

ITALY INSIGHT

2018

AMY REDFERN, OF KNIGHT FRANK'S ITALIAN DESK, SHARES HER INSIGHTS ON ITALY'S PRIME RESIDENTIAL MARKET.

HOW IS THE MARKET PERFORMING?

The first quarter of 2018 has brought with it encouraging signs following a muted 2017. Super-prime sales (€10m+) have increased significantly and this is expected to filter down to lower price bands in the coming year.

In Italy, homeowners have displayed a reluctance to acknowledge the reality of softening prices over the last decade, which has boosted stock levels and drawn out the market's recovery. Despite this, Knight Frank's Italian Prime Residential Index confirms that the rate of luxury price declines is now bottoming out with Liguria, Chianti and Milan registering positive price growth in 2017.

Our enquiry numbers for Italian homes, up 133% in 2017 year-on-year, suggests any uncertainty on the political or economic stage – the general election, banking crisis and Brexit negotiations – have not influenced buyers' decision-making.

The only notable impact has been at the very top end of the market where wealthy buyers, although still active, have reduced their budgets to mitigate risk and currency exposure.

WHO'S BUYING IN ITALY?

The lifestyle on offer in Italy remains the primary motivation for most international buyers. A second home located within a short flight of their primary residence, which offers strong rental prospects and the promise of a good climate, culture, and landscape acts as a strong pull.

Northern Europeans are active, particularly those from within the Eurozone who have been able to take advantage of moderating prices without being penalised by any currency shift.

The love affair with all things Italian continues for many Americans. In the three months to March 2018, online property viewings by prospective buyers in the US accounted for 11% of all searches on Knight Frank's website.

Of note is the uptick in interest from Australia and New Zealand. Many applicants are semi-retired couples with children working in Europe seeking a long-term summer base to use for family get-togethers. City apartments in Florence and Rome are popular; particularly those easy to maintain as well as lock up and leave.

WHERE ARE THE HOTSPOTS?

Italy's cities are en vogue. Florence, Rome and Lucca currently account for around 40% of our enquiries.

Tuscany, the embodiment of Italian charm, remains high on many wish lists, along with the Northern Lakes.

Waterfront homes (Portofino and Costa Smeralda in Sardinia) saw an uptick in demand in 2017, with the super-prime market notably active.

WHAT TYPE OF PROPERTY IS IN GREATEST DEMAND?

The type of property is dependent on the city or region. In Italy's cities, international buyers are seeking two or three-bedroom apartments in central locations but critically these must be finished to a very high specification, in a prime location and a 'hassle-free' purchase requiring no additional work.

In Venice and the Northern Lakes, those buyers with deep enough pockets want direct canal or lake frontage to maximise their investment, both from a lifestyle and rental perspective.

Finally, in rural parts, a stone-built farmhouse with a few hectares, an attractive pool and rural views of vineyards and olive groves appeals to family buyers seeking the full Tuscan experience.

WHAT'S YOUR OUTLOOK FOR 2018?

Opportunities abound. Buyers are arguably facing the best quality stock for some years and where prices have plateaued we expect the market to gain traction as inventories diminish.

Currency matters. Where UK vendors are looking to return home we are seeing a greater flexibility on price as the recent strengthening of the pound provides them with some room for manoeuvre.

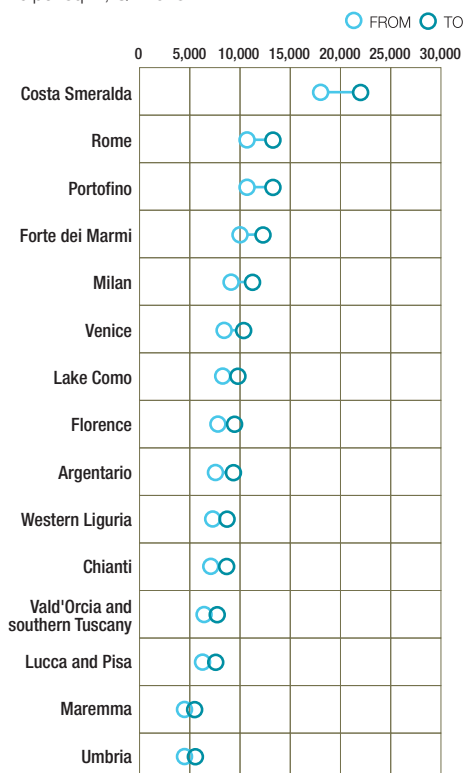
Ease of access. Northern Italy is appealing to buyers keen to explore Switzerland and France, either for ski breaks, outdoor pursuits or for cultural reasons.



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FIGURE 1
TYPICAL PRIME RESIDENTIAL PRICES

€ per sq m, Q1 2018

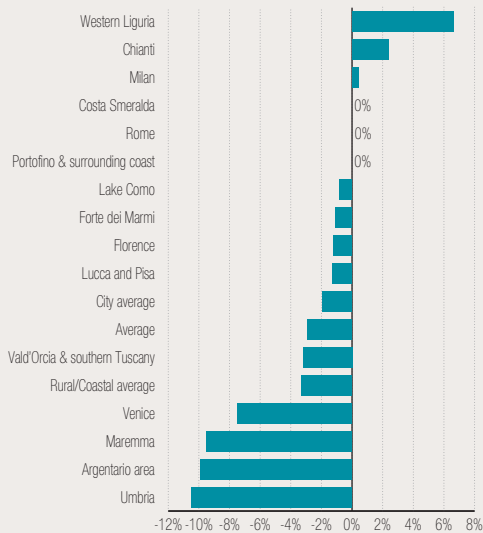


Source: Knight Frank Research

MARKET INTELLIGENCE

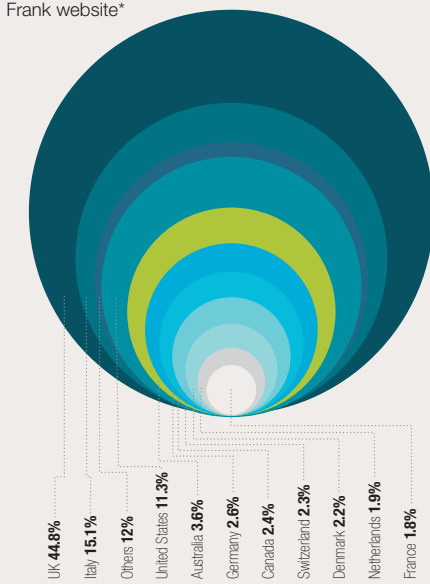
Knight Frank's Research team take the pulse of Italy's prime residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

FIGURE 2
PRICES: RATE OF DECLINE SLOWS IN 2017
Annual % change in prime residential prices, 2017



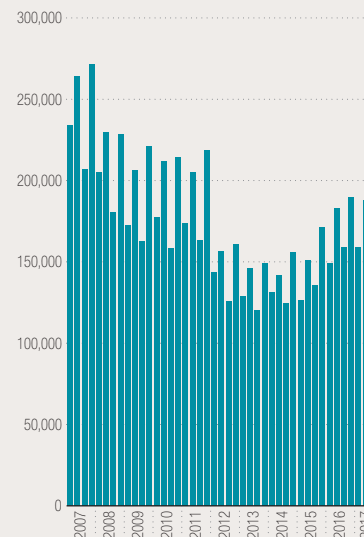
Source: Knight Frank Research, Italian sales network

FIGURE 3
BUYERS: AUSTRALIANS SEEK LA DOLCE VITA
Top 10 nationalities viewing Italian properties via Knight Frank website*



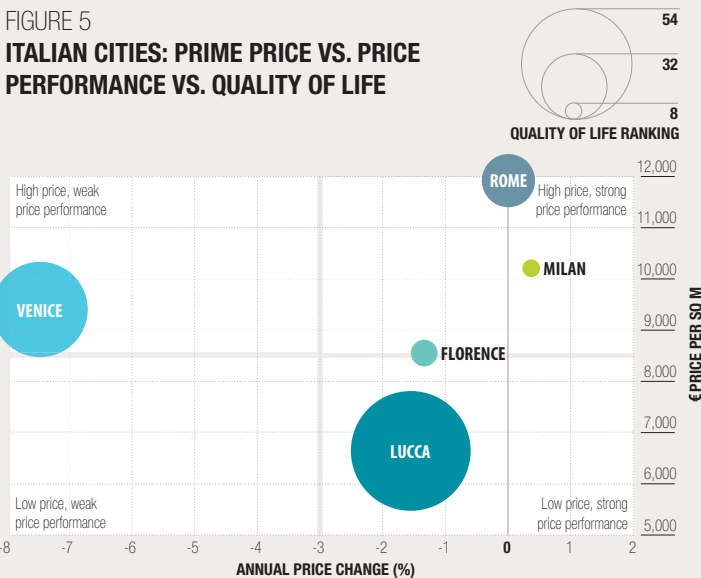
Source: Knight Frank Research
*Data from Knight Frank global property search website: 1 Dec 17 to 15 Mar 18

FIGURE 4
SALES STRENGTHENED IN 2017 BUT HIGHLY SEASONAL MARKET
No. of Italian residential sales per quarter



Source: Knight Frank Research, Macrobond, Istat

FIGURE 5
ITALIAN CITIES: PRIME PRICE VS. PRICE PERFORMANCE VS. QUALITY OF LIFE



Source: Knight Frank Research, ilSole24ore

FIGURE 6
TOP 3 THINGS TO CONSIDER

- Enquiry numbers and sales suggest prime buyers are undeterred by Italy's political and economic landscape, with most adopting a long-term perspective to their investment.
- The number of super-prime sales (€10m+) agreed in 2017/18 is an indication of rising confidence which may filter down to lower price bands.
- New rules introduced in 2017 aims to attract HNWIs by providing new residents with a flat-rate substitute tax of €100,000 per year on all their non-Italian sourced income.



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