



H2 2018

RESIDENTIAL OVERVIEW



Gabetti
PROPERTY SOLUTIONS

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HIGHLIGHTS

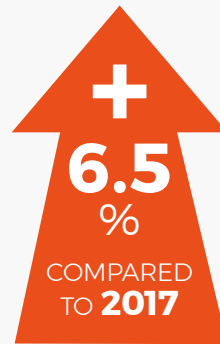
This report analyses **the key indicators in the residential market**: trend in **transactions**, **prices**, **average sales times** and **average discounts**, with the objective of providing a complete snapshot at the national level,

as well as for the major cities. A focus on the **mortgage loans market** is provided as well, covering the national trends in home purchase loans.

NUMBER OF RESIDENTIAL TRANSACTIONS



578,647
2018



Provincial capitals **+5,8%**
Other cities **+6,9%**



NORTH
+7.2%



CENTRE
+6.4%



SOUTH
+5.1%

2018

MORTGAGES - FIRST NINE MONTHS OF 2018

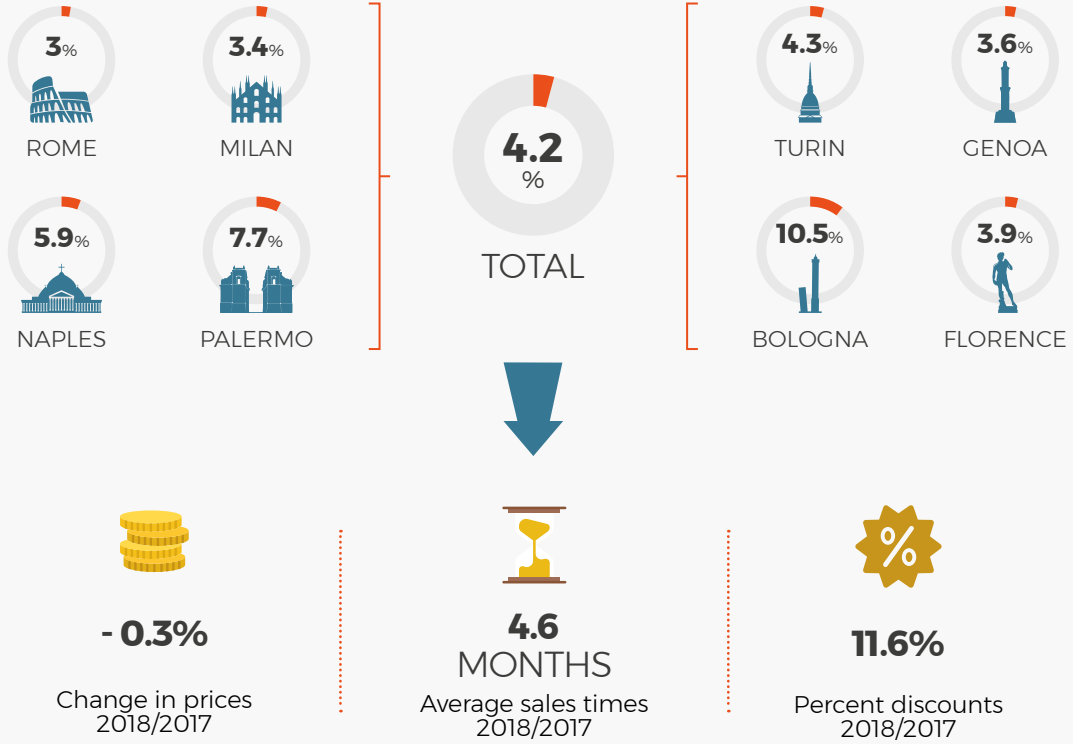


36.6

billion of €
disbursed per household
for the purchase of homes

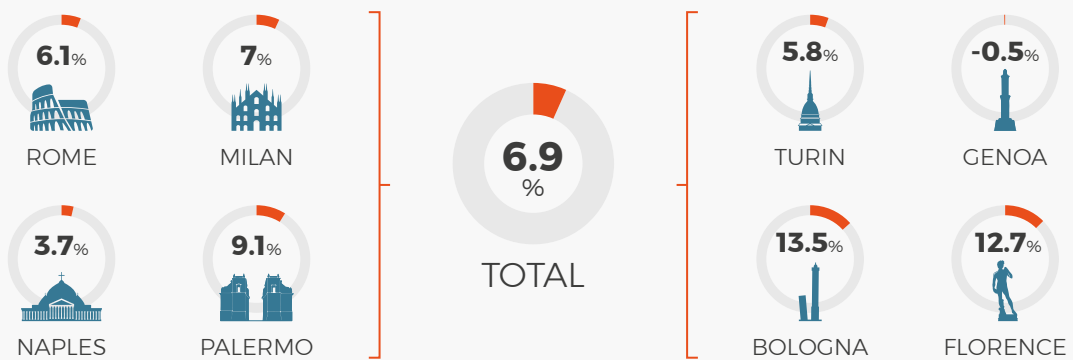
CHANGE IN RESIDENTIAL NTN - MAJOR CITIES

REFERRING TO THE PERIOD 2018/2017



CHANGE IN RESIDENTIAL NTN - DATA ON REMAINING PROVINCES

REFERRING TO THE PERIOD 2018/2017



REPORT SUMMARY

According to Agenzia delle Entrate data, **578,647** residential **transactions** were completed in 2018, **+6.5%** compared to 2017.

More specifically, 280,970 transactions were recorded in the first six months of the year - for a variation of around 5% compared to the same period in 2017 - and 297,677 in the second half of the year, with a change of around 8%.

With regard to prices, surveys by the agencies of the Gabetti, Professionecasa and Grimaldi networks indicate that the eight major cities recorded an average change of **-0.3%** in 2018. This figure shows signs of recovery compared to 2017 (-1%) and to the prior years. Trends differed with regard to the individual cities: Milan showed a positive change of +1.5%, while all of the other cities are gradually overcoming the negative scenario observed in the past.

In terms of **average sales times**, the average in the major cities examined was essentially stable compared to the prior year, amounting to between four and five months in 2018.

The **average discount** applied upon completion of negotiations was around 11-12% in 2018, down compared to the previous year's figure.

Disbursements of home purchase loans to households amounted to a total of **€36.6 billion** in the first nine months of 2018, recording a positive change of +3.7% compared to the same period in 2017.



The positive trend in the residential sector continues, which in terms of number of transactions is returning to the pre-crisis levels. In this scenario, we expect a moderate increase in residential transactions over the upcoming year, with prices showing a stable trend. Milan and Rome continue to be the top locations for number of transactions, although, assuming a similar product quality to price ratio, other cities like Bologna and Naples could record interesting performance.



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.

Employment grew in 2018 for the fifth straight year: the employment rate was **58.5%**, 0.1 points below the peak of 2008 and 0.4 points below the 2017 figure. The unemployment rate was **10.8%**, down compared to 2017 (11.2%).

According to ISTAT data, in third quarter 2018, taking into account the trend in consumer prices, the **purchasing power of households** increased by 0.1% compared to the prior quarter. On the other hand, the **propensity to save** (defined as the ratio of gross income and gross disposable income) in the third quarter of 2018 was 8.3%, down 0.2 percentage points compared to the prior quarter.

In terms of the indicators linked to performance of the residential real estate sector, **disbursements of home purchase loans** to households amounted to a total of €36.6 billion in the first nine months of 2018, recording a positive change of +3.7% compared to the same period in 2017.

According to Crif data with regard to the **demand for mortgages**, values in 2018 were essentially in line with the prior year, highlighting a slight decline of -0.6% compared to 2017, essentially attributable to the restructuring of replacement mortgages.

According to surveys by the agencies of the Gabetti, Professionecasa and Grimaldi networks, a **change in prices** of around -0.3% was recorded in 2018 against the prior year: -0.2% in the first half of the year and -0.1% in the second half, compared to the corresponding periods of 2017. This figure shows signs of recovery compared to 2017 (-1%) and to the prior years, resulting in a gradual slowdown in the decline of prices, which reached essential stability.

In terms of supply, there is growing polarisation between good quality solutions (in terms of construction characteristics, energy efficiency, location and context) and those situated in peripheral locations with limited appeal, the particular intrinsic characteristics of which do not meet the requirements of demand.

The recovery in transactions showed different **sales times** depending on the specific offer: the average in the large cities considered was stable compared to the prior year, at between four and five months in 2018 (average of 140 days).

However, properties with a good quality/price ratio or in particularly popular zones are taken up even more quickly than the stated averages. Conversely, supply that is listed at excessively high prices or which has characteristics that do not meet demand has much longer take-up times.

The **average discount** applied upon completion of negotiations in 2018 was around 11-12% for the major cities, down compared to the previous year's figure. There were significant differences depending on the specific property in this case as well.

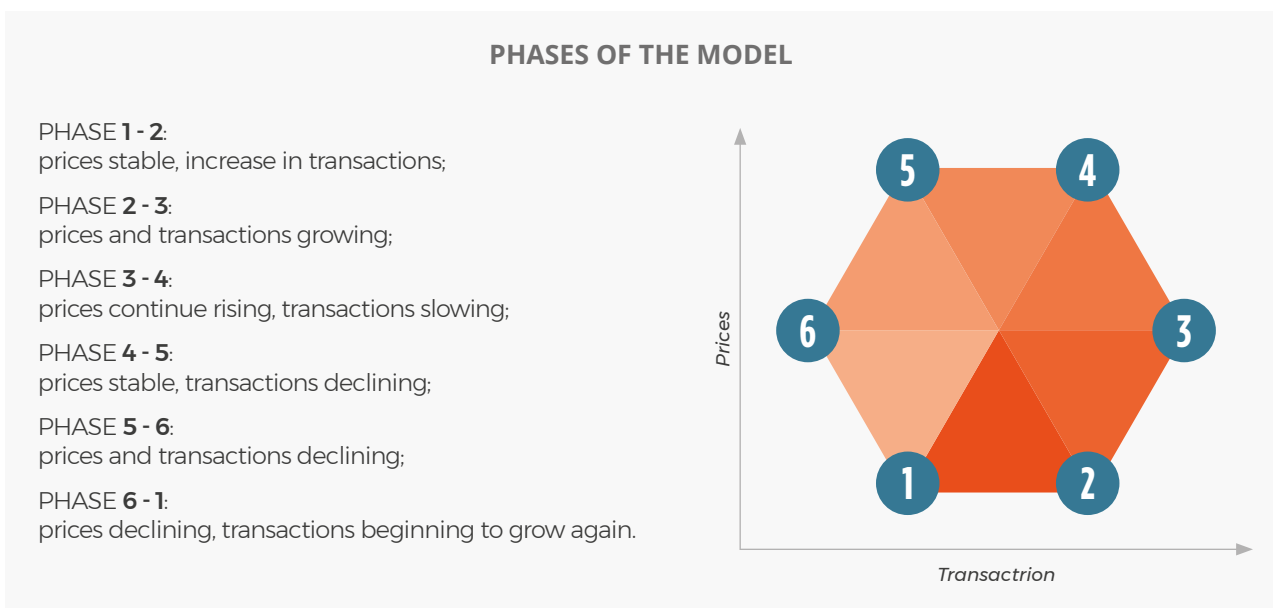
MARKET TRENDS

For the **first half of 2019**, we envisage a general stabilisation in prices, with an **increase in transactions**. In cities like Milan, where the market has always been more dynamic, positive but slight variations are envisaged in regard to prices.

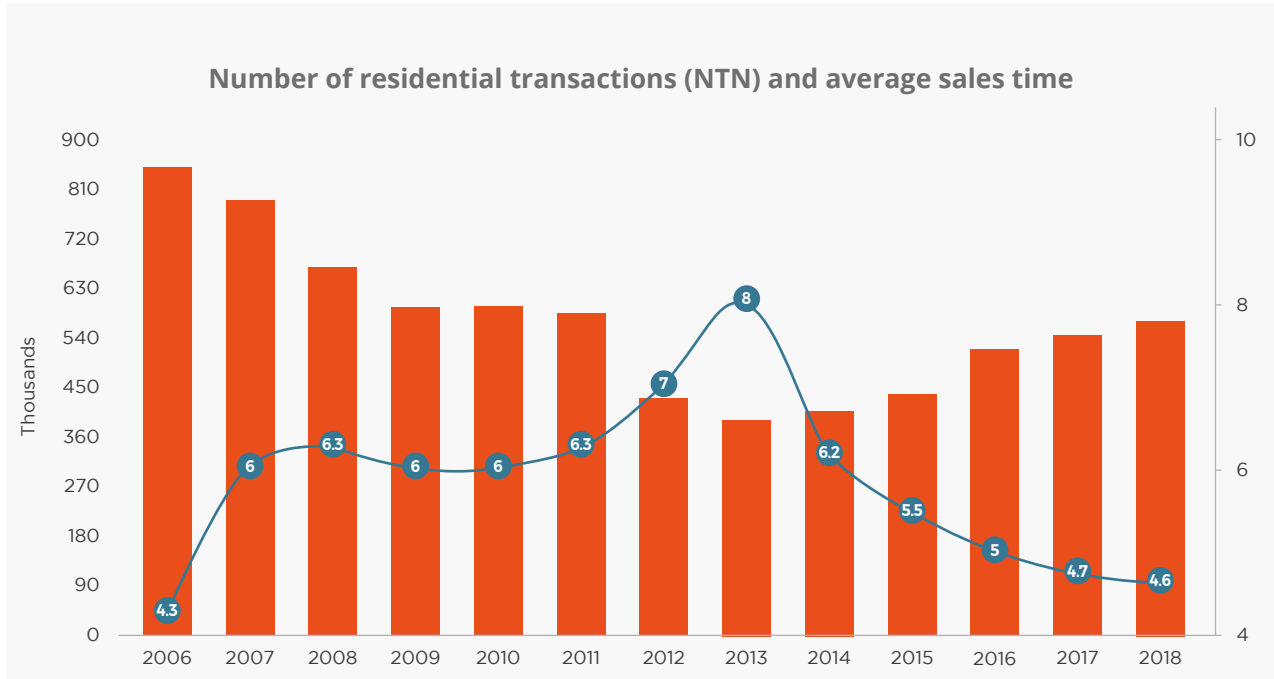
The incentives introduced by the **Budget** will have a positive impact in 2019 as well. In fact, the 2019 Budget confirms an extension of the 50% IRPEF deduction for **refurbishments** and the bonus on specific furniture/appliances, along with the 65% deduction for **energy efficiency works**. The IRPEF deduction for works aimed at **anti-seismic measures** is confirmed as well.

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 1-2, in which prices tend towards stability and transactions continue to grow.

However, it should be noted that some cities, including Milan and Bologna, have already completed 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, 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, 578,647 residential transactions were completed in 2018, +6.5% compared to 2017, in line with the growth recorded in 2017 and steadily rising since 2013.

In this scenario, in the large cities analysed, the greater activity in terms of transactions goes hand in hand with the gradual decline in **average sales times** which, starting from 2016, are falling to **below five months**. The longest average sales times were recorded in 2013, year in which the lowest number of transactions for the period 2006-2018 was recorded as well.

TRANSACTIONS BY MACRO-AREA 2018

All **macro areas** recorded a **positive change** in 2018 compared to 2017: +7.2% in the North, +6.4% in the Centre and +5.1% in the South. At the national level, the provincial capitals showed a variation of +5.8%, while the other cities recorded +6.9%. The highest positive change was recorded in the provincial capitals of the North (+6.5%) and in other cities of the Centre (+8%).

RESIDENTIAL MARKET - QUARTERLY NTN MACRO AREAS (Q1 2018 - Q4 2018)						
AREA		Q1 2018	Q2 2018	Q3 2018	Q4 2018	Tot 2018
NORTH	Provincial Capitals	21,768	26,874	21,829	28,741	99,211
	Other cities	45,552	57,143	48,335	62,554	213,585
	TOTAL	67,320	84,017	70,164	91,295	312,796
CENTRE	Provincial Capitals	12,232	14,867	12,582	15,888	55,569
	Other cities	13,828	16,580	14,589	18,642	63,640
	TOTAL	26,060	31,448	27,171	34,530	119,209
SOUTH	Provincial Capitals	10,105	11,547	9,418	11,657	42,727
	Other cities	23,792	26,682	23,855	29,587	103,916
	TOTAL	33,897	38,229	33,274	41,244	146,642
ITALY	Provincial Capitals	44,105	53,288	43,829	56,285	197,506
	Other cities	83,172	100,406	86,780	110,783	381,141
	TOTAL	127,277	153,693	130,609	167,068	578,647

RESIDENTIAL MARKET - VARIATION RATE MACRO AREAS (Q1 2018 - Q4 2018)						
AREA		Δ Q1 18/17	Δ Q2 18/17	Δ Q3 18/17	Δ Q4 18/17	Δ 18/17
NORTH	Provincial Capitals	2.0%	6.4%	5.3%	11.3%	6.5%
	Other cities	5.4%	7.2%	8.6%	8.8%	7.6%
	TOTAL	4.3%	6.9%	7.6%	9.6%	7.2%
CENTRE	Provincial Capitals	-0.9%	1.4%	6.2%	11.6%	4.7%
	Other cities	5.4%	5.2%	7.7%	13.0%	8.0%
	TOTAL	2.4%	3.3%	7.0%	12.4%	6.4%
SOUTH	Provincial Capitals	6.6%	6.6%	4.3%	4.9%	5.6%
	Other cities	5.1%	3.2%	4.4%	6.9%	4.9%
	TOTAL	5.5%	4.2%	4.4%	6.3%	5.1%
ITALY	Provincial Capitals	2.2%	5.0%	5.4%	10.0%	5.8%
	Other cities	5.3%	5.7%	7.3%	9.0%	6.9%
	TOTAL	4.2%	5.5%	6.6%	9.3%	6.5%

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 **101,600 transactions** were recorded in 2018, **+4.2%** compared to the previous year. Bologna and Palermo showed the best performance in 2018 in terms of cities, respectively recording a change of +10.5% and +7.7% compared to 2017. Also recording positive changes but to a lesser extent were Naples (+5.9%), Turin (+4.3%), Florence (+3.9%), Genoa (+3.6%), Milan (+3.4%) and Rome (+3%).

Even the remaining provinces, with the exception of the province of Genoa (-0.5%), recorded overall positive changes with an increase of +6.9% compared to 2017.

RESIDENTIAL MARKET - QUARTERLY NTN MAIN PROVINCIAL CAPITALS (Q1 2018 - Q4 2018)						RESIDENTIAL MARKET - VARIATION RATE MAIN PROVINCIAL CAPITALS				
CITY	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Tot 2018	Δ Q1 18/17	Δ Q2 18/17	Δ Q3 18/17	Δ Q4 18/17	Δ 18/17
ROME	7,077	8,535	7,151	9,325	32,088	-2.0%	-0.9%	3.3%	10.9%	3.0%
MILAN	5,496	6,674	5,274	7,078	24,521	0.9%	4.3%	-2.4%	9.5%	3.4%
TURIN	3,095	3,738	2,882	3,794	13,508	3.9%	3.9%	4.4%	4.8%	4.3%
GENOA	1,634	1,928	1,557	1,990	7,108	-3.0%	4.5%	6.9%	6.4%	3.6%
NAPLES	1,855	2,138	1,551	2,054	7,598	11.6%	2.3%	3.3%	7.0%	5.9%
PALERMO	1,328	1,481	1,253	1,464	5,526	1.2%	4.1%	8.1%	18.5%	7.7%
BOLOGNA	1,232	1,564	1,415	1,690	5,901	-2.7%	2.2%	23.5%	20.9%	10.5%
FLORENCE	1,224	1,462	1,232	1,448	5,366	-1.2%	4.7%	7.2%	4.8%	3.9%
TOTAL	22,939	27,520	22,315	28,843	101,616	0.5%	2.3%	3.8%	9.7%	4.2%

RESIDENTIAL MARKET - QUARTERLY NTN MAIN PROVINCES EXCL. THE PROVINCIAL CAPITALS (Q1 2018 - Q4 2018)						RESIDENTIAL MARKET - VARIATION RATE MAIN PROVINCES				
PROVINCE	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Tot 2018	Δ Q1 18/17	Δ Q2 18/17	Δ Q3 18/17	Δ Q4 18/17	Δ 18/17
ROME	3,415	3,994	3,490	4,349	15,249	4.9%	1.5%	7.7%	10.3%	6.1%
MILAN	7,469	9,783	7,592	10,048	34,891	4.7%	9.7%	7.4%	5.9%	7.0%
TURIN	3,524	4,484	3,677	4,985	16,671	5.4%	5.5%	4.6%	7.1%	5.8%
GENOA	785	997	704	907	3,393	8.5%	9.8%	-16.2%	-3.5%	-0.5%
NAPLES	2,835	3,016	2,472	3,136	11,458	10.5%	-0.6%	5.8%	0.6%	3.7%
PALERMO	948	954	899	1,165	3,966	9.5%	3.4%	9.2%	13.7%	9.1%
BOLOGNA	1,617	2,040	1,760	2,277	7,694	8.6%	9.1%	14.9%	20.6%	13.5%
FLORENCE	1,362	1,783	1,540	1,988	6,673	8.6%	11.7%	12.9%	16.5%	12.7%
TOTAL	21,955	27,053	22,133	28,855	99,996	6.4%	6.4%	6.9%	7.8%	6.9%

Cabetti Research Department analysis of Agenzia delle Entrate data

PRICES

In 2018, the eight major cities recorded an **average change of -0.3%**: -0.2% in the first half of the year and -0.1% in the second half, compared to the corresponding periods of 2017, showing gradual stabilisation.

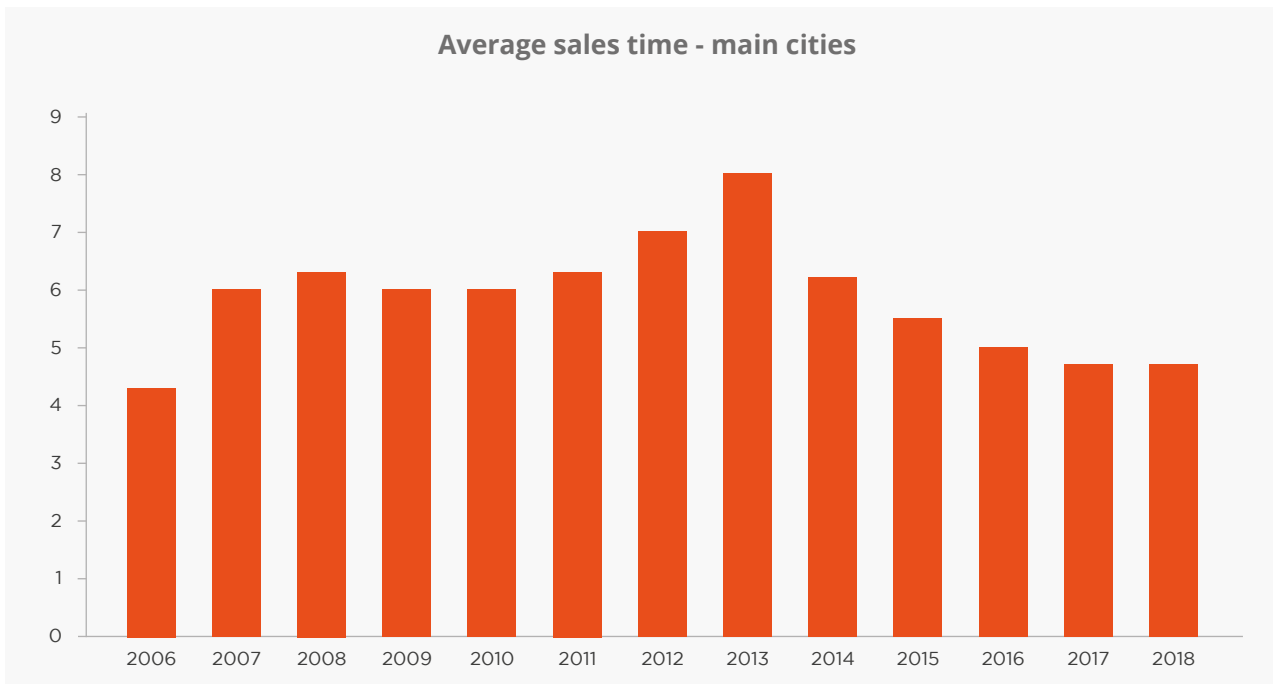
An analysis of the trends in the eight major cities during the second half of 2018 shows positive changes in Milan (+0.5%), Florence (+0.4%), Bologna and Palermo (+0.3%) and Naples (+0.1%), while slight declines were recorded in Genoa (-0.6%) and Rome (-0.3%), and Turin recorded a negative change of -1.3%.

CITY	HALF-YEARLY VARIATION IN RESIDENTIAL PRICES	
	H1 2018/ H2 2017	H2 2018/ H1 2018
ROME	0.0%	-0.3%
MILAN	1.0%	0.5%
TURIN	-0.3%	-1.3%
GENOA	-0.9%	-0.6%
NAPLES	-0.4%	0.1%
PALERMO	-0.9%	0.3%
BOLOGNA	0.2%	0.3%
FLORENCE	-0.4%	0.4%

Gabetti Research Department analysis of Gabetti, Professionecasa and Grimaldi data

SALES TIMES AND AVERAGE DISCOUNTS

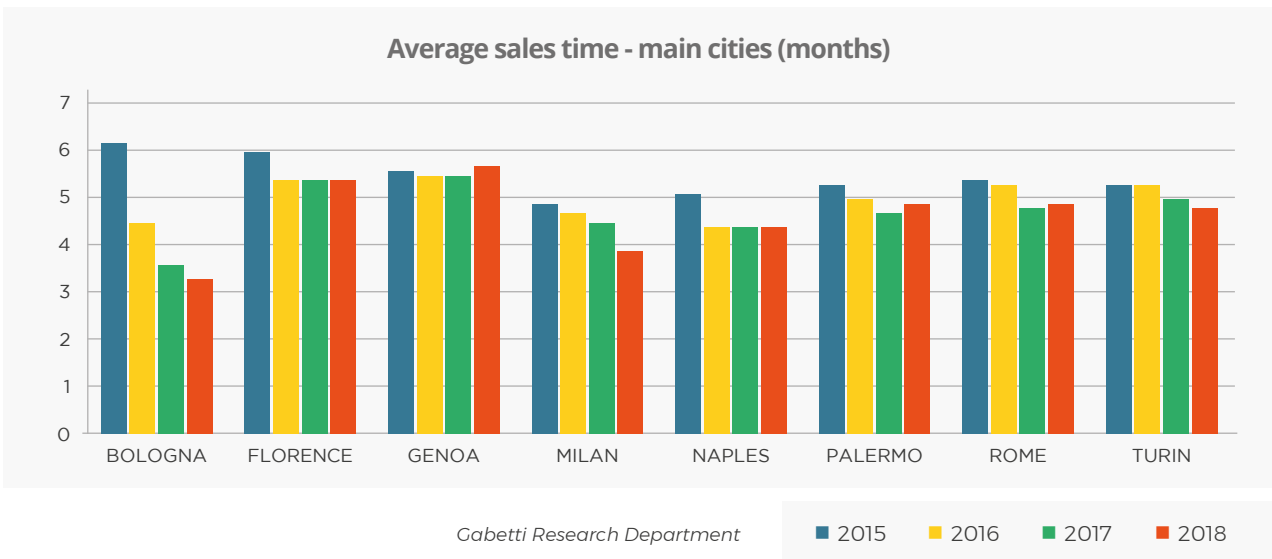
Average sales **times** in large cities are declining, going from an average of six months in 2014 to **four/five months in 2018, in line with the figures of 2017**. More specifically, they fell from **4.7 months** in the first half of the year to **4.6 months** in the second half of 2018. However, the 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.



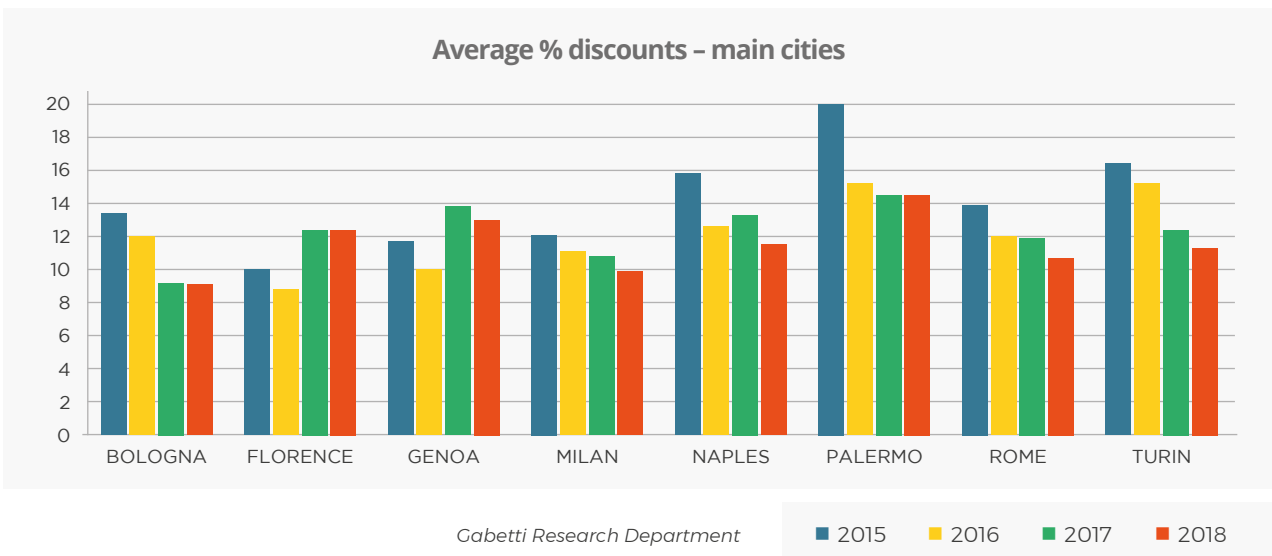
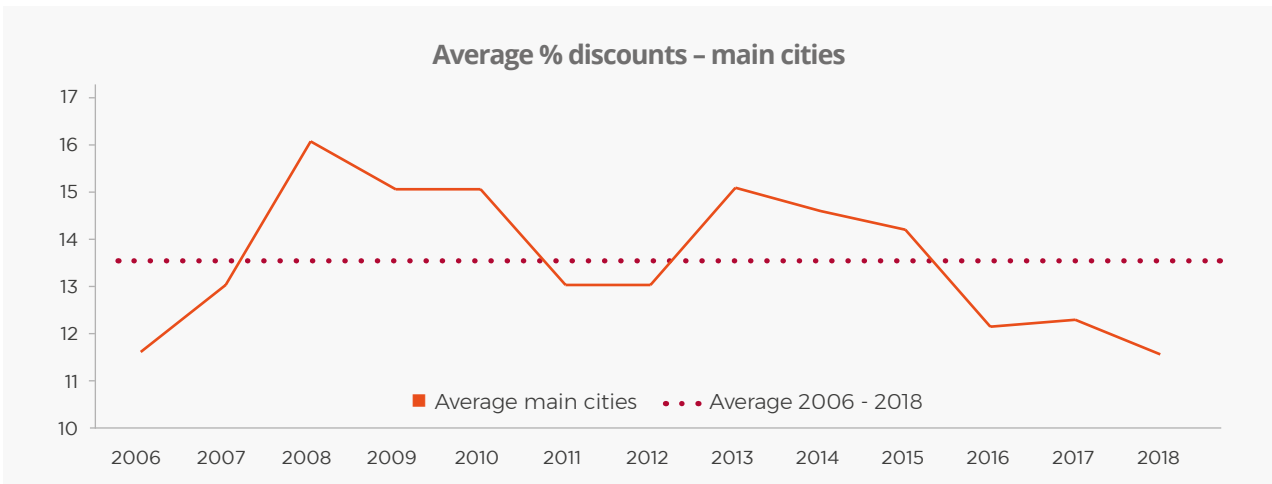
Gabetti Research Department

■ Average main cities

Properties with a good quality/price ratio or in particularly popular zones are taken up even more quickly than the city averages. Conversely, supply that is listed at excessively high prices or which has characteristics that do not meet demand has much longer take-up times.



In 2018, the **discounts** between the asking price of the seller and the final transaction price for large cities were at an average of **11-12%** (specifically, 11.6%). Even in this case, there is 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, which undergo subsequent decreases.



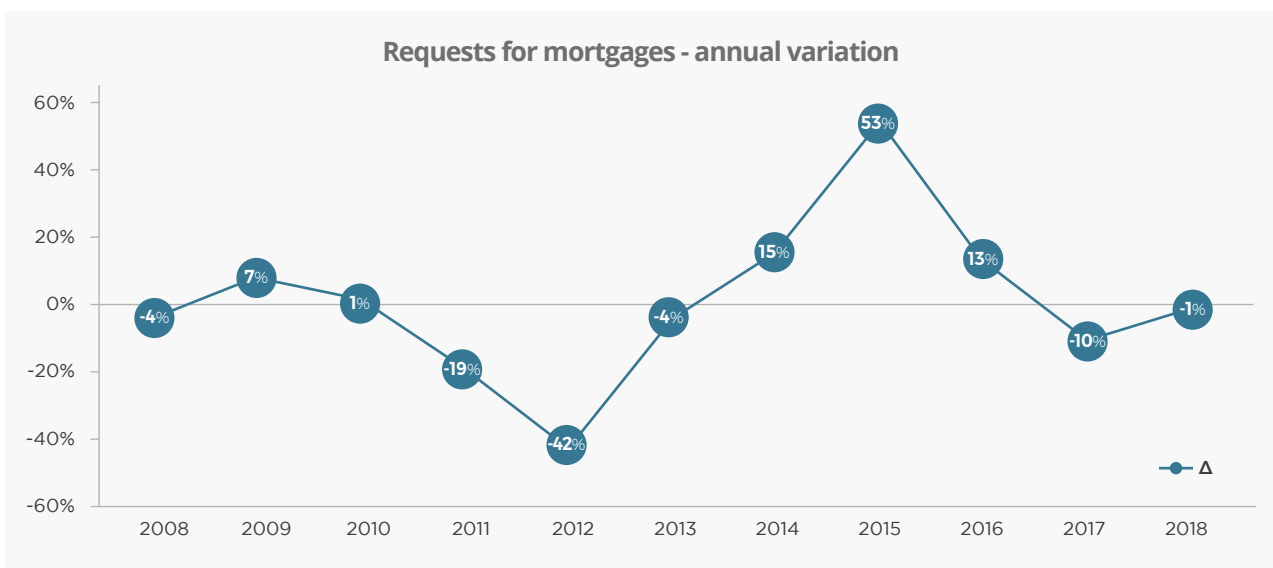
MORTGAGES

DEMAND FOR MORTGAGES

According to Crif data, after six consecutive months of growth, the demand for new mortgages and similar loans returned to negative ground in December 2018.

Overall, **values** during the year 2018 were **essentially in line with the prior year**, highlighting a slight decline of **-0.6%** compared to 2017, essentially attributable to the restructuring of replacement mortgages.

This decline follows a phase of steady growth that began in 2014 (+15%) and ended in 2016 (+13.3%). Also worthy of mention is the significant growth in 2015 (+53.3%), which recovered the negative change of 2012 (-42%).



Gabetti Research Department analysis of Crif data

LOAN-TO-VALUE RATIO

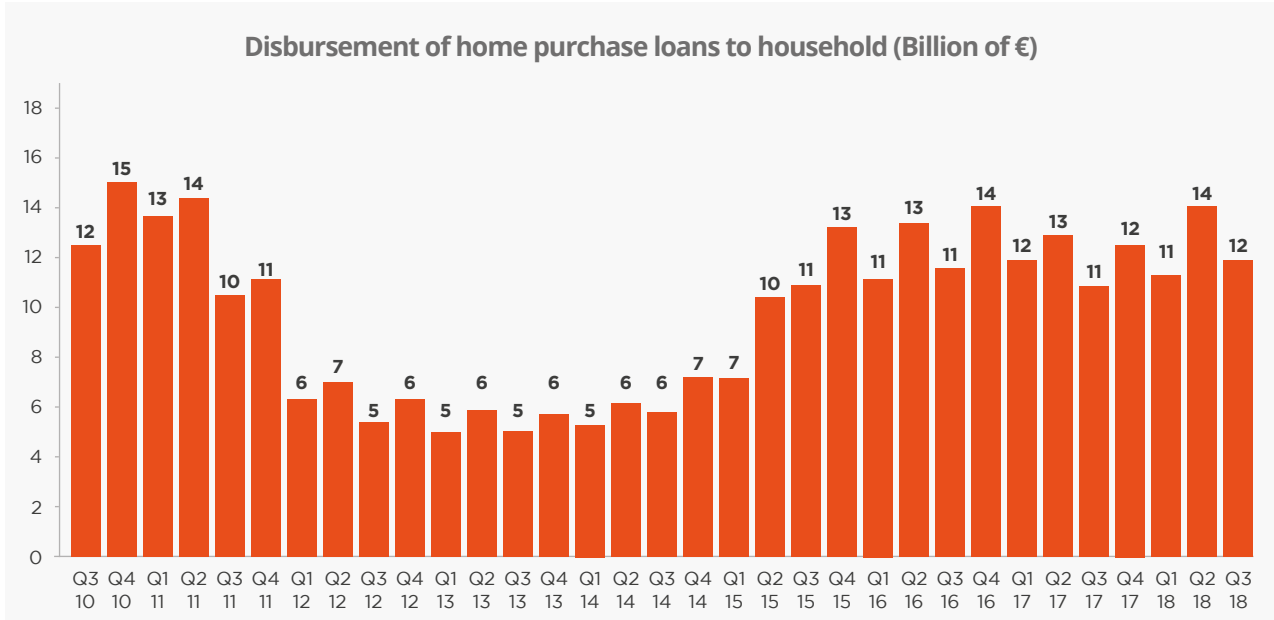
Based on the Bank of Italy's Economic Survey of the residential market, the **loan-to-value (LTV) ratio of property in fourth quarter 2018 was 74.3%**, in line with the two prior quarters and with 2017, and down slightly compared to the first three months of 2018, which recorded an LTV of 75.9%.



Gabetti Research Department analysis of Bank of Italy data

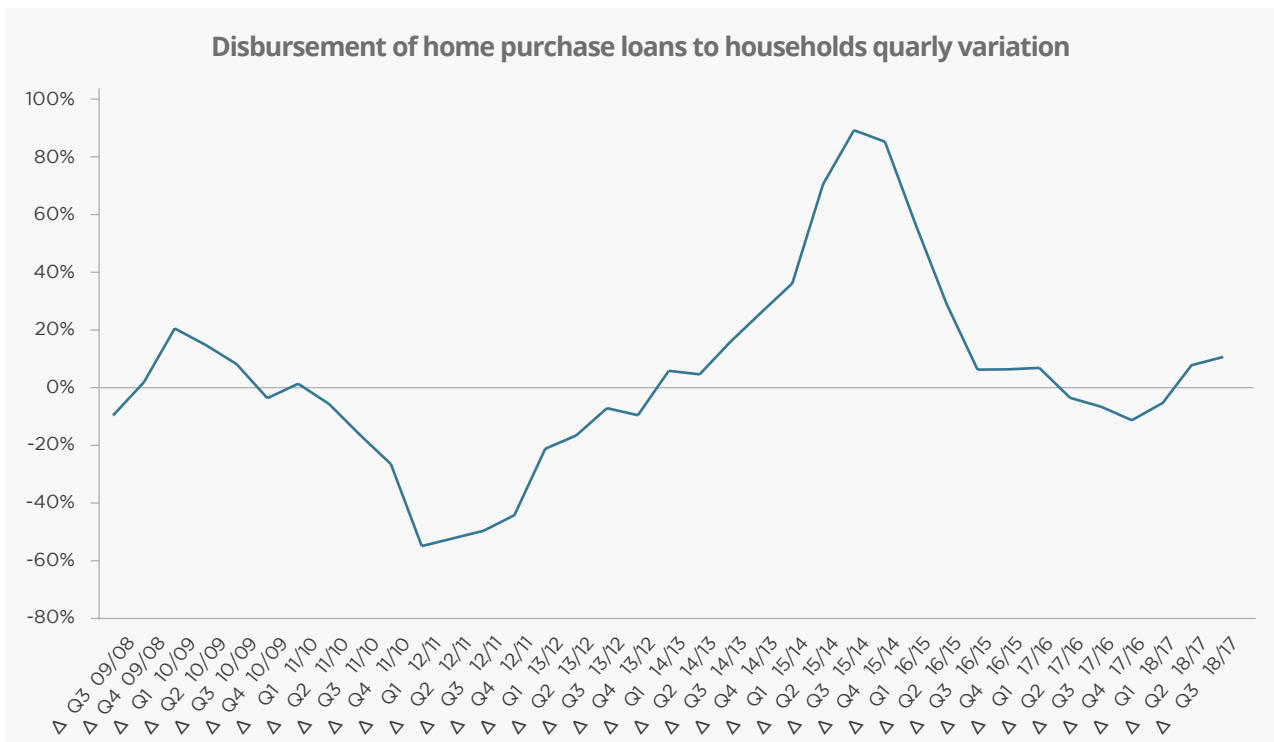
DISBURSEMENT OF HOME PURCHASE LOANS

Bank of Italy data on loans to **households to purchase homes** recorded a **total of €11.8 billion in third quarter 2018** (+10% compared to the same period in 2017). In the first nine months of 2018, it amounted to **€36.6 billion**, recording a positive change of +3.7% compared to the same period in 2017.



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

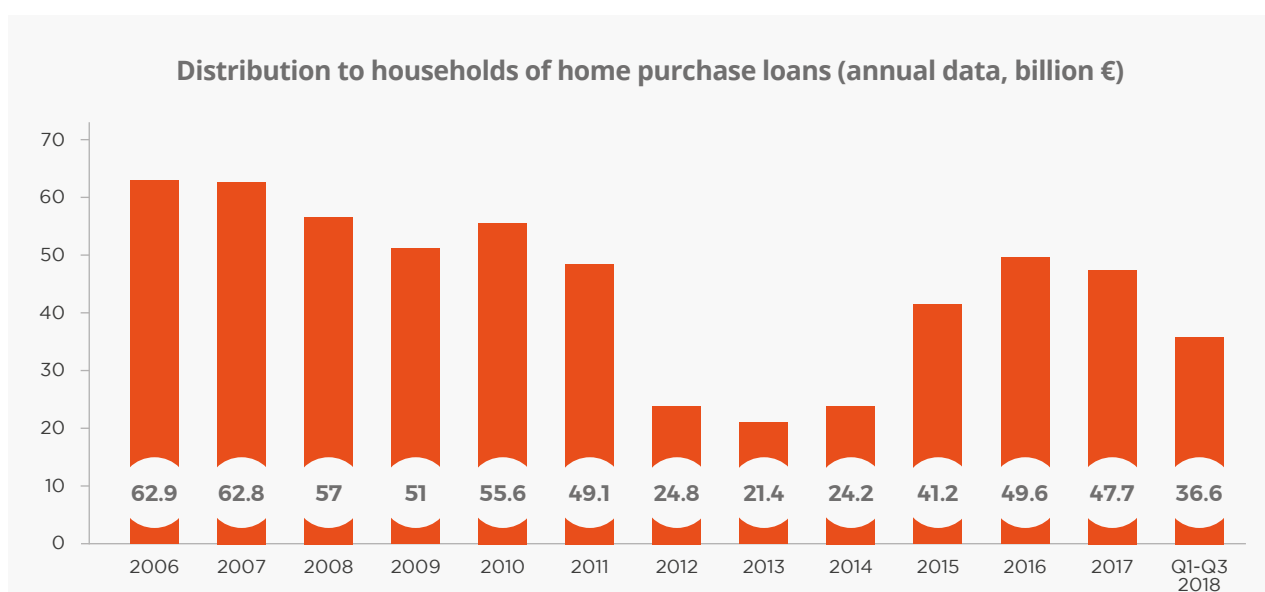
An analysis of the annual trends recorded in the various quarters shows how **positive variations** were recorded from **Q1 2014 until Q1 2017**, inverting the prior negative trend. **The trend inverted again from Q1 2017, resuming a positive trend from Q2 2018.**



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** recorded steady growth in 2015, for a total of €41.2 billion, +70.6% compared to 2014. In 2016, the volume disbursed reached €49.7 billion, +20.3% compared to 2015. In 2017, the total amount disbursed reached €47.7 billion, -3.9% compared to 2016. **In the first nine months of 2018**, the total amount disbursed was **€36.6 billion**, for an increase of +3.7% compared to the same period in 2017.



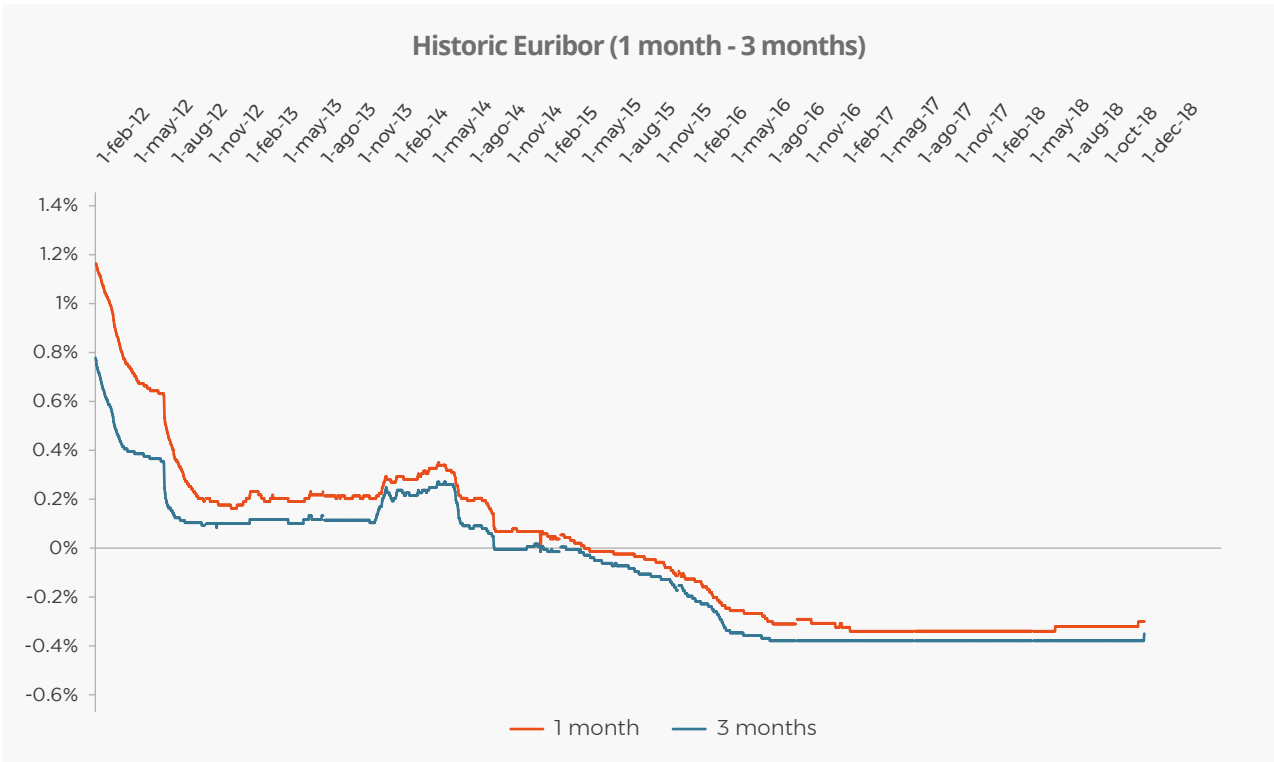
Gabetti Research Department analysis of data from the Bank of Italy database

TREND IN EURIBOR

Since the first wave of liquidity in December 2011 by the ECB, the Euribor rates governing variable loans have diminished considerably. Analysing 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 0.5%, 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%.

According to reports, the ECB's Governing Council intends to keep rates unchanged at 0% for 2019.

In 2014, the trend in the Euribor was influenced by the cut in rates: the three-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 began its 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%**; in 2018, the one-month expiry remained stable at -0.37%, while the three-month expiry fluctuated between -0.33% and -0.31%.



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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