



H1 2018

RESIDENTIAL OVERVIEW



Gabetti
PROPERTY SOLUTIONS

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HIGHLIGHTS

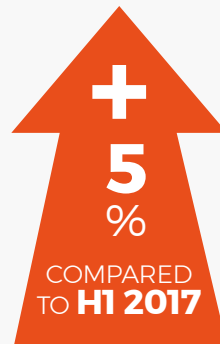
This report examines **the key indicators of the residential market**: trend in **purchase/sale transactions, prices, average sales times** and **average discounts**. The objective is to provide a complete overview at the national

level, as well as for the major cities. A focus on the **mortgages market** is also included, outlining the national trends in loans for the purchase of homes.

RESIDENTIAL TRANSACTIONS



280,970
H1 2018



Provincial capitals **+3.8%**
Other cities **+5.7%**



NORTH
+5.8%



CENTRE
+3.1%



SOUTH
+5%

H1 2018

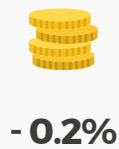
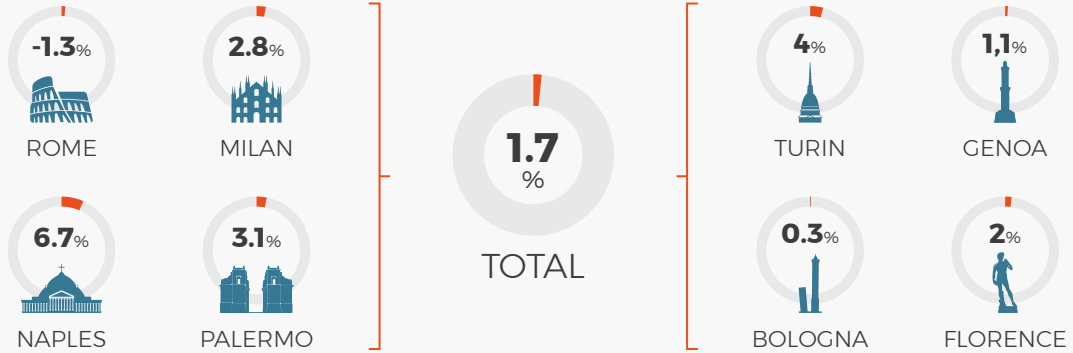
MORTGAGES - FIRST QUARTER 2018



11.2
billion of €
disbursed to households
for home purchase loans

RESIDENTIAL NTN VARIATIONS IN LARGE CITIES

(H1 2018/H1 2017)



Variation prices
H1 2018/H2 2017



4.7
months

Average sales
time

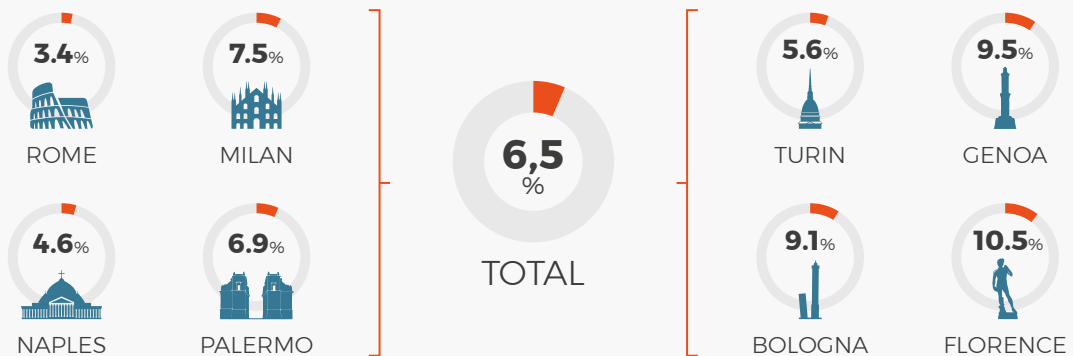


12%

Percentage
discounts

RESIDENTIAL NTN VARIATIONS REMAINING PROVINCES DATA

(H1 2018/H1 2017)



REPORT SUMMARY

According to Agenzia delle Entrate data, **280,970 residential transactions** were completed in the first half of 2018, **+5%** compared to the same period of 2017. In particular, 127,277 transactions were recorded in the first quarter and 153,693 in the second quarter, respectively +4.3% and +5.6% compared to the corresponding quarters in 2017. Based on surveys by the agencies of the Gabetti, Professionecasa and Grimaldi networks, a change in prices of around **-0.2%** was recorded in **H1 2018** compared to H2 2017. This change, which follows those of 2017 (-1%), 2016 (-1.5%), 2015 (-4%) and 2014 (-6.5%) compared to 2013, shows a gradual mitigation of the decline in prices, which were essentially stable.

In terms of sales times the **average** in the large cities considered remained stable compared to the prior half-year, at **4.7 months for H1 2018**.

Also with regard to average **discounts** on the initial asking price and the price at which negotiations are concluded, the H1 2018 average remained at around **12%** in the large cities.

Disbursements of home **purchase loans** to households **in 2017 amounted to €47.7 billion**, a slight decline compared to 2016, and the same trend was recorded in the **first quarter of 2018**, for a total of **€11.2 billion** (Bank of Italy data).



The new growth characterising the real estate market, particularly the residential segment, is proving to be steady and constant over time, without signs of a slowdown.

This leads us to expect continued growth during the second half of the year as well, with values of around 5-6% and prices entering a stabilisation phase, with possible widespread growth starting from next year.



Marco Speretta
 Managing Director
 Gabetti Group

ECONOMIC SCENARIO

In 2018, the overall macroeconomic scenario confirmed some **signs of recovery** already highlighted in 2017, reflected in the total increase in residential transactions.

Labour market indicators in Q2 2018 showed improvement, with continued growth in employment and a decline in unemployment. **The employment rate rose to 58.7%**, while the unemployment rate dropped to 10.7%.

According to ISTAT data, the disposable income of **households increased by 0.2% in Q1 2018** compared to the previous quarter, while consumption grew by 0.8%. Consequently, the propensity of households to save declined by 0.5% over the prior quarter, dropping to 7.6%, due to higher growth in spending for final consumption compared to the figure recorded for gross disposable income.

MARKET TRENDS

For H2 2018, we envisage ongoing stabilisation in prices, with an **increase in transactions** of **+5%** and **+6%**.

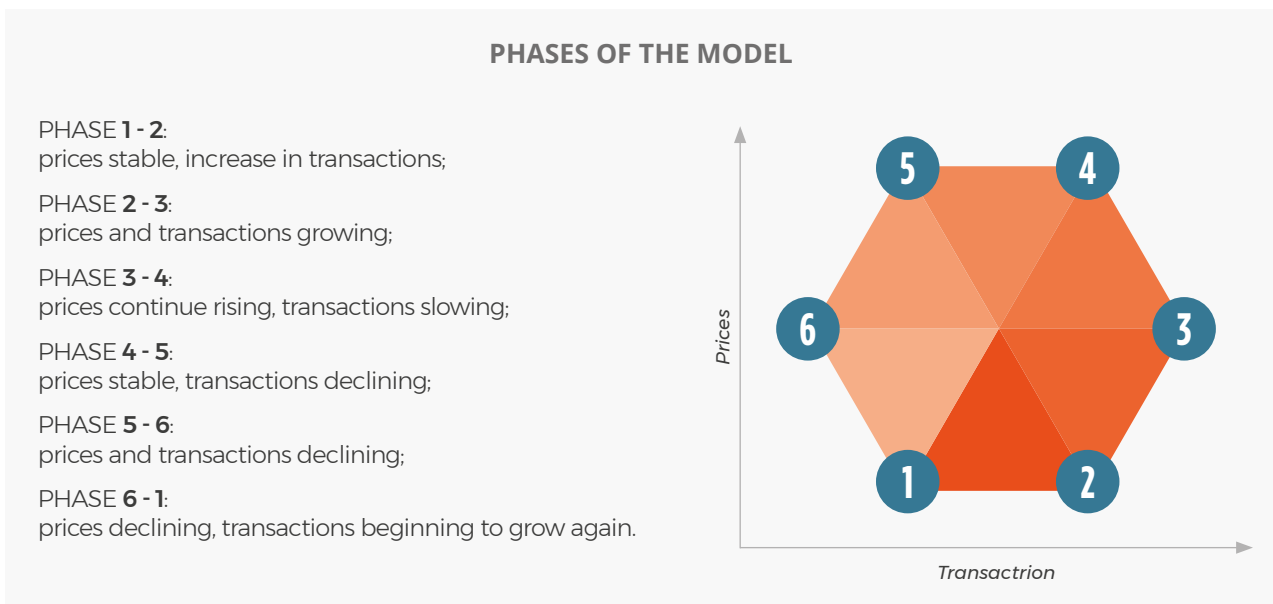
Mention also goes to the positive impact of incentives introduced by the 2018 **Budget with regard to extension of the deductions for refurbishment and energy efficiency works**.

In particular, we refer to the incentive on the purchase of homes to be refurbished, with the extension until 31 December 2018 of the tax deductions on costs sustained for works aimed at restoring historic buildings and confirmation of the deduction on expenses for energy savings works on buildings, in the higher percentage of 65%.

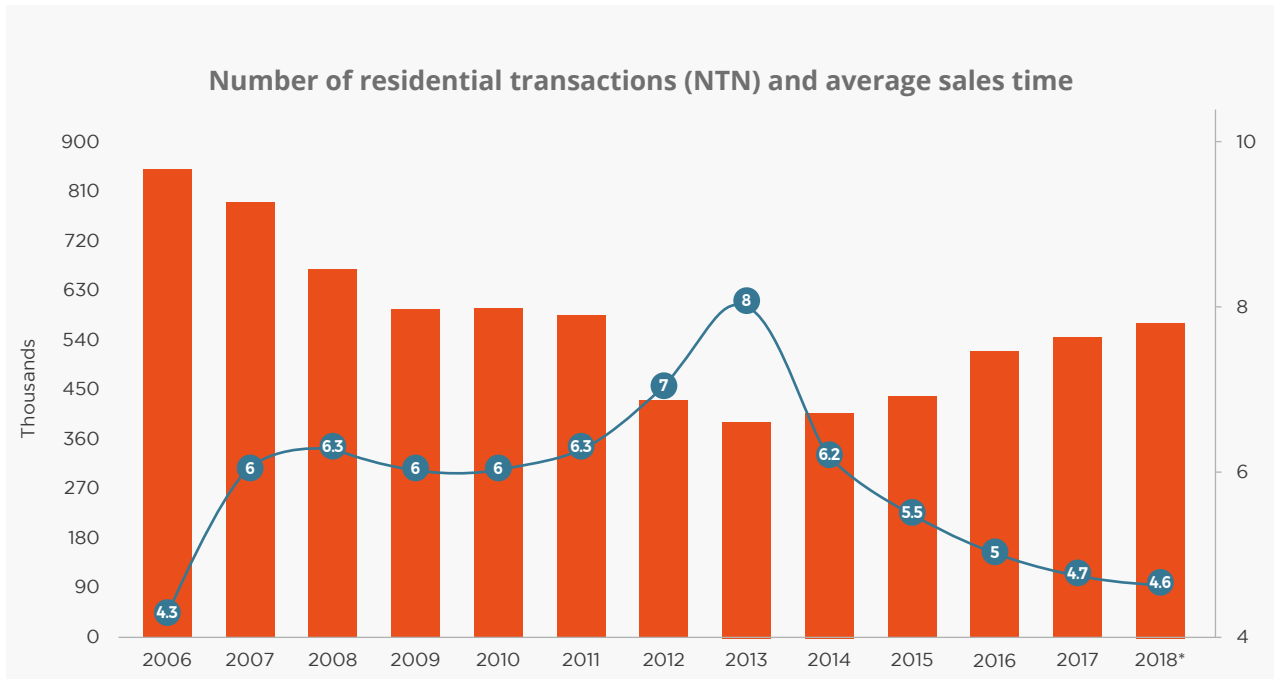
Particular mention also goes to the **anti-seismic measures**, for which **the deduction has been raised to 70%** until 2021, in cases where such works reduce the seismic risk to a lower risk class.

The impact of any tax reforms that may be introduced by the new government and could impact the real estate sector remains to be seen.

The current market phase may be represented in the “**Hexagon model**”, which subdivides the property cycle into six phases, one following the other, indicating the trends in prices and transactions. Generally speaking, we are currently still in **phase 6-1**, in which, due to the reduction in prices, transactions are gradually starting to grow again, and we are approaching phase 1-2, where prices tend to stabilise. However, it should be noted that some cities, including Milan and Bologna, have already undergone phase 1-2 and are moving towards subsequent phase 2-3, in which prices begin growing, although to a limited extent.



TREND IN RESIDENTIAL TRANSACTIONS, H1 2018



Source NTN: Gabetti Research Department analysis of Agenzia delle Entrate data
*estimated 2018 figure - Source Average times in large cities: Gabetti

■ Transaction (NTN) ● Average sales time (months)

According to Agenzia delle Entrate data, 280,970 residential transactions were completed in the first half of 2018, +5% compared to the same period of 2017, in line with the growth recorded in 2017 (**542,480 residential transactions, +4.9%** compared to 2016). This positive variation consolidates the growth in volumes that began in 2014 and peaked in 2016, during which the residential market recorded a total of **517,184 transactions, +18.6%** compared to 2015.

In this scenario, the greater activity in terms of transactions goes hand in hand with the gradual decline in **average sales times** which, from the maximum figure in 2013, negative peak even in terms of transactions, are falling to **below 5 months** for the large cities.

TRANSACTIONS BY MACRO-AREA - H1 2018

All macro-areas recorded a **positive change** in H1 2018: +5.8% in the North, +3.1% in the Centre and +5% in the South. Overall, the provincial capitals showed a variation of +3.8%, while the other cities recorded +5.7%. The highest positive change was recorded in the provincial capitals of the South (+6.8%), followed by the provincial capitals in the North (+6.4%).

RESIDENTIAL MARKET - QUARTERLY NTN MACRO AREAS (Q1 2017 - Q2 2018)									
	AREA	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Tot 2017	Q1 2018	Q2 2018	H1 2018
NORTH	Provincial Capitals	21,329	25,227	20,710	25,794	93,060	21,768	26,874	48,641
	Other cities	43,179	53,294	44,490	57,431	198,394	45,552	57,143	102,696
	TOTAL	64,508	78,521	65,200	83,225	291,454	67,320	84,017	151,337
CENTRE	Provincial Capitals	12,324	14,651	11,829	14,224	53,027	12,232	14,867	27,100
	Other cities	13,100	15,722	13,521	16,461	58,805	13,828	16,580	30,408
	TOTAL	25,424	30,373	25,350	30,685	111,832	26,060	31,448	57,508
SOUTH	Provincial Capitals	9,460	10,816	9,017	11,092	40,385	10,105	11,547	21,651
	Other cities	22,580	25,817	22,807	27,605	98,809	23,792	26,682	50,474
	TOTAL	32,040	36,633	31,824	38,697	139,194	33,897	38,229	72,125
ITALY	Provincial Capitals	43,112	50,694	41,555	51,110	186,472	44,105	53,288	97,392
	Other cities	78,859	94,833	80,818	101,497	356,008	83,172	100,406	183,578
	TOTAL	121,972	145,527	122,373	152,608	542,480	127,277	153,693	280,970

RESIDENTIAL MARKET - ANNUAL VARIATION RATE MACRO AREAS (Q1 2017 - Q2 2018)									
	AREA	Δ Q1 17/16	Δ Q2 17/16	Δ Q3 17/16	Δ Q4 17/16	Δ 17/16	Δ Q1 18/17	Δ Q2 18/17	H1 2018
NORTH	Provincial Capitals	8.6%	1.8%	0.6%	7.4%	4.5%	2.1%	6.5%	4.5%
	Other cities	9.8%	5.0%	0.5%	6.6%	5.4%	5.5%	7.2%	6.4%
	TOTAL	9.4%	3.9%	0.5%	6.9%	5.1%	4.4%	7.0%	5.8%
CENTRE	Provincial Capitals	10.0%	3.8%	-0.5%	0.3%	3.2%	-0.7%	1.5%	0.5%
	Other cities	5.5%	3.1%	1.2%	5.4%	3.8%	5.6%	5.5%	5.5%
	TOTAL	7.7%	3.4%	0.4%	3.0%	3.5%	2.5%	3.5%	3.1%
SOUTH	Provincial Capitals	6.4%	2.7%	4.5%	8.4%	5.5%	6.8%	6.8%	6.8%
	Other cities	7.3%	3.5%	3.7%	7.6%	5.5%	5.4%	3.3%	4.3%
	TOTAL	7.0%	3.3%	3.9%	7.8%	5.5%	5.8%	4.4%	5.0%
ITALY	Provincial Capitals	8.5%	2.6%	1.1%	5.5%	4.4%	2.3%	5.1%	3.8%
	Other cities	8.4%	4.3%	1.5%	6.7%	5.2%	5.5%	5.9%	5.7%
	TOTAL	8.4%	3.7%	1.4%	6.3%	4.9%	4.3%	5.6%	5.0%

Annual variation rate: represents the percentage variation between a quarter and the same quarter of the previous year.
Cabetti Research Department analysis of Agenzia delle Entrate data

SCENARIO IN LARGE CITIES

TRANSACTIONS

Looking at the **top eight Italian cities** by population, a total of **50,459 transactions** were recorded in H1 2018, **+1.7%** compared to the same period in 2017. The remaining provinces simultaneously recorded a +6.5% change. At the half-yearly level, Naples recorded the highest variation (+6.7%), followed by Turin (+4%); similar changes for Palermo (+3.1%) and Milan (+2.8%); positive but more limited variations for Florence (+2%) and Genoa (+1.1%); essentially stable in Bologna (+0.3%), while Rome recorded a slightly negative change (-1.3%).

RESIDENTIAL MARKET - QUARTERLY NTN MAIN PROVINCIAL CAPITALS (Q1 2017 - Q2 2018)				RESIDENTIAL MARKET - ANNUAL VARIATION RATE MAIN PROVINCIAL CAPITALS		
CITY	Q1 2018	Q2 2018	H1 2018	Δ Q1 18/17	Δ Q2 18/17	Δ H1 18/17
ROME	7,077	8,535	15,612	-1.9%	-0.8%	-1.3%
MILAN	5,496	6,674	12,170	0.9%	4.4%	2.8%
TURIN	3,095	3,738	6,832	3.9%	4.0%	4.0%
GENOA	1,634	1,928	3,562	-3.0%	4.7%	1.1%
NAPLES	1,855	2,138	3,993	11.8%	2.7%	6.7%
PALERMO	1,328	1,481	2,809	1.7%	4.4%	3.1%
BOLOGNA	1,232	1,564	2,796	-2.7%	2.8%	0.3%
FLORENCE	1,224	1,462	2,685	-1.1%	4.7%	2.0%
TOTAL	22,939	27,520	50,459	0.7%	2.5%	1.7%

RESIDENTIAL MARKET - QUARTERLY NTN MAIN PROVINCES EXCL. THE PROVINCIAL CAPITALS (Q1 2017 - Q2 2018)				RESIDENTIAL MARKET - ANNUAL VARIATION RATE MAIN PROVINCES		
PROVINCE	Q1 2018	Q2 2018	H1 2018	Δ Q1 18/17	Δ Q2 18/17	Δ H1 18/17
ROME	3,415	3,994	7,409	5.3%	1.9%	3.4%
MILAN	7,469	9,783	17,252	4.7%	9.7%	7.5%
TURIN	3,524	4,484	8,008	5.6%	5.6%	5.6%
GENOA	785	997	1,782	8.7%	10.1%	9.5%
NAPLES	2,835	3,016	5,851	10.8%	-0.6%	4.6%
PALERMO	948	954	1,903	10.1%	3.9%	6.9%
BOLOGNA	1,617	2,040	3,657	8.6%	9.4%	9.1%
FLORENCE	1,362	1,783	3,145	8.6%	11.9%	10.5%
TOTAL	21,955	27,053	49,007	6.6%	6.5%	6.5%

Annual variation rate: represents the percentage variation between a quarter and the same quarter of the previous year.
Cabetti Research Department analysis of Agenzia delle Entrate data

PRICES

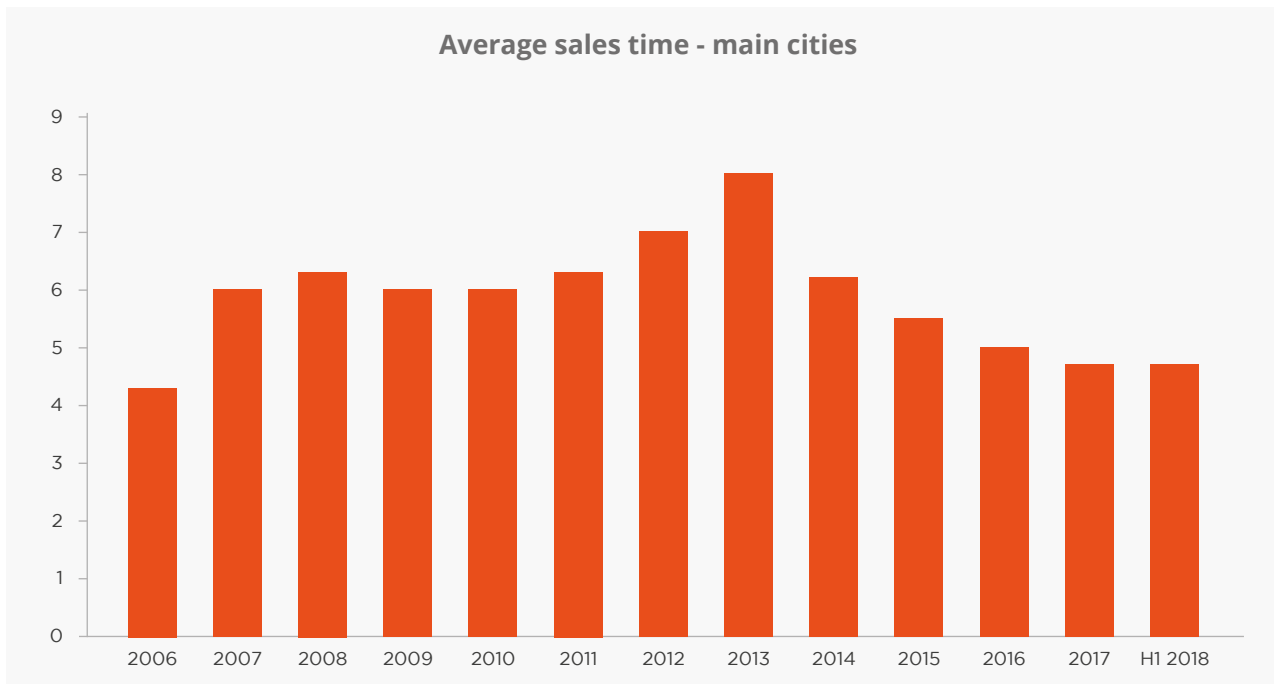
In terms of prices, an **average change** of about **-0.2%** was recorded in H1 2018, with differences from city to city: Milan (+1%) and Bologna (+0.2%) showed positive changes; Rome was essentially stable; Turin (-0.3%) and Naples (-0.4%) showed a slight decline in values, followed by Genoa and Palermo (-0.9%).

Gabetti Research Department analysis of Gabetti, Professionecasa and Grimaldi data

CITY	HALF-YEARLY VARIATION IN RESIDENTIAL PRICES	
	H2 2017/ H1 2017	H1 2018/ H2 2017
ROME	-1.0%	0.0%
MILAN	0.2%	1.0%
TURIN	-1.0%	-0.3%
GENOA	-0.7%	-0.9%
NAPLES	0.0%	-0.4%
PALERMO	-0.4%	-0.9%
BOLOGNA	0.5%	0.2%
FLORENCE	0.0%	-0.4%

SALES TIMES AND AVERAGE DISCOUNTS

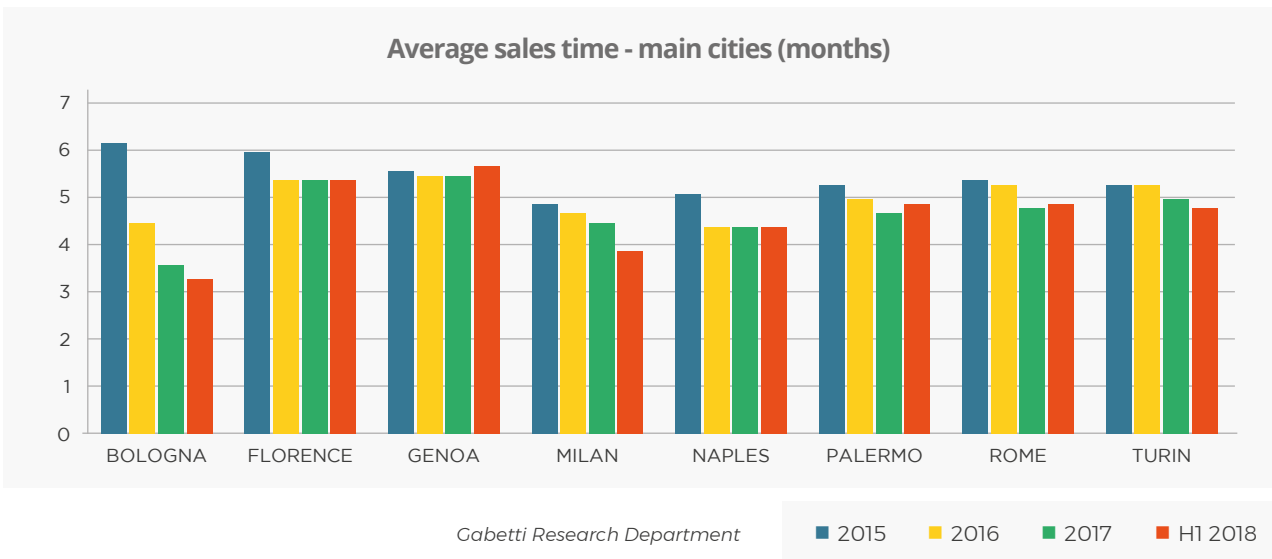
Average sales **times** in large cities are declining, going from an average of 6 months in 2014 to approximately **5.5 months in 2015 and 5 months in 2016**. During the **first half of 2017**, the average was **4.8 months**, dropping to **4.7 months** during the second half of 2017 and H1 2018. However, the situation is highly differentiated, based on the specific characteristics of the property and, above all, the price at which real estate is put onto the market.



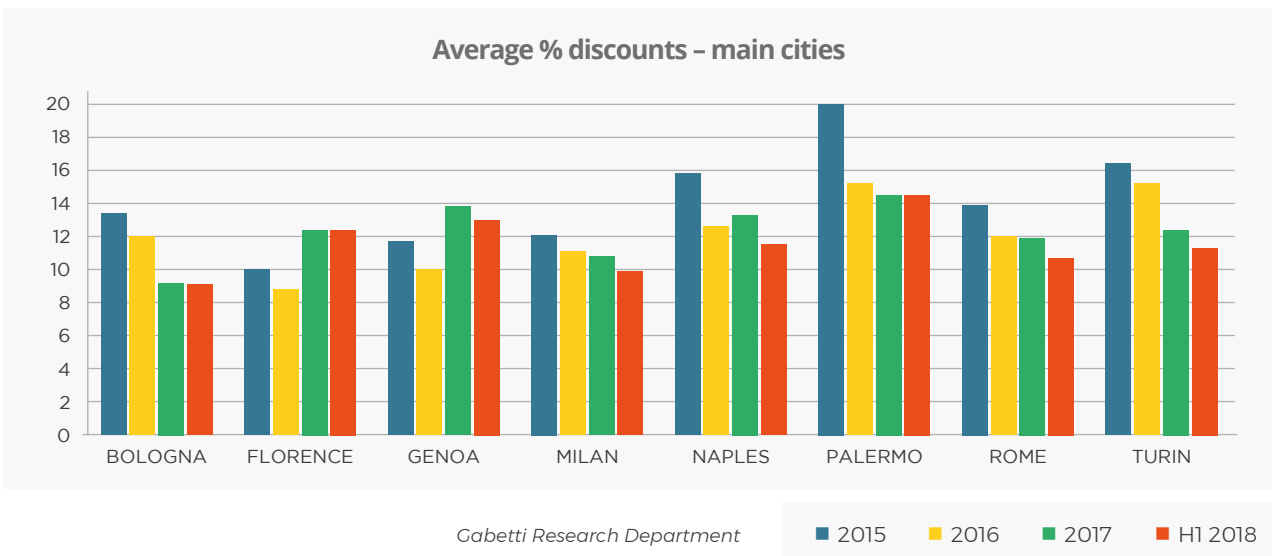
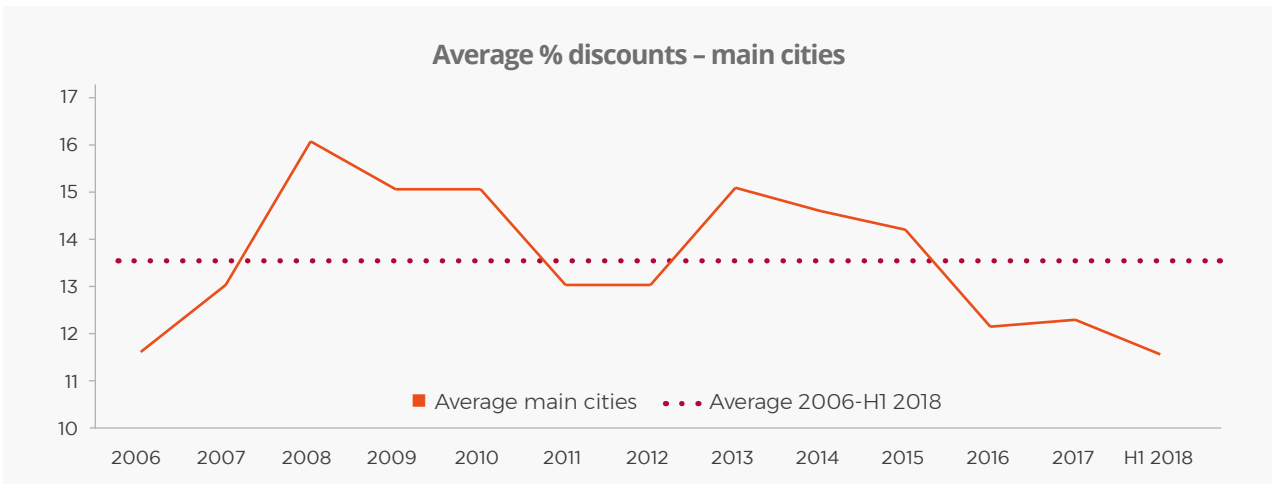
Gabetti Research Department

■ Average main cities

More specifically, **the sales times for attractive properties whose prices have been realigned** are back to **between 3 and 4 months**. Conversely, times have lengthened for properties placed on the market at excessively high prices, which are subsequently reduced, and for those whose intrinsic characteristics do not appeal to demand.



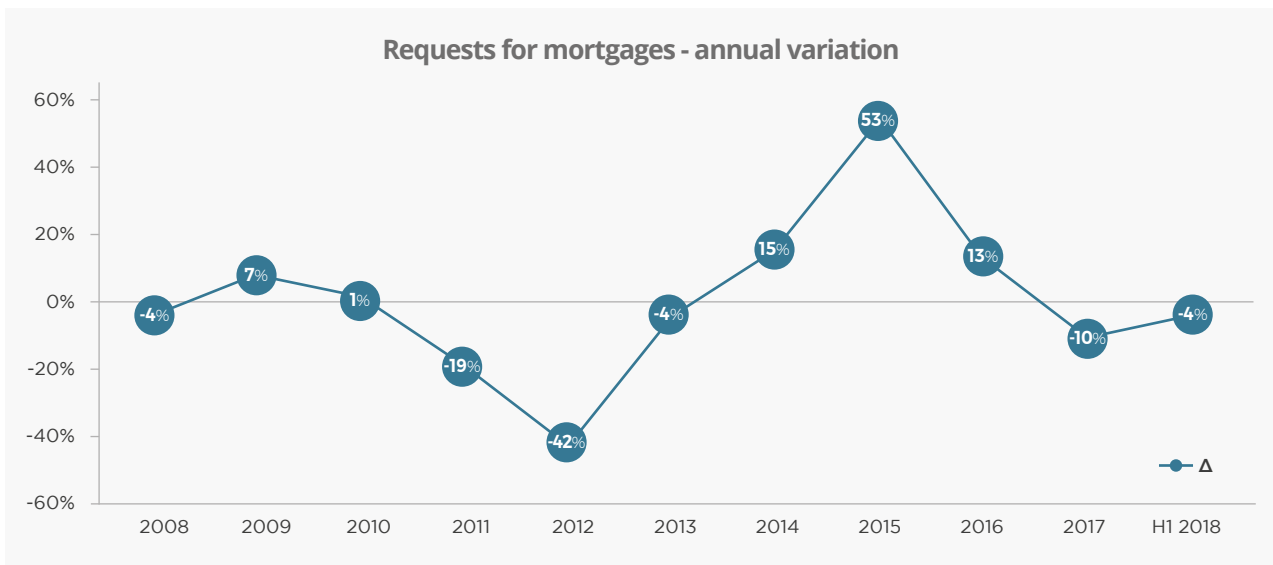
In H1 2018, the **average discount** between the asking price of the seller and the final transaction price for large cities was at an average of **12%** for existing properties. However, even this average contains a significant difference between properties listed at “adjusted price”, with the above percentage falling even under 10%, and those that are introduced onto the market at non-current prices, with subsequent decreases.



MORTGAGES

DEMAND FOR MORTGAGES

Based on Crif data, the aggregate **2016** value with regard to the **number of mortgages and similar loans increased by 13.3%**. This growth follows the significant increase recorded in 2015, equal to +53.3%, compared to 2014, subsequent to the positive trend in 2014 (+15%), with a clear inversion of trend compared to 2013 (-3.6%) and 2012 (-42%). **The trend in demand was negative in 2017, down 10.3%** compared to 2016. The annual trend in the first half of 2018 declined to **-4.4%**.



Gabetti Research Department analysis of Crif data

LOAN-TO-VALUE RATIO

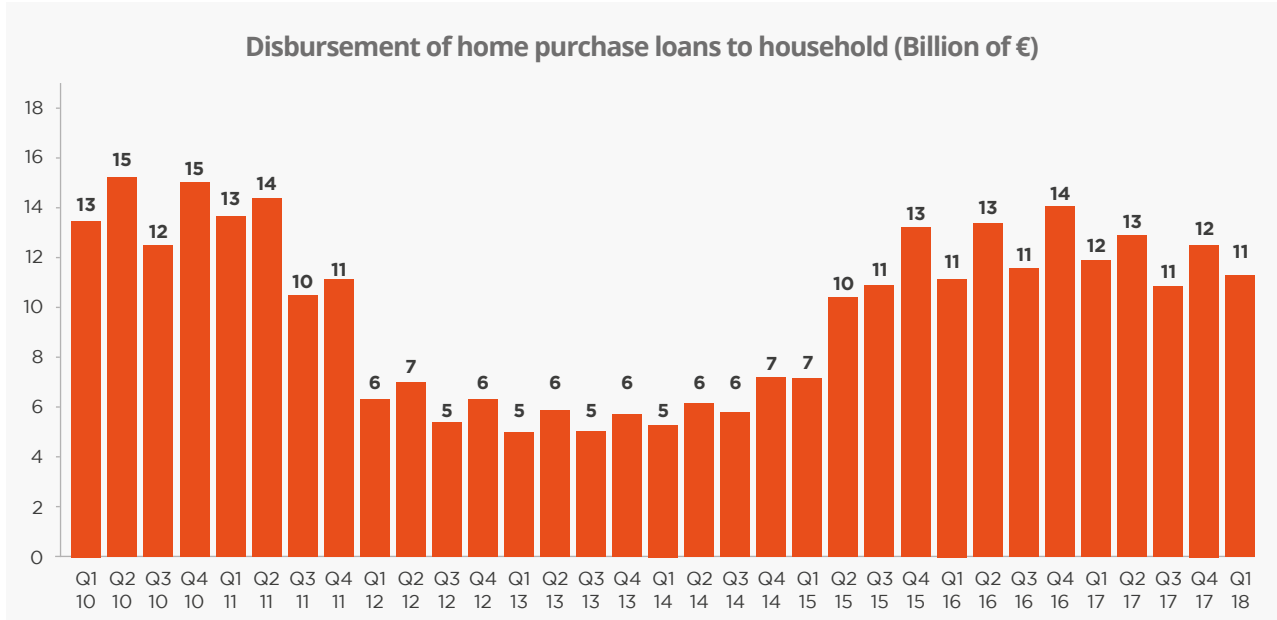
Based on the Bank of Italy's economic survey of the residential market, the **loan-to-value (LTV) ratio of property in Q2 2018 was 75%**, down slightly compared to the prior quarter's figure (75.9%) and compared to the corresponding quarter in 2017 (74.5%).



Gabetti Research Department analysis of Bank of Italy data

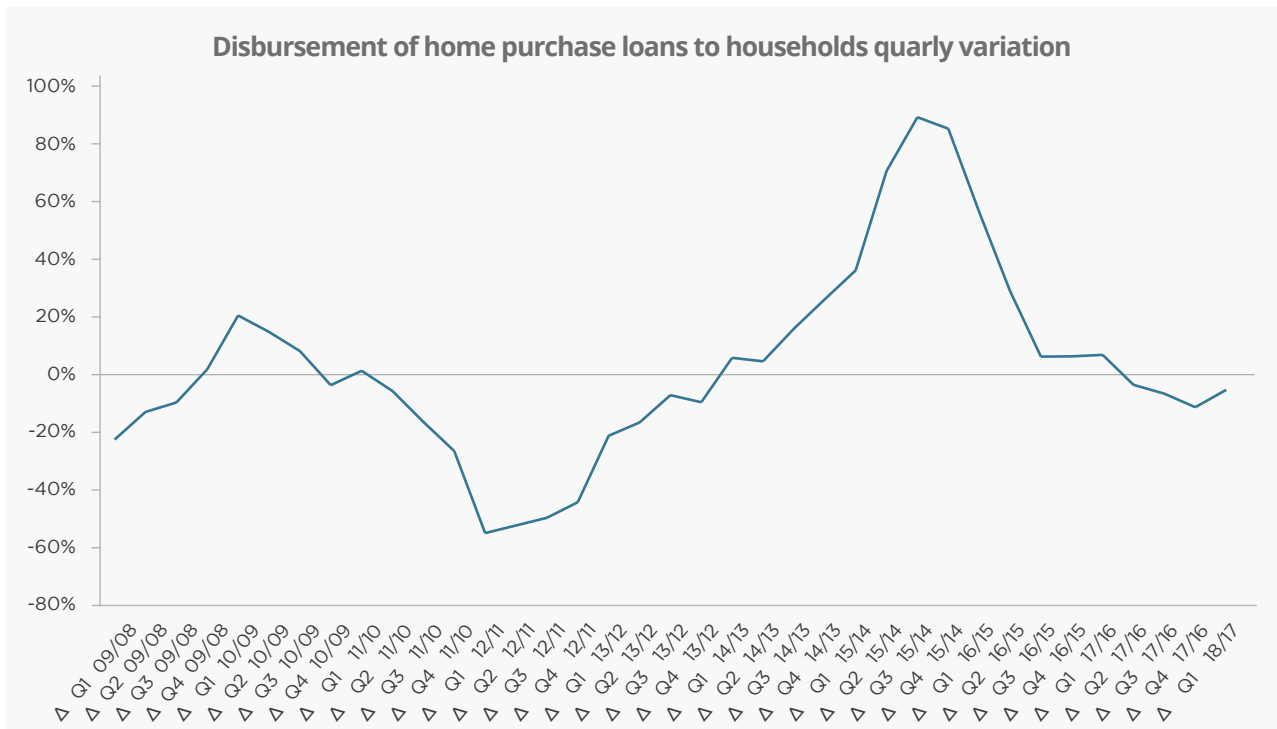
DISBURSEMENT OF HOME PURCHASE LOANS

Bank of Italy data on loans to **households to purchase homes** recorded a **total of €11.2 billion in first quarter 2018** (-5.1% compared to the same period in 2017). Looking at the prior quarters, in Q4 2017 a total of €12.4 billion was disbursed and in Q3 2017 a total of €10.7 billion.



Cabetti Research Department analysis of data from the Bank of Italy database

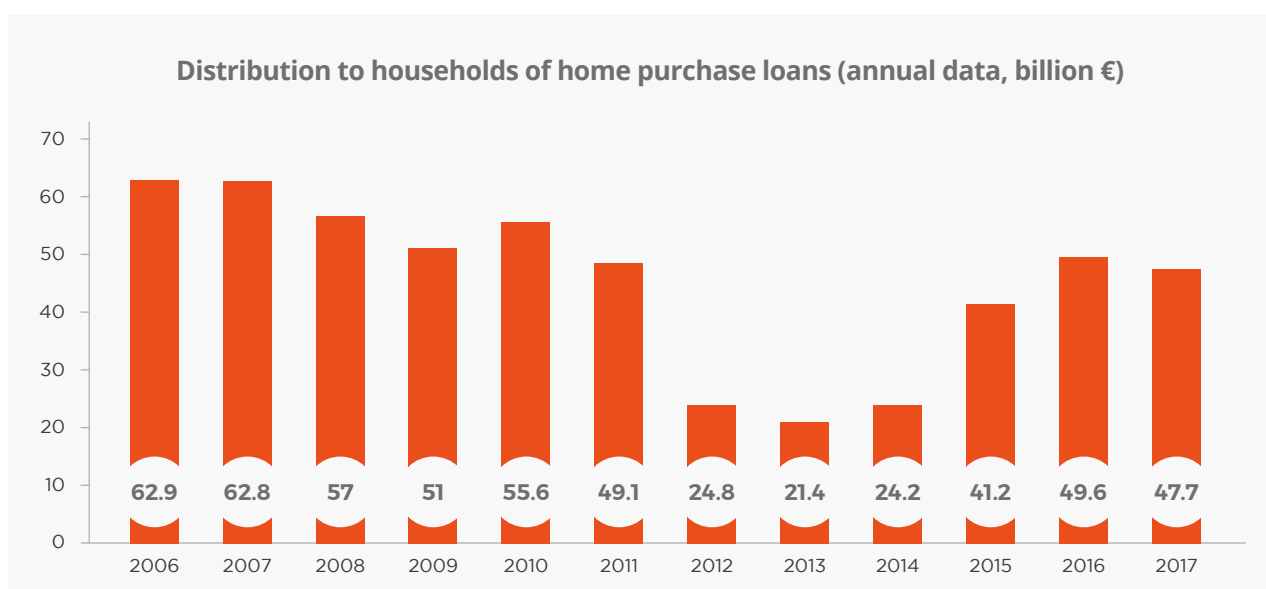
An analysis of the annual trends recorded in the various quarters shows how, starting from **Q1 2014**, **positive variations** were recorded for all quarters considered, inverting the prior negative trend until **Q1 2017**, when the **trend shifted** with the return of **negative changes**.



Cabetti Research Department analysis of data from the Bank of Italy database

DISBURSEMENT OF HOME PURCHASE LOANS - ANNUAL FIGURES

Bank of Italy data on loans for the **purchase of homes by households** indicate total disbursements of €24.2 billion in 2014, +13% compared to 2013. Steady growth was recorded in 2015, for a total of €41.2 billion, +70.6% compared to 2014. In 2016, the volume disbursed reached €49.7 billion, +20.5% compared to 2015. In **2017**, the total amount disbursed amounted to **€47.7 billion**, -4% compared to the same period in 2016.

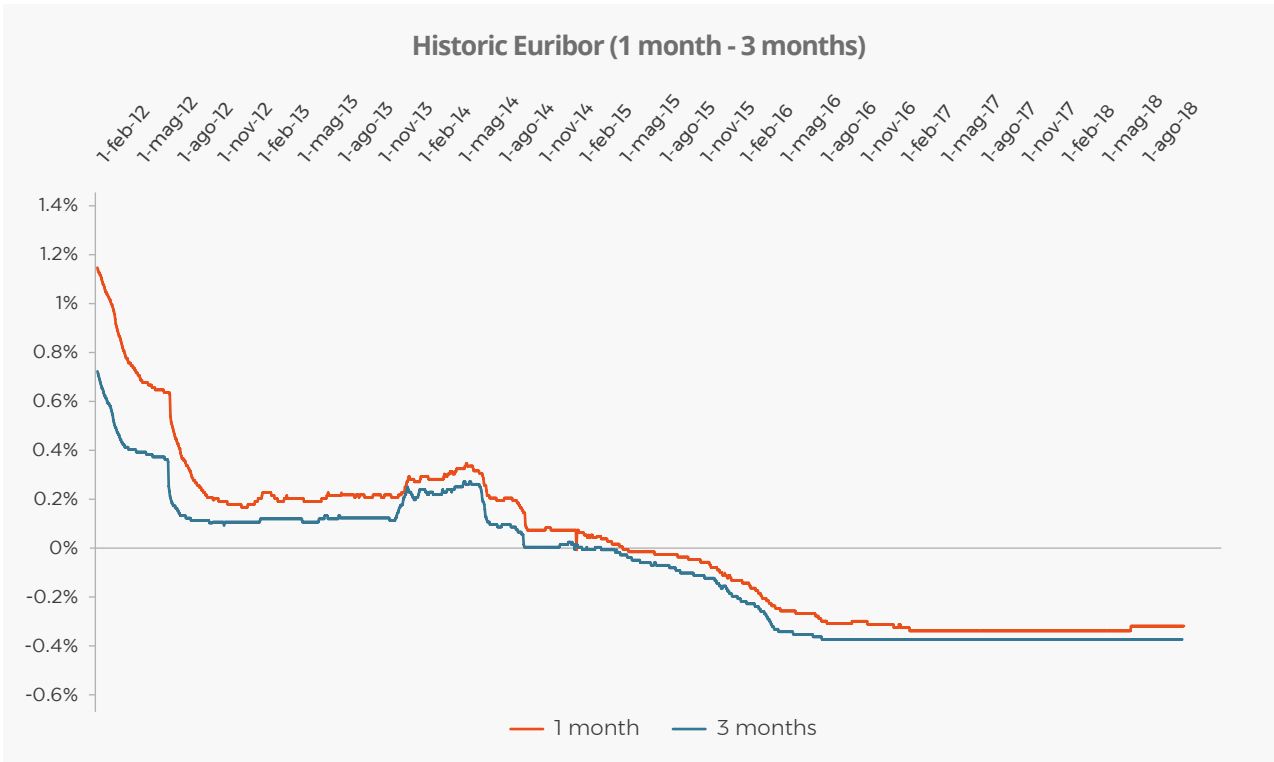


Gabetti Research Department analysis of data from the Bank of Italy database

TREND IN EURIBOR

Since the first wave of liquidity in December 2011 by the ECB, the Euribor rates governing variable loans have diminished considerably. Looking at the subsequent phases, after the ECB's decision on 5 July 2012 to lower **interest rates** by a quarter of a point, bringing the benchmark rate to 0.75%, the Euribor declined further. At the beginning of May 2013, the ECB cut interest rates to 0.50%, followed by another cut in November, down to 0.25%, and a further cut on 5 June 2014, bringing them down to 0.15%. The cut in September 2014 brought rates down to 0.05%, while in March 2016 the rate was set at 0.00%.

In 2014, the trend in the Euribor was influenced by the cut in rates: the 3-month expiry went from 0.29% in February to 0.31% in May, dropping to around 0.2% between June and August, 0.1% in September and 0.07% in December. The one-month rate went from 0.22% in February to 0.25% in May, to then drop to 0.15% in June, 0.09% in August and 0.02% in September, closing the month of December at this value as well. In 2015, after being steady at zero during the month of February, the 1-month rate began a negative trend that ended at -0.21% in December. The 3-month rate, on the other hand, began a negative trend in April, closing at -0.13% in December. The negative trend continued in 2016: the 1-month rate went from -0.22% in January to -0.37% from July to December; the 3-month rate went from -0.14% in January to -0.3% in August and -0.32% in December. In 2017, the 1-month and 3-month rates were respectively stable at **-0.37%** and **-0.33%**, as during the first half of 2018.



Gabetti Research Department analysis of euribor.it data

OUR REPORTS:



Residential Overview



Leasehold Market



The Prestigious Homes Market



Investment Overview



Office Market Overview



Office Quality Focus



Hotels



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