growth of this new way of selling homes with an investment of approximately 21 million Euros.

After just three months of an equity funding round of about 7 million Euros, led by Project A Ventures, a European venture capital fund based in Berlin, Casavo has, in fact, concluded another capital raising operation of over 27 million with a European debt fund.

Subsequently, **Exor** also invested in Casavo, raising 200 million, including 50 million in equity and 150 million in a line of credit from **Goldman Sachs**.

The new investment round brought the platform’s total funding to €385 million from 2017 to date, between equity and debt; one of the largest investments in the history of Italian startups.

The Series C funding round was led by **Exor** Seeds, in its first investment in an Italian startup. Exor Seeds is the early-stage investment business through which the Agnelli family holding company supports emerging companies that have the potential to each become leaders in its market.

Exor is also the main shareholder of companies such as PartnerRe, Ferrari, Stellantis, CNH Industrial, Juventus FC and The Economist Group.

The startup ended 2020 with a triple-digit growth in sales value.

To keep up with such a rapid and exponential development, it was also necessary to significantly increase the resources employed, which in 2020 grew by 125%, reaching 175 people, of which 153 are millennials.

Of these, 26 occupy managerial roles and the stimulating and innovative work environment has earned Casavo the “**Best Workplace for Millennials Italy 2020**” and “***Great Place to Work Italy 2020***” awards.

Casavo is in first place on ***Linkedin’s Top Startups Italia 2020***, thanks to the intuition of making the experience of buying and selling a property totally digital, reducing the average time of sale from 6 months to 30 days and creating an inclusive model that generates value for all players in the real estate ecosystem.

From the 24 people initially involved in 2017, to over 200 in 2021: A 725% increase leading to an induced revenue of over 16 million Euros (+54% compared to 2019). To date, it has carried out more than 1100 real estate transactions for a value of over 300 million Euros and more than 2500 real estate agencies have joined its network.

Casavo: Data, Partnerships and Prospects

According to data recently released by the company, the economic value generated in favour of third parties stood at 16,069,789 Euros in 2020 (28,131,440 Euros from 2018 to 31/12/2020).

Also in 2020, 29,223 people requested home appraisals and 338,000 people explored the listing platform to find their new home from April to December.

The platform experienced an average monthly user growth of 233% and an average monthly supply growth on the listing platform of 300%.

In order to keep up with such rapid development, Casavo not only hired staff in 2020, but also created value and jobs for several companies located throughout the area that were responsible for renovating its properties.

An important moment in 2020 was also the September acquisition of **Realisti.co**, a start-up company active in the creation of virtual real estate tours.

Chiomenti assisted Casavo, while the partners of Realisti.co were assisted by **Pedersoli Studio Legale**.

Realisti.co is an innovative startup that offers real estate operators the possibility to create, in total autonomy, virtual visits of the highest quality for any type of property.

Founded in Turin in 2015 by Edoardo Ribichesu and Mikel Amilburu, the startup has become a reference point for the Italian and Spanish real estate sector thanks to the ease of use of its services and the partnerships signed with the main market players, both traditional operators and proptech startups.

In about 4 years of activity, Realisti.co's customers have made over 100 thousand virtual visits.

For the management of its Instagram channel, Casavo has chosen the agency **Pink - Digital Rockers**.

The objective of this choice is to share a communication strategy that would reach a target mainly composed of those young people interested in looking for their first home without technicalities and bureaucratic pitfalls.

Through a mix of creative content to deliver the brand in a clear and immediate way, preserving and transferring the soul of the company through dynamism and technological innovation, the final objective is not only to communicate Casavo's mission but, above all, to make the end customer understand what added value the service can offer.

As I mentioned in the previous paragraph, last February the company issued a 5 million euro minibond, fully subscribed by the Amundi Progetto Italia fund managed by **Amundi sgr spa**.

This is not the first time Casavo has financed itself with debt; in fact, it had collected a direct lending round in June 2019 worth €25 million from a major international fund with a focus on the technology sector. Another €30 million had been raised, again as venture debt, last October, as part of a larger round also including €20 million in equity, coordinated by **Greenoaks Capital*****, a San Francisco-based investment firm that had already invested in well-known tech companies such as Coupang, Brex, Deliveroo, Robinhood, Sonder and Discord***.

These figures add up to those of previous other equity rounds. Also last year, Casavo had cashed in on a Series A equity round of around €7 million in February, led by Project A Ventures. Investors who had previously backed Casavo, such as Munich-based Picus Capital and the 360 Capital Partners fund, also participated in that round. *Kervis Asset Management, Boost Heroes (an investment holding company led by Fabio Cannavale), Marco Pescarmona (founder and chairman of MutuiOnline Group) and Rancilio Cube, the family office and impact investing group founded in Milan by the Rancilio family, also participated in the February 2019 round. Previously, the startup raised other rounds and, in total since the beginning of the activity, has raised so far more than 100 million Euros...etc...*

Also because of this, some criticism has recently hit the startup.

In particular:

- The website seems to have become very similar to that of any Real Estate Agency;
- The indebtedness seems oversized compared to the significant volume of transactions;
- Casavo buys underpriced by applying a default discount of at least 8% on the value of the property.

It is true that Casavo offers are lower than the market price that could be obtained by selling a property through the traditional process.

However, this is in exchange for certain advantages such as the full payment of the agreed-upon price in 30 days and the assumption of the financial risk of reselling the property at a later date (on average in Milan it takes more than 6 months to sell a property).

Moreover, Casavo is not in competition but collaborates with real estate agencies in the area.

Furthermore, in my opinion, it would be preferable for the financing of this type of company to take place with equity instruments and not with debt instruments as could be done in the case of more evolved markets and with hedging instruments.

This is for the important reason I would like to explain below.

Unlike the example of the financial market above, where there are very liquid derivative markets (ideally futures contracts that follow with very high precision the trend of diversified portfolios of shares), in the real estate world there are no instruments for hedging "long" positions in real estate.

Put very simply: if I own 100 apartments in Milan and I am certain that next year the value of homes in Milan will fall by 20%, I have no choice but to sell part of my apartments today, I cannot find on the financial market an instrument that I can buy to "insure" myself against this market eventuality.

Shiller has created housing futures markets in various states within the USA, but even there these instruments have never reached sufficient liquidity to be considered even remotely as operational tools with which to protect, or as they say in technical terms, "hedge" oneself.

Therefore, Casavo's business model takes the market risk into account, a characteristic that those who deal in the financial markets that we know do not have; if they have bought 1000 homes and on those homes they do not yet have offers secured by a third party for resale, and tomorrow the market, perhaps due to an unexpected tailspin of the coronavirus pandemic, falls by 20%, they have no way of covering themselves from an enormous capital loss and are unable to guarantee the discount they have requested from the seller with respect to such a significant market fall.

Being a dealer in the real estate market is certainly a business model with potential for enormous growth, but it presents a "tail risk" from which it is difficult to hedge, i.e. to protect oneself.

For this reason, 2021 is certainly a fundamental year for Casavo, and not only.

CONCLUSIONS

The objectives of this work, as set out in the introductory part, have been partially achieved. While, in fact, it has been possible to reconstruct in detail the pre-Covid-19 situation of the Italian residential real estate market (MIR), the listing of possible post-Covid scenarios (on the basis of the forecasts of the major operators in the sector) appears to be discordant in its numerical definition, even though they agree in expressing positive trends differently quantified and positioned over the coming months.

As shown in the section "the pre-Covid situation in Italy", the average growth trends of the MIR in previous years (around 5%), have experienced a gradual reduction during 2019, a highly uncertain year, until a substantial halt in the first quarter of 2020.

After the sharp deterioration during 2020, the data remain marked by cautious optimism, with 26.3 percent of operators reporting unfavourable numbers for the first quarter of 2021 compared to only 9.4 of those with favourable signs of recovery.

The mortgage market was largely unchanged, while purchases and sales were down (between 530 and 540 thousand) with prices down on the previous year (between -3% and -1%).

In February 2021, the prices of properties offered for sale increased and the first few days of March saw an upward trend in the Italian real estate market.

This trend appears to be generalized throughout the country, where it emerges mostly through a marked interest in suburban locations as opposed to large centers in search of greater health, quality of life and space.

In the coming months (if the reopenings do not proceed in sync with the continuation of the vaccination campaign, the effects of the latter being delayed if not altogether eliminated) these signals could disappear. And we'll get to see that in the upcoming fall season.

In fact, only with evidence of effective consolidation of vaccination processes could demand be maintained if not further revived, especially in large markets, leading to a rapid recovery in transaction numbers and prices.

Smart working has been the primary cause of "mindset shifts."

Suburban locations with low population density, consistent availability of green, outdoor (if not private) spaces; high level network connectivity and essential goods offerings; and larger square footage are the trends that should repeat themselves also in 2021, such desires being easier to satisfy outside the metropolis.

The way in which real estate is offered also makes a difference in this new scenario.

Ranging from distance learning (DAD, per its Italian acronym), virtual meetings, smart work, and the like, the innovative approach offered by companies like Casavo, besides simplifying the entire process of buying and selling a property, perfectly meets and matches the new post-pandemic mentality, especially that of the younger generations.

In conclusion, and also in consideration of the substantial resources that will be available in the coming years for the post-pandemic socio-economic revival, investing in the MIR during the year 2021 is worthwhile after all!

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