PRESTIGIOUS HOMES MARKET

MILAN AND ROME

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INTRODUCTION AND METHODOLOGY

The Report "**Prestigious homes market in Milan and Rome - H1 2018**" is the result of consolidated experience by the Gabetti Research Department in real estate market analysis and of the key position of Santandrea Luxury Houses in the prestigious properties brokerage market in the major Italian cities. This edition of the report also includes a qualitative analysis section, thanks to the collaboration of **Doxa** and its experience in the market research sector.

The objective of the Report is to provide an information tool on the prestigious residential market, for operators as well as buyers/tenants and sellers/landlords.

The Report has been subdivided into three sections:

1. Definition of the **macro-trends in the prestigious residential market** in the cities of Milan and Rome, in terms of prices, rents, average sales times and average discounts; indicators subdivided by zone.

2. Mapping of the prestigious zones in the two cities - **socio-demographic and real estate analysis**.

3. **Qualitative analysis** aimed at identifying the needs and requirements of the demand for prestigious homes.

The analysis focuses on specific **zones** for each city: in particular, the city of Milan has been subdivided into five zones: Historic Centre, Quadrilatero, Palestro-Duse, Brera and Magenta-Pagano-Castello.

The city of Rome has been subdivided into eight prestigious zones: Aventino, Historic Centre, Flaminio, Parioli, Pinciano Veneto, Prati, Salario Trieste and Trastevere.

In defining the market trends in the two cities, **questionnaires** were given to agents of Santandrea Luxury Houses, supplemented by an **analysis of the property portfolios** currently managed by them, along with information on other properties present on the market and on sales transactions and lease agreements stipulated by Santandrea Luxury Houses during the first half of 2018.

The **location** of the properties and the **quality** of the units were the only characteristics considered in differentiating prestigious houses from the others.
Prices and rents were collected based on **maintenance condition**: new or refurbished, existing or to be refurbished.

The second section of the Report provides a series of **summary schedules** regarding the **socio-demographic aspects** and characteristics of residential properties in the prestigious zones of Milan and Rome (through an aggregation of the census zones as defined by ISTAT and of the relative statistical information). This information is supplemented with specific figures on **trends in residential demand by zone**, supply, transactions and prices, with specific indication of prices and rents, in addition to average sales times and average negotiation discounts.

Overlapping of the homogeneous zones of Milan and Rome and the census zones enabled us to combine the census data and describe the zones of the prestigious market based on the key demographic and real estate variables.

The analysis also allowed us to observe the **trend in population** in the various zones, as well as the **quality of residential supply** and its age.
A section **comparing the zones** based only on a selection of the most relevant indicators was also added, providing an immediate summary scenario, particularly in light of a possible purchaser or tenant seeking a better context within which to orient their acquisition.

The study conducted by Doxa for Santandrea aims to identify **the needs and requirements of demand**, following the collection of directly relevant data and information from the actual market players. To best identify the **existing needs** of the affluent segment, work was carried out on two fronts: on the one hand, that of clients, to identify the unique characteristics and needs of the segment; on the other, a group of **preferred players/stakeholders** in the residential world, to determine how the various participants are preparing to deal with the changes underway.

The qualitative survey approach made use of the information from the **underlying survey** (2018 Doxa Home Observatory) and from **Santandrea know-how**, focusing on: the current issues impacting the residential sector; areas to which individual targets pay attention and interest; specific topics for luxury houses; the role and significance of the home in people's lives today; the most significant changes in the last 10 years with respect to the role of houses and how they are used; future expectations on evolution of the role of the home and living styles.

The analysis was conducted through a series of **in-depth interviews** for the cities of **Milan and Rome**, involving privileged participants (clients and stakeholders such as real estate agents, developers and private bankers) able to provide a qualified opinion on the subject issues of the analysis, with the appropriate level of professionalism and viewpoints within the sample for a richer collection of material.

The quantitative data presented refer to a sample of **835 affluent** subjects and are taken from the **2018 Doxa Home Observatory**, prepared annually through 6,000 online interviews of a sample that is representative of the relevant Italian adult population.

HIGHLIGHTS

The report analyses the main indicators of the prestigious **residential market**, with the objective of providing a snapshot from the **real estate**, **socio-demographic** and qualitative standpoint, in order to identify the *existing needs* of the *affluent* segment.

In particular, the macro-trends for the cities of **Milan and Rome** are provided, in terms of **prices**, **rents**, **average sales times and average discounts**, trend in **demand** and

supply; these indicators are also analysed at the **micro-zone** level, through mapping of the key prestigious areas of the two cities, supplemented by a **socio-demographic** as well as real estate **analysis**.

Lastly, a **qualitative analysis** aims to identify the needs and requirements of demand for prestigious homes, following the collection of directly relevant data and information from the **actual market players**.

ESSENTIAL ASPECTS IN CHOOSING A HOME
(scores of 9-10 on a scale of 1 to 10)

BRIGHTNESS → **54%**

CHARACTERISTICS OF NEIGHBOURHOOD/LOCATION → **52%**

FLOOR → **35%**

Base: Affluents who have purchased a new home in the last 4 years, in cities with over 250,000 inhabitants (Source: CasaDoxa 2018)

EXPECTED TRENDS FOR PRESTIGIOUS HOMES

Clients and stakeholders

- SAFE AND PROTECTED SURROUNDINGS
- GREATER ENERGY EFFICIENCY
- SMART HOME RATHER THAN HOME AUTOMATION
- MULTI-TASKING, MODULAR HOME

Stakeholders

- PROPERTY REDEVELOPMENT
- GROWTH OF LEASEHOLD MARKET
- "DESIGNER" ARCHITECTURE
- TURN-KEY PRODUCT-SERVICE

FREEHOLD TRANSACTIONS H1 2018

MILAN
up

+ 0.2%
Prices H1 2018/H2 2017

5.5 mesi
Average sales times

10%
Percent discounts

**BRERA - CASTELLO
INDIPENDENZA**
Zones most in demand

ROME
stable

- 0.2%
Prices H1 2018/H2 2017

7 mesi
Average sales times

13-14%
Percent discounts

**HISTORIC CENTRE
PARIOLI**
Zones most in demand

LEASEHOLD H1 2018

MILAN
up/stable

-1%
Rents H1 2018/H2 2017

2-3 mesi
Average lease times

8-10%
Percent discounts

**BRERA - GARIBALDI
HISTORIC CENTRE**
Zones most in demand

ROME
stable/down

- 0.6%
Rents H1 2018/H2 2017

2-3 mesi
Average lease times

7-8%
Percent discounts

**PRATI - AVENTINO
HISTORIC CENTRE**
Zones most in demand

REPORT SUMMARY

The home is no longer just an **asset** or an **investment**, it represents an experience, and this is even more so the case with luxury homes. We do not merely purchase a home; we purchase the "**pleasure of living**", or what we expect to be able to live within the home.

How do we translate this need into the search for a **prestigious home**?
It is an actual journey, starting with identification of the neighbourhood in which one wants to live (which must be well-served), looks at location (which should have a unique personality) and, lastly, focuses on the property, which now more than ever must have the essential characteristic of "**brightness**", increasingly important due to the greater amount of time that we spend at home, even during times unheard of in the past.
An increasingly lived in home, even by different people throughout the course of the day, which opens up to a multitude of functions and to greater liveliness.

During the first half of 2018, the prestigious properties market in Milan and Rome confirmed the **recovery** observed in 2017. In particular, **Milan's freehold** segment showed the greatest activity, while **Rome** recorded increased **stability**, although with differences based on zone. Prices are confirmed as essentially stable compared to the prior half-year in both cities, albeit with a slight positive trend in Milan and a slight decline in Rome

Average sales times in Milan are confirmed at around **5-6 months**, while the time necessary to complete negotiations in **Rome** amounts to **7 months**. In **Milan**, the average discount decreased, although only slightly, to **10%**, while the situation in **Rome** appears to be unchanged with an average discount of about **13-14%**.

> **"**
>
> *The prestigious homes market
> is increasingly a market in itself, which follows
> different trends compared to the classical residential market.*
>
> *The luxury property is a high-level asset for several reasons: its
> position, its proximity to services such as schools and shops and
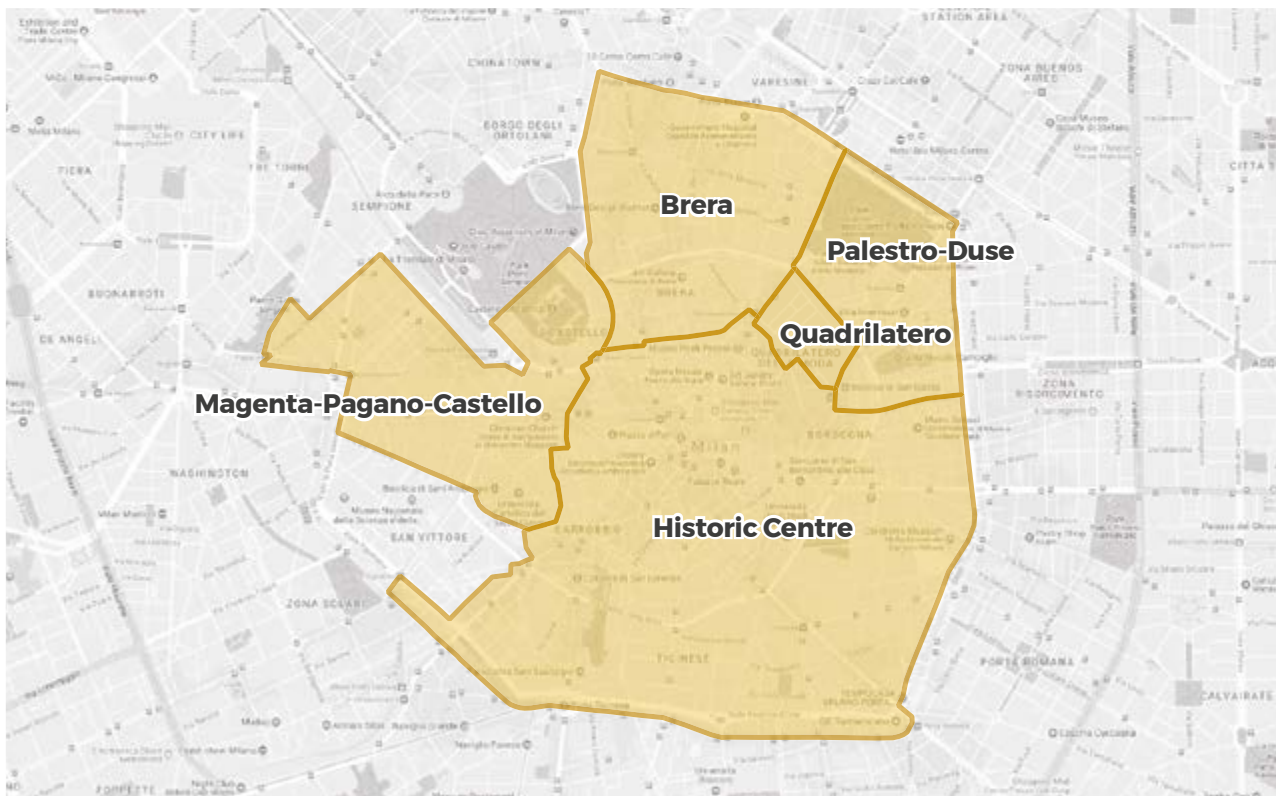> public means, and the security that it offers its occupants.*
>
> *It is a type of home that still maintains
> the role of safe-haven asset, of investment.*
>
> **"**

Fabio Guglielmi
Managing Director
Santandrea Luxury Houses

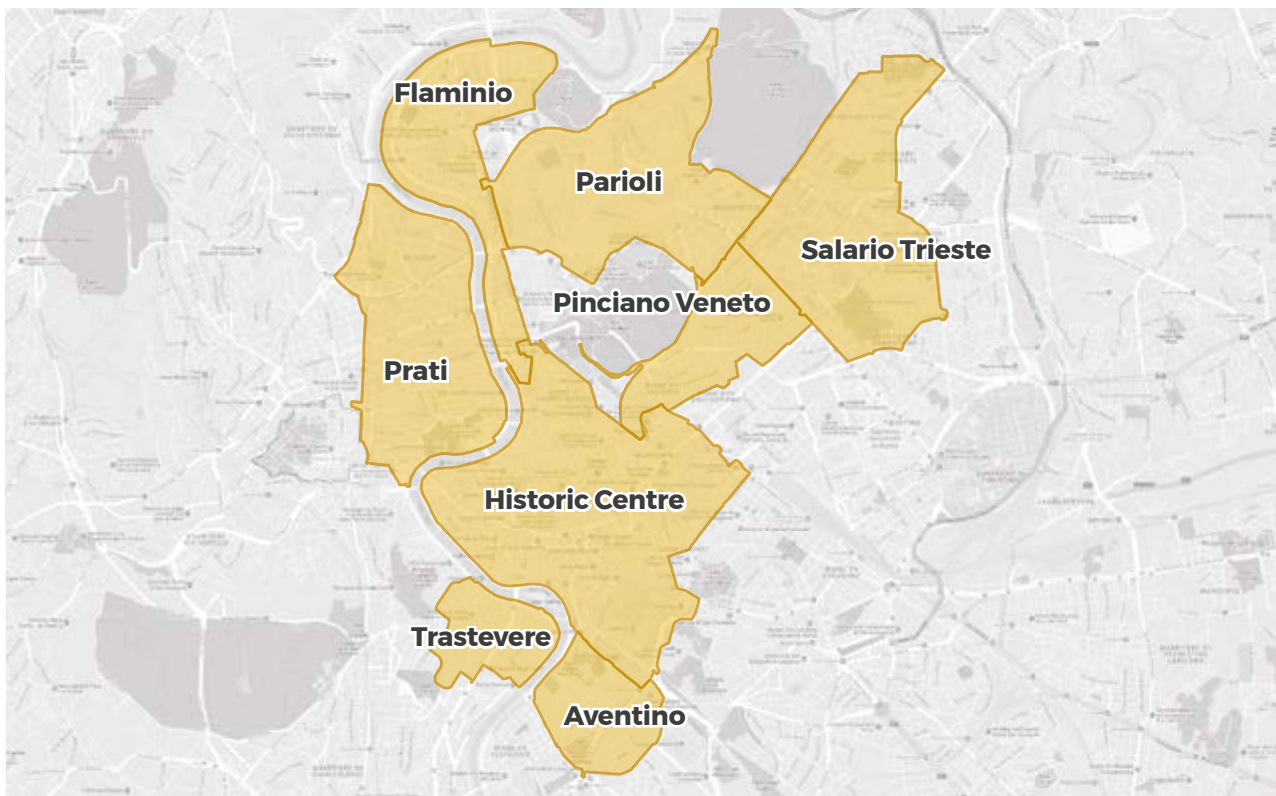# THE PRESTIGIOUS PROPERTIES MARKET IN MILAN AND ROME
KEY MARKET INDICATORS

The city of Milan has been subdivided into five prestigious zones, with different demographic characteristics and real estate supply.

These zones are:

1) **Historic Centre**
2) **Quadrilatero**
3) **Palestro-Duse**
4) **Brera**
5) **Magenta-Pagano-Castello**

Map of Rome divided into luxury zones: Flaminio, Parioli, Salario Trieste, Prati, Pinciano Veneto, Historic Centre, Trastevere, Aventino

The city of Rome has been subdivided into eight prestigious zones, with different demographic characteristics and real estate supply.

These zones are:

1) Aventino
2) Historic Centre
3) Flaminio
4) Parioli
5) Pinciano Veneto
6) Prati
7) Salario Trieste
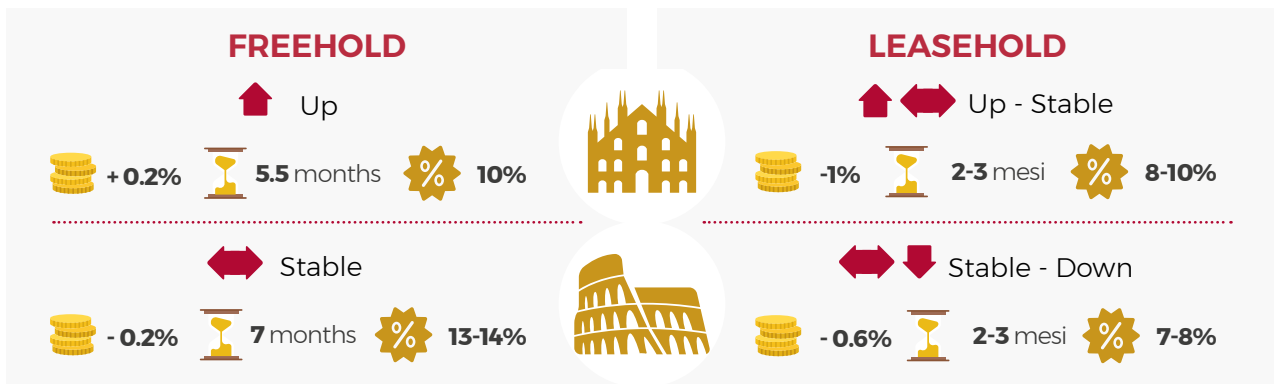8) Trastevere

THE PRESTIGIOUS PROPERTIES MARKET

During the first half of 2018, the prestigious properties market in Milan and Rome confirmed the recovery observed in 2017.

FREEHOLD

In particular, **Milan**'s freehold segment showed the greatest activity, with growing demand especially in the zones of the **Historic Centre**, **Brera** and **Magenta**. This activity was accompanied by rising supply and transactions were therefore up in these areas, while the scenario was less dynamic in the Quadrilatero and Palestro-Duse zones. Freehold demand is up in Rome, with the exception of Flaminio and Salario-Trieste. Despite renewed interest by potential purchasers, the supply of properties is limited, with the exception of the Historic Centre, where the number of transactions was up, continuing the trend of 2017. **Average sales times in Milan** are confirmed at around **5-6 months**, while the time necessary to complete negotiations in **Rome** amounts to **7 months**, up compared to the second half of 2017 (6.3). Similar trends characterised the average gaps between asking price and actual price, particularly in **Milan**, where the **average discount** decreased, although only slightly, to **10%**, while the situation in **Rome** appears to be unchanged with an average discount of about **13-14%**. **Prices** are confirmed as essentially **stable** compared to the prior half-year in both cities: in particular, slight growth was recorded in Milan (+0.2%), with recovery in the Brera zone, while Rome recorded a slight downturn (-0.2%), attributable mainly to the Flaminio zone.

LEASEHOLD

The **leasehold market for prestigious properties** in Milan and Rome showed diverging trends. Demand in Milan is up, particularly in the Historic Centre and Brera zones, where there is ample supply of homes and, consequently, a rise in the number of contracts stipulated. The situation in Rome is essentially unchanged compared to the second half of 2017, with stable demand but showing different trends depending on the zone in question, with the exception of a decline in the Salario-Trieste zone. The number of contracts is stable in the majority of zones, with a decline in the Historic Centre and Salario-Trieste. **Average lease times** reflect the market of the last few years, with a partial decline in both Milan and Rome, slightly **less than 3 months** in both cases. In Milan, the average discount between asking and actual rent is around 9-10%, while in Rome it declined to 7-8%. Lastly, **average rents continue to fall** in Rome (-0.6%), while in Milan they were stable overall.

FREEHOLD

Up

+ 0.2% 5.5 months 10%

Stable

- 0.2% 7 months 13-14%

LEASEHOLD

Up - Stable

-1% 2-3 mesi 8-10%

Stable - Down

- 0.6% 2-3 mesi 7-8%

For the second half of 2018, an increase in the number of **transactions** is envisaged for both Milan and Rome, net of an essential stability. Growth in the number of contracts is expected in Milan's **leasehold** market, sustained by growing demand. Conversely, Rome's leasehold market will be stable, with declining rents.

KEY MARKET INDICATORS

During the first half of 2018, the **freehold market in Milan** showed varying trends depending on the zone in question. The **Brera** zone was again the most dynamic, with **growing demand**, followed by the **Historic Centre** and the **Magenta-Pagano-Castello** zone, which continue to enjoy high demand. Greater stability was observed in Palestro-Duse, while the decline in purchasing interest in the Quadrilatero zone continued, with a consequent shift in properties for sale toward the leasehold market. With regard to **supply**, the availability of homes is up in all zones, except for Palestro-Duse, although the quality of the buildings and of the interiors is not always aligned to the expectations of possible purchasers. **Transaction activity was up** in the Historic Centre, Brera and Magenta-Pagano-Castello, while the **Palestro-Duse zone recorded a decrease** in transactions compared to the second half of 2017. The **Quadrilatero zone recorded stability** in purchasing interest, mainly due to the difference between what sellers and buyers perceive to be the value of the properties. **Transaction** prices were **stable** compared to the prior period, while slight **growth** was recorded in the **Brera** and **Magenta-Pagano-Castello** zones.

With regard to the **freehold market** in **Rome**, **demand was up** in the first six months of 2018 across all zones, with the exception of Flaminio and Salario-Trieste, where demand was unchanged. **Supply** for sale, on the other hand, was **stable**, with a **further decline in the Trastevere zone** and, conversely, growth in Prati and Salario-Trieste. The Historic Centre confirms the positive performance observed in 2017 with regard to the number of transactions. Conversely, transaction activity was stable in the other zones. With regard to prices, **all zones were stable except for Prati and Flaminio**.

KEY INDICATORS IN MILAN AND ROME - H1 2018

FREEHOLD MARKET				
ZONES IN MILAN	**Demand to buy**	**Supply for sale**	**Number of transactions**	**Transaction prices**
QUADRILATERO	↔	↑	↔	↔
HISTORIC CENTRE	↑	↑	↑	↔
BRERA	↑	↑	↑	↑
MAGENTA-PAGANO-CASTELLO	↑	↑	↑	↑
PALESTRO-DUSE	↔	↔	↓	↔

ZONES IN ROME	**Demand to buy**	**Supply for sale**	**Number of transactions**	**Transaction prices**
AVENTINO	↑	↔	↔	↔
HISTORIC CENTRE	↑	↔	↑	↔
FLAMINIO	↔	↔	↔	↓
PARIOLI	↑	↔	↔	↔
PINCIANO-VENETO	↑	↔	↔	↔
PRATI	↑	↑	↔	↔
SALARIO-TRIESTE	↔	↑	↔	↔
TRASTEVERE	↑	↓	↔	↔

Gabetti Research Department analysis of Santandrea Luxury Houses data

Milan's **leasehold** market showed stable **demand** in the Quadrilatero and Palestro-Duse zones, while **Magenta-Pagano-Castello**, **Brera and the Historic Centre were up**. Leasehold supply continues to increase in the Historic Centre, Quadrilatero and Brera zones and is stable in the remaining locations. Areas in which demand was greater recorded an **increase in the number of contracts**, while contractual activity in the remaining zones was stable. The trend in rents once again varies from zone to zone. On the one hand, **decreases** were recorded in the **Quadrilatero and Palestro-Duse zones**, while they were stable in the Historic Centre, Brera and Magenta-Pagano-Castello. In general, the phenomenon of short rent managed directly by landlords or services companies, which in recent years has sharply reduced the supply of properties to let on a medium/long-term basis, continues to grow.

The **leasehold market in Rome** is stable in the Historic Centre, Aventino, Prati and Trastevere, Parioli and Pinciano-Veneto zones, while the Salario-Trieste zone declined further. **Leasehold** supply **increased** with regard to homes to let in the **Parioli zone**, while it declined in the Historic Centre; the remaining zones were stable. **Contractual activity was stable** across all zones except the Historic Centre and Salario-Trieste, which recorded a decline over the six-month period. **Rents were stable**, with the **exception of the decline** recorded in the **Salario-Trieste and Parioli zones**.

KEY INDICATORS IN MILAN AND ROME - H1 2018

LEASEHOLD MARKET				
ZONES IN MILAN	**Leasehold demand**	**Leasehold supply**	**Number of contracts**	**Rents paid**
QUADRILATERO	↔	↑	↔	↓
HISTORIC CENTRE	↑	↑	↑	↔
BRERA	↑	↑	↑	↔
MAGENTA-PAGANO-CASTELLO	↑	↔	↑	↔
PALESTRO-DUSE	↔	↔	↔	↓

ZONES IN ROME	**Leasehold demand**	**Leasehold supply**	**Number of contracts**	**Rents paid**
AVENTINO	↔	↔	↔	↔
HISTORIC CENTRE	↔	↓	↓	↔
FLAMINIO	↔	↔	↔	↔
PARIOLI	↔	↑	↔	↓
PINCIANO-VENETO	↔	↔	↔	↔
PRATI	↔	↔	↔	↔
SALARIO-TRIESTE	↓	↔	↓	↓
TRASTEVERE	↔	↔	↔	↔

Gabetti Research Department analysis of Santandrea Luxury Houses data

AVERAGE PRICES AND RENTS

In **Milan**, the zone with the **highest asking prices** and rents is once again the **Quadrilatero** zone. Moreover, the alignment of prices of new or refurbished homes in the Palestro-Duse and Brera zones continues, although **Palestro-Duse still has higher values than Brera** even with regard to existing properties. These are followed by the other locations, with prices for existing properties in the **Magenta-Pagano-Castello** zone stable at around 6,000 €/sqm on average.

The price differences in the city of **Rome** are still highly marked, given the heterogeneity of the zones considered and the characteristics of the properties. The **Historic Centre** is confirmed as the zone with the highest prices (on average 10,500 €/sqm for new space and 8,500 €/sqm for existing space), followed by **Aventino and Trastevere**. In the remaining locations, average prices for new/refurbished homes fluctuate between 6,800 €/sqm in the **Prati** zone and 5,100 €/sqm in the **Flaminio** zone, while the values for existing homes are less dynamic and between 4,500 €/sqm in the **Parioli** zone and 4,900 €/sqm in the Prati zone.

PRICE LIST FOR LUXURY HOMES

	FREEHOLD MARKET - TRANSACTION PRICES €/SQM								
	H1 2018								
	New or refurbished			Existing or to be refurbished			Homes summary index		
MILAN	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
QUADRILATERO	11,000	12,000	13,000	9,000	10,000	11,000	9,800	10,800	11,800
HISTORIC CENTRE	7,500	8,000	8,500	6,000	6,500	7,000	6,600	7,100	7,600
BRERA	8,500	9,500	10,500	6,500	7,000	7,500	7,300	8,000	8,700
MAGENTA-PAGANO-CASTELLO	7,300	7,800	8,800	5,500	6,000	6,500	6,200	6,700	7,400
PALESTRO-DUSE	9,000	9,500	10,500	7,500	8,000	8,500	8,100	8,600	9,300
ROME	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
AVENTINO	8,000	9,500	11,000	6,000	7,500	9,000	7,600	9,100	10,600
HISTORIC CENTRE	9,000	10,500	12,000	7,000	8,500	10,000	8,600	10,100	11,600
FLAMINIO	4,500	5,100	5,600	4,000	4,700	5,400	4,400	5,000	5,600
PARIOLI	6,000	6,500	7,000	4,000	4,500	5,000	5,600	6,100	6,600
PINCIANO-VENETO	6,000	6,500	7,000	4,200	4,700	5,300	5,600	6,100	6,700
PRATI	6,300	6,800	7,300	4,400	4,900	5,500	5,900	6,400	6,900
SALARIO-TRIESTE	5,500	6,000	6,500	4,000	4,500	5,000	5,200	5,700	6,200
TRASTEVERE	7,000	8,000	9,000	6,000	7,000	8,000	6,800	7,800	8,800

*The summary index is obtained by weighting the rents of new and existing homes based on respective estimated market distribution. Gabetti Research Department analysis of Santandrea Luxury Houses data

RENTS ON LUXURY HOMES

	LEASEHOLD MARKET - RENTS €/SQM/YEAR								
	H1 2018								
	New or refurbished			Existing or to be refurbished			Homes summary index		
MILAN	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
QUADRILATERO	280	340	400	200	240	280	230	270	320
HISTORIC CENTRE	220	260	290	180	210	230	200	230	250
BRERA	240	290	340	190	210	230	210	240	270
MAGENTA-PAGANO-CASTELLO	170	210	250	150	170	180	160	190	210
PALESTRO-DUSE	280	315	350	200	225	250	230	260	280
ROME	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
AVENTINO	190	220	250	150	170	190	180	210	240
HISTORIC CENTRE	220	240	260	190	220	240	220	240	260
FLAMINIO	160	190	220	130	160	180	160	190	210
PARIOLI	160	180	200	130	140	160	160	170	190
PINCIANO-VENETO	170	210	240	140	180	210	170	210	240
PRATI	190	220	250	170	200	230	190	220	250
SALARIO-TRIESTE	140	180	220	150	160	190	150	180	220
TRASTEVERE	180	220	260	160	190	220	180	220	250

The summary index is obtained by weighting the rents of new and existing homes based on respective estimated market distribution.
Gabetti Research Department analysis of Santandrea Luxury Houses data

During the first half of 2018, the trend in prices of luxury homes in **Milan** recorded an inversion, increasing by 0.6%. Specifically, asking prices in the Quadrilatero, Historic Centre and Palestro-Duse zones were in line with the prior half-year, while **increases** were recorded in the **Magenta-Pagano-Castello and Brera zones**, although limited, respectively at +1.6% and +1.3%. The average gap between asking and actual price at the city level was 10%, down compared to 2017, with slight differences (of around 2%) among the various zones. With regard to average sales times, the range was down slightly compared to the prior measurement, due to a number of changes in trend between minimum and maximum values. In particular, in the Brera, Historic Centre and Magenta-Pagano-Castello zones, negotiations can be completed in a shorter amount of time compared to other areas where significantly more time is required, such as the Quadrilatero and Palestro-Duse zones.

A slight decline in average **rents** was recorded in the leasehold market within the city, at -1%. The majority of zones were stable and unchanged, except for Quadrilatero and Palestro-Duse, which showed a decline. **Average discounts** from asking rent to actual rent oscillated between **8% and 10%**. Lastly, a decrease was recorded in average lease times, driving the range to between 2 and 3.4 months on average.

PRICES, DISCOUNTS AND SALES TIMES

	FREEHOLD MARKET			
	MILAN			
	Change in transaction prices (H2 2017 / H1 2018)	Average gap between asking and actual price (%)	Average sales times	
			Minimum	Maximum
QUADRILATERO	0.0%	15.0%	6.0	8.0
HISTORIC CENTRE	0.0%	10.0%	4.0	6.0
BRERA	1.6%	8.0%	4.0	5.0
MAGENTA-PAGANO-CASTELLO	1.3%	12.0%	5.0	7.0
PALESTRO-DUSE	0.0%	12.0%	6.0	8.0
CITY AVERAGE*	0.6%	11.4%	5.0	6.8

	ROME			
	Change in transaction prices (H2 2017 / H1 2018)	Average gap between asking and actual price (%)	Average sales times	
			Minimum	Maximum
AVENTINO	0.0%	10.0%	5.0	8.0
HISTORIC CENTRE	0.0%	15.0%	6.0	8.0
FLAMINIO	-1.5%	15.0%	8.0	10.0
PARIOLI	0.0%	15.0%	7.0	9.0
PINCIANO-VENETO	0.0%	15.0%	6.0	8.0
PRATI	0.0%	15.0%	6.0	8.0
SALARIO-TRIESTE	0.0%	15.0%	7.0	9.0
TRASTEVERE	0.0%	10.0%	5.0	7.0
CITY AVERAGE*	-0.2%	13.8%	6.3	8.4

The average gap between asking price and actual price and the sales times in the city were calculated based on sales that actually took place during the first half of 2018. Gabetti Research Department analysis of Santandrea Luxury Houses data

Even within the city of **Rome** there were no significant changes in price compared to the second half of 2017. The prestigious zones considered were **essentially stable**, with the **exception of the Flaminio zone** (-1.5%). The average gap between asking and actual price amounts to 13.8% on average, equal to the figure recorded in the second half of 2017. However, average sales times **were up**, oscillating from just over **6 months to 8.4 months**. Negotiations are concluded in the shortest time possible, between 5 and 7 months, in the Trastevere zone, followed by Aventino (5-8 months), while they fluctuate between 8 and 10 months in the Flaminio zone.

On the **leasehold** front, rents recorded a greater decline compared to the prior period, at **-0.6%**. Specifically, the variability in rents is rather high, starting at -3% in the **Salario-Trieste** zone and -2% in the **Parioli** zone. With regard to the other locations, values were essentially unchanged. **The average gap between asking and actual rent remains at around 7-8%**. Even in this case, the range is very wide, going from 5% in Aventino and the Historic Centre to 10% in the remaining locations. Lastly,

the range of average lease times declined slightly, amounting to **2 months for the minimum and 3.4 months for the maximum**.

RENTS, DISCOUNTS AND LEASE TIMES

	LEASEHOLD MARKET			
	MILAN			
	Change in rents (H2 2017 / H1 2018)	Average gap between asking and actual rent (%)	Average lease times	
			Minimum	Maximum
QUADRILATERO	-2.0%	10.0%	3.0	4.0
HISTORIC CENTRE	0.0%	8.0%	2.0	3.0
BRERA	0.0%	8.0%	2.0	3.0
MAGENTA-PAGANO-CASTELLO	0.0%	8.0%	2.0	3.0
PALESTRO-DUSE	-3.0%	10.0%	3.0	4.0
CITY AVERAGE*	-1.0%	8.8%	2.4	3.4

	ROME			
	Change in rents (H2 2017 / H1 2018)	Average gap between asking and actual rent (%)	Average lease times	
			Minimum	Maximum
AVENTINO	0.0%	5.0%	1.5	2.5
HISTORIC CENTRE	0.0%	5.0%	1.5	2.5
FLAMINIO	0.0%	10.0%	2.0	3.5
PARIOLI	-2.0%	10.0%	2.5	5.0
PINCIANO-VENETO	0.0%	10.0%	2.5	5.0
PRATI	0.0%	5.0%	1.5	2.5
SALARIO-TRIESTE	-3.0%	10.0%	2.0	3.0
TRASTEVERE	0.0%	8.0%	2.0	3.5
CITY AVERAGE*	-0.6%	7.9%	2.0	3.4

*The average gap between asking rent and actual rent and the lease times in the city were calculated based on lettings that actually took place during the first half of 2018.
Gabetti Research Department analysis of Santandrea Luxury Houses data*

During the first half of 2018, the demand components of freehold and leasehold followed different trends. In **Milan**, the majority of demand (70%) continues to involve purchases, while the demand for leasehold space is growing (30%). As in 2017, approximately 60% of demand in **Rome** is oriented towards purchasing and 40% towards letting.

In terms of preferences of freehold demand with respect to maintenance condition of the properties, approximately 70% of purchasers in both **Rome** and **Milan** prefer existing buildings. Conversely, within the **leasehold market**, these percentages differ based on the city: in **Milan**, demand is equally distributed between new and existing homes, while in **Rome, the demand for new or**

refurbished homes prevails. These differences are also due to the willingness of landlords to offer properties that are already refurbished or to the speed at which new developments are taken up.

With regard to the percent distribution of transactions in **Milan**, the necessity to **replace one's existing home** continued to prevail (85% of cases) during the first half of 2018, while 10% of transactions involved the search for a first home. The investment component was once again residual at 5%. In **Rome**, the **investment component was higher, at 25%**. The highest portion of transactions, however, continues to involve **replacement of one's current home (50%)** and only partly regard a first-home purchase (25%). Lastly, with regard to the presence of **foreign investors**, this type of clientele is minimal in Milan, for both the freehold as well as leasehold segments (4-5%), while in Rome, approximately 5% of demand to buy is foreign, predominantly from the United States. Around 40% of leasehold demand is from northern Europe and South America.

TYPES MOST IN DEMAND

SENTIMENT - SANTANDREA AGENCIES

An analysis of the requests of clients in Santandrea agencies in Milan and Rome has identified a number of **typical characteristics for each city**. These results reflect the specific real estate supply of each metropolitan area and - although at the general level - are fairly stable.

OUTLINE OF THE MOST REQUESTED TYPES AND ZONES

FREEHOLD

ROME - H1 2018	
ZONES MOST IN DEMAND	**PROPERTY TYPES MOST IN DEMAND**
• Historic Centre • Parioli	**100-150sqm** Historic Centre **150-200sqm** Parioli **2-4** bedrooms **to be refurbished** **Parking space - Terrace**

MILAN - H1 2018	
ZONES MOST IN DEMAND	**PROPERTY TYPES MOST IN DEMAND**
• Brera • Castello • Indipendenza	**180-230sqm** **3** **New - Refurbished** **Garage - Parking space - Terrace**

Gabetti Research Department analysis of Santandrea Luxury Houses data

With regard to the **Milan** market, the most sought-after zones were once again **Brera**, **Castello and Indipendenza** as far as the **freehold** market is concerned. In terms of areas, the most popular sizes vary between **180 and 230 sqm**, down slightly compared to the range of 180-250 sqm observed in the second half of 2017. Apart from size, 3 bedrooms are generally required. Clientele predominantly seek **new or refurbished solutions** with the presence of a **garage and terrace**.

The **Brera** zone is confirmed as being high in demand, also within the **leasehold** segment, to same extent as the Historic Centre. The areas in demand are smaller compared to the freehold market and range between **80 sqm and 180 sqm**. There is also higher variability in the demand for bedrooms. **New or refurbished solutions** are generally preferred, in addition to quality furnishings.

LEASEHOLD

ROME - H1 2018

ZONES MOST IN DEMAND	PROPERTY TYPES MOST IN DEMAND
• Prati • Aventino • Historic Centre	140-180sqm 3 New - Refurbished Garage - Parking space - Terrace

MILAN - H1 2018

ZONES MOST IN DEMAND	PROPERTY TYPES MOST IN DEMAND
• Brera • Garibaldi • Historic Centre	80-180sqm 2 New - Refurbished Parking space

Gabetti Research Department analysis of Santandrea Luxury Houses data

In **Rome**, the Historic Centre and Parioli are the most sought-after zones within the **freehold** market. The preferred average area ranges between **100 sqm and 150 sqm** (corresponding to 2 or 3 bedrooms) **in the Historic Centre and 150-200 sqm in the Parioli zone** (3-4 bedrooms). Contrary to Milan, apartments to be refurbished are preferred, in order to customise the areas and finishes based on one's requirements. Regardless of the maintenance conditions, clients tend to seek **apartments with a garage, terrace and positioned on the upper floors**.

The most requested zones in the **leasehold** segment were confirmed to be **Prati and Aventino**, in addition to the **Historic Centre**. Sizes in demand are at around **140-180 sqm**, with 3 bedrooms. Maintenance characteristics are not a deciding factor, although new or refurbished solutions are preferred. Lastly, the presence of a **parking space and terrace** are highly appreciated characteristics.

MARKET SENTIMENT

H2 2018

During the second part of 2018, growth is envisaged in terms of both demand and supply in **Milan's freehold market**. **Transaction activity should increase, with prices stable** in the majority of locations. Generalised growth of the segment is expected on the **leasehold** front as well. The number of lease agreements is also expected to grow, while **rents should remain stable**.

In **Rome's freehold market**, **growth in purchasing demand is expected**, while supply should remain stable. These trends should encourage an **increase in the number of transactions**, while prices will tend to remain stable. With regard to the **leasehold market**, growth is demand is envisaged, along with stable supply, with contractual activity essentially unchanged. Conversely, **rents will continue to decline**.

FORECASTS FOR H2 2018 IN MILAN AND ROME

FREEHOLD MARKET	
MILAN - H2 2018	
Demand to buy	↑
Supply for sale	↑
Number of transactions	↑
Transaction prices	↔

ROME - H2 2018	
Demand to buy	↑
Supply for sale	↔
Number of transactions	↑
Transaction prices	↔

LEASEHOLD MARKET	
MILAN - H2 2018	
Leasehold demand	↑
Leasehold supply	↑
Number of contracts	↑
Rents	↔

ROME - H2 2018	
Leasehold demand	↑
Leasehold supply	↔
Number of contracts	↔
Rents	↓

CURRENT AND FUTURE SCENARIOS IN LUXURY HOMES

DOXA INQUIRY: ISSUES COVERED

KEY ISSUES
IN THE PERCEPTIONS OF INTERVIEWEES

During the course of the inquiry, a number of aspects that characterise discussions on houses and on living emerged spontaneously, **transversally across the targets**.

1 POST-CRISIS MARKET TREND AND OSCILLATION IN PRICES

2 POLARISATION OF THE REAL ESTATE MARKET

3 A NEW PERSPECTIVE ON THE HOME AS A FORM OF INVESTMENT

4 A MARKET NO LONGER FOCUSED SOLELY ON "PRODUCT" BUT ALSO ON

5 THE CHOICE OF «NEW» VS «REDEVELOPMENT»

6 RATIONALISATION OF LIVING AREAS

ELEMENTS THAT DETERMINE THE CHOICE OF A HOME

Stakeholders perceive a **level of clientele that is increasingly attentive and prepared**, at times often expert (or that in any case acts as such). The "training" of today's clients stems from **TV programmes and home magazines to blogs and social networks**, which act as a sounding board.

However, the information received by clients is not always accurate. In particular, it has become complex to manage the relationship with **clients who are above all seeking information on market trends in order to "make a deal"** (either to purchase or sell) and ask professionals for "definitive" answers which in the current market are increasingly difficult to give.

All operators (real estate agents, developers, bankers) have identified **the need for a more advisory-based approach**: to help clients **orient** themselves in the housing market, to **manage the gap between ideal desires and accessible reality** when purchasing, to help them understand how the right **market value** does not always match the **emotional value** attached to the home when one intends to sell.

KEY ELEMENTS FOR OPERATORS

The aspects that cannot be ignored by today's **operators** in order to satisfy the most important needs and requirements for clients in the housing market are:

MAXIMUM QUALITY OF THE HOME

BRIGHT, AIRY AND QUIET AREAS

MODERN SYSTEMS AND DEVICES

SECURITY

USEFUL SERVICES

CHARACTER OF THE HOME

KEY ASPECTS FOR CLIENTS

The experience of **clients**, with regard to the cities of Milan and Rome, highlight a **number of specific elements when choosing a home** (which correspond exactly to what has been reported by operators):

PROFESSIONALISM AND EXPERTISE OF THE REAL ESTATE AGENT

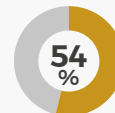**ARCHITECTURAL CHARACTERISTICS**

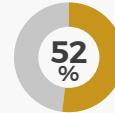**SYSTEMS AND ENERGY CLASS OF THE PROPERTY**

ZONE

WHAT COUNTS IN CHOOSING A HOME TO PURCHASE?

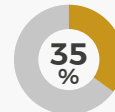**ESSENTIAL ASPECTS (SCORES OF 9-10 ON A SCALE OF 1 TO 10)**

BRIGHTNESS OF THE HOME → 54%

CHARACTERISTICS OF THE NEIGHBOURHOOD/LOCATION → 52%

FLOOR → 35%

Base: Affluents who have purchased a new home in the last 4 years, in cities with over 250,000 inhabitants (Source: CasaDoxa 2018)

THE LUXURY HOMES MARKET

THE "LUXURY" MARKET IS A MARKET IN ITSELF

Luxury properties constitute a **different market**, where the components of the home are **top of the line**, **extreme** or **with particular features** not contemplated in the "normal" market.

Luxury **does not simply mean "costly"** but rather **"exclusive, accessible to few"**.

Luxury **goes beyond the mere concept of beauty and quality**, nor is it a simple affirmation of **status**. Luxury **is the "full" pleasure of living**, intended as **leisure**, **entertainment** and **wellness** (i.e., home gym, sauna, movie theatre, large kitchen and island). In prestigious homes, the **emotional component** enriches and completes the **psycho-physical well-being** of those inhabiting these areas.

"True luxury is limited, only for a few.
Luxury should meet needs that go beyond the primary ones.
Beauty and quality are a given,
but beauty in itself satisfies other types of requirements"

SPECIFIC FEATURES OF LUXURY HOMES

INVESTMENT

CUSTOMISED

DEMANDING CLIENT

LARGE BUT RATIONAL SIZE

PERSONALITY

THE LUXURY HOME IS...

TOP QUALITY

EXCLUSIVE ZONE

ALL-INCLUSIVE SERVICES

THE ROLE OF THE HOME TODAY AND TOMORROW

THE HOME MAINTAINS AN IMPORTANT MEANING

Despite the social changes and transformation of the market, the **home maintains an emotional value in the lives of Italians**, traditionally "attached" to their homes.

Owning a home continues to **represent a milestone**, particularly with regard to the "first home", that on which all attention and upgrading desires are focused (having a more beautiful home has always been a life objective), to the detriment of second homes.

Even in an era increasingly characterised by work-based nomadism (business travel/commuting, smart working) and emotional shifts (fluid family relationships, separations, etc.), **the home is always a place to reconnect with the network of loved ones and recharge**.

The home is still conceived/perceived as **a place for the soul, as well as the functional space** where we live.

MULTIPLE ROLES ADOPTED BY THE HOME

The experiences of clients and stakeholders indicate a number of main roles currently held by the home in the lives of individuals.

REFUGE

"EMOTIONAL" BUSINESS CARD

PLACE OF SHARING

MULTI-FUNCTIONAL SPACE
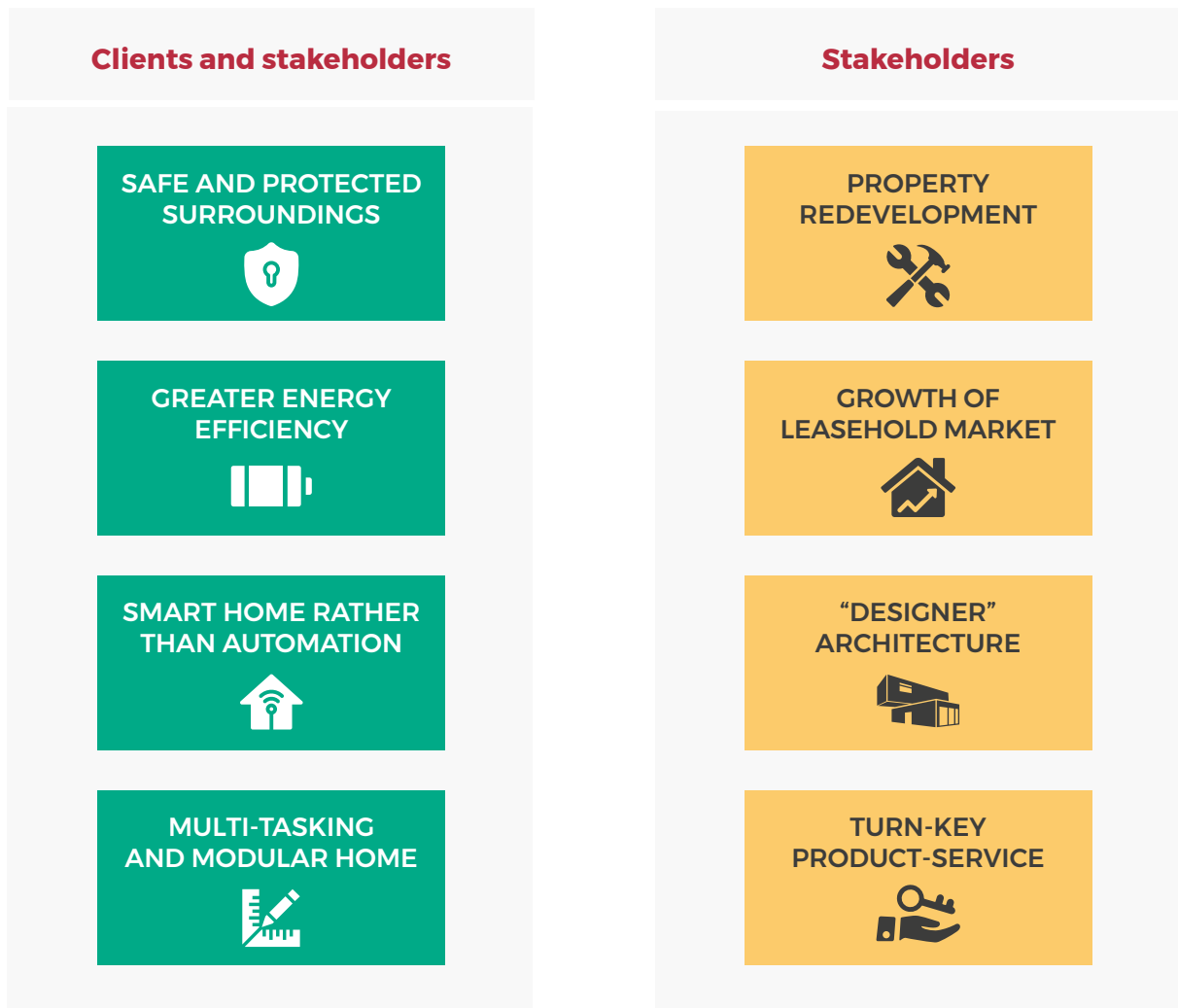
TECHNOLOGICAL AND ECO-SUSTAINABLE CONTAINER

CHANGES FOR THE FUTURE OF THE HOME

Generally speaking, both the **clients** and **professional operators** interviewed expressed **some difficulty in predicting the future role of the home** and of the new ways of living.

They often limit themselves to envisaging a consolidation of the trends underway, rather than hypothesising innovative developments or indeed disruptions.

Stakeholders predominantly tend to focus on **expectations regarding their professional realm and on prospects of the real estate market in general** (i.e. redevelopment of the property portfolio, new areas of urban development), rather than look at the psycho-social aspects such as the evolution of lifestyles or future requirements of clients.

OUTLOOK

Clients and stakeholders	Stakeholders
SAFE AND PROTECTED SURROUNDINGS	**PROPERTY REDEVELOPMENT**
GREATER ENERGY EFFICIENCY	**GROWTH OF LEASEHOLD MARKET**
SMART HOME RATHER THAN AUTOMATION	**"DESIGNER" ARCHITECTURE**
MULTI-TASKING AND MODULAR HOME	**TURN-KEY PRODUCT-SERVICE**

FOCUS ON TRENDS OF THE DOXA HOME OBSERVATORY

The sample was asked to provide an opinion on a number of **issues that emerged in the Doxa Home Observatory**.

Interviewees were **asked to provide their point of view on each item** (if they agreed or disagreed with the statement), with the comments of interviewees subsequently examined, along with the implications and underlying meanings.

THE HOME HAS BECOME A CONTAINER THAT CHANGES AND TRANSFORMS WITH ITS INHABITANTS, ADAPTING TO VARIOUS ACTIVITIES CARRIED OUT WITHIN AND TO VARIOUS SITUATIONS IN WHICH THE HOME IS USED

MEN ARE INCREASINGLY LESS PASSIVE IN CHOICES REGARDING THE HOME AND MORE OFTEN ACTIVATORS OF INTERESTS AND DESIRES

TIME SPENT AT HOME IS INCREASING

NEW HOME VS EXISTING HOME

THE IMPORTANCE OF INSURANCE FOR PREVENTIVE PURPOSES

CONCLUSIONS

CONCLUSIONS

LUXURY HAS A DRIVING ROLE IN THE MARKET

Interviews with qualified parties (stakeholders and clients) **indicate a luxury segment** with **important unique features** within the market, and which appears to offer (now and in the upcoming future) **interesting opportunities** compared to the real estate segment heavily penalised by the crisis.

Operators observe growing polarisation of the market between **"normal" and "prestigious" homes, in which the latter can become drivers for the entire sector**:

- **Luxury homes are still considered an investment**, especially in a "replacement" real estate market in which clients aim **to upgrade** their living condition.

- Newly-constructed **luxury** also **drives the redevelopment of existing space**, to adapt it to the new architectural and systems standards.

- Prestigious construction stimulates urban polycentrism, represents a **driving force for the recovery of entire districts** and moves towards the creation of services and connections.

OUR REPORTS:

Residential Overview

Leasehold Market

The Prestigious Homes Market

Investment Overview

Office Market Overview

Office Quality Focus

Hotels

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SANTANDREA
luxury houses

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