

ITALY

PRIME RESIDENTIAL - 2024



savills

FOREWORD

Welcome to the Spotlight on Italy for 2024, where we examine the key trends across Italian prime residential property. International attention and demand for Italy is growing; major cities across the country are seeing increased amounts of tourism, which has varied effects on the property market. This is also coupled with increased urbanisation trends, leading to increased demand across all types of prime property.

The increased demand is centred around high-quality properties, often with buyers becoming more location-agnostic in search of the best properties with features and amenities. We expect that, in the longer term, this will lead to expansion of desirable areas which are well connected and will increase residents' quality of life.

But don't count out the non-city and second home markets - this is the segment of the prime market where there is unwavering international demand, driving price growth in supply-constrained markets such as Lake Como or Portofino. Part of the appeal, aside from the range and type of properties on offer, is the ability to tap into the Italian lifestyle, offering something for everyone - from high-end gastronomy and designer shopping, to a relaxed village life and seaside escapes.

Danilo Orlando
Head of Residential, Savills Italy

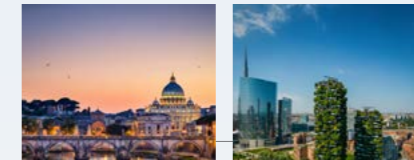
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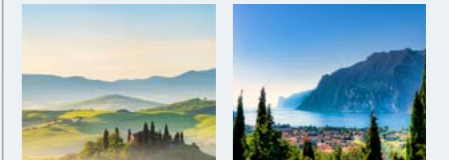
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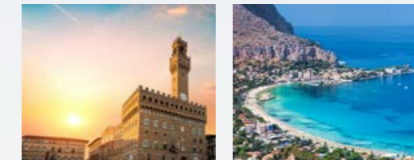
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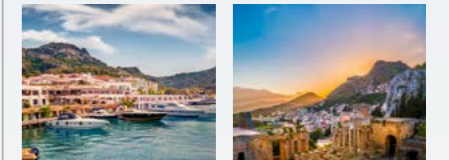
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Outlook



Destination Italy

International hotspot seeing increased interest in its prime residential markets

Italy is a country with a rich cultural heritage and a desirable location for those seeking a prime residential property in the Mediterranean. The country offers a high quality of life and continues to be a top prime residential destination globally, supporting stability within its housing markets.

A global hotspot for tourism, Italy welcomed 49.8 million tourists in 2022. This placed Italy as the fourth most popular tourist destination globally in 2022, behind Spain, Türkiye, and the United States. Italy has long held its appeal, not just to visitors, and is one of the most popular locations for second home ownership in Europe.

The market offers prime properties with amenities such as large terraces, sea

or countryside views, and other features important to both domestic and global purchasers. Second home buyers are also attracted to the country's historic properties and other types of trophy assets, of which Italy has a large supply.

Italy's geographic location close to major business hubs further boosts its desirability. Its membership of the European Union allows EU nationals greater access to the market and amplifies its global appeal. Italy has seen 4.8% GDP growth over the past five years and remains the European Union's third largest economy, as well as an attractive place for foreign investment.

The country is also positioning itself as a hub for innovation and education with its major cities of Milan and Rome

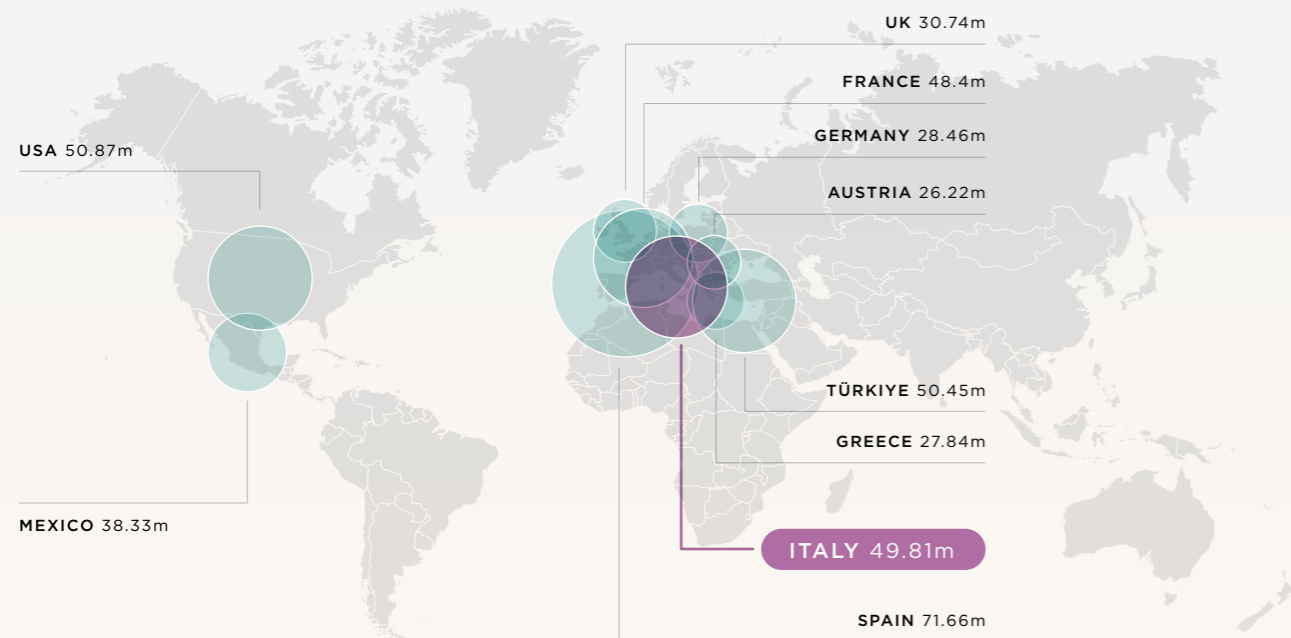
boasting over 50,000 companies engaged in innovation projects between them, according to ISTAT. In addition, Italy is home to 13 of the world's top 500 global universities according to QS.

While Italy's population has declined by 1.8% in the last five years, urban areas continue to see high levels of in-migration. Milan saw an annual average of 17,000 net migrants to the city over the last five years alone.

Major cities in Italy recorded positive rental and capital value growth over 2023, in spite of challenging global economic conditions and a higher interest rate environment. This resilience has been shared with other southern European markets, whose prime property markets

Most visited countries in 2022

Overnight tourist arrivals



Source: Savills Research using WTO

The national residential market picture

Year-on-year price growth



Source: Savills Research

remain more affordable than their northern European counterparts. Prices in Milan, Italy's most expensive prime market, stand -15% below those of London and -36% below Geneva's, for example.

As with other global markets, prime rents in Italian cities have outpaced capital value growth. All major Italian cities saw growth in their prime rental prices, averaging 2.5% and led by Florence with growth of 3.5% in 2023.

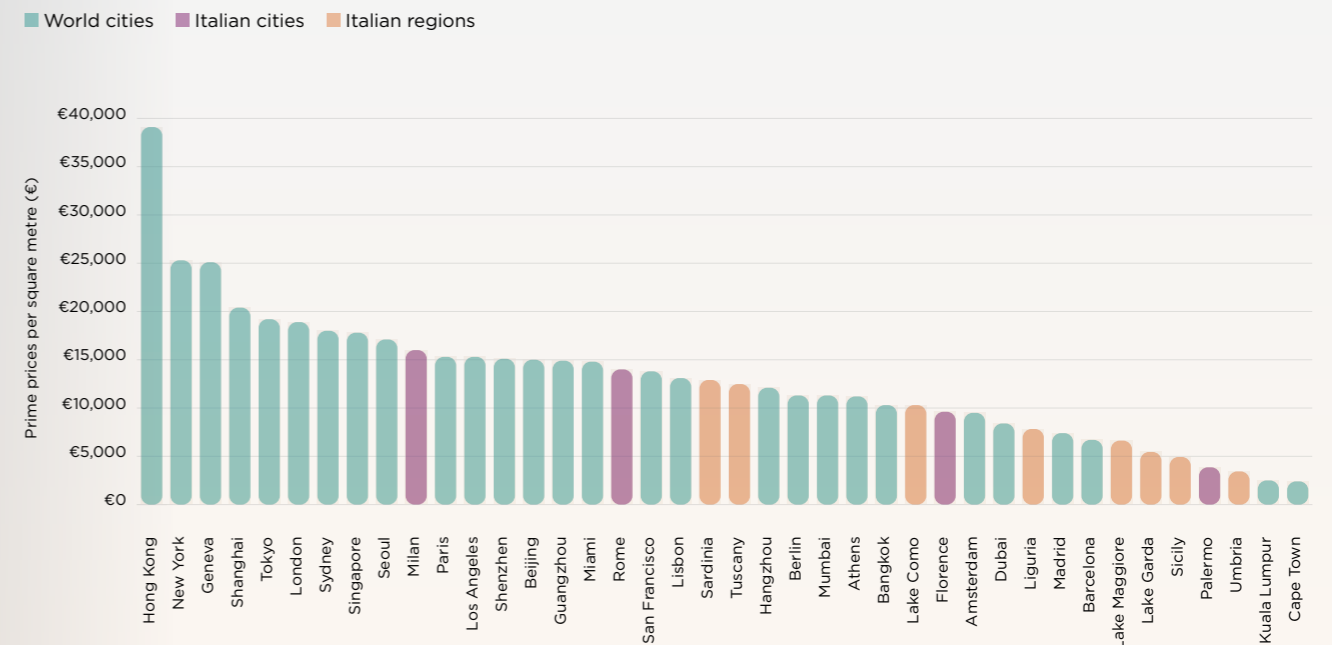
Growth in prime rental markets has been fuelled not only by international tenants, but also by a continued undersupply of product on the market. Italy struggles to build enough housing to meet demand, compounded by current interest rate pressures.

Outside the major cities, rents and capital values have risen even more quickly in prime countryside locations as individuals prioritise greater space and access to nature. These locations will continue to see price growth as sought after trophy assets in these areas offer an escape from the busy cities and an often desirable change of pace.

Looking forward, many potential buyers and renters will continue to adopt a 'wait and see' approach due to the economic uncertainties. While global economic sentiment will likely continue to reduce overall transaction numbers, prime residential property remains resilient; lower sales activity will also likely support further rental growth over the coming year.

In Italy, a continued interest in urban markets and international and domestic interest in prime rural locations will drive growth in 2024. We expect prime residential price growth of 0.6% across major global cities, lower than the 2.2% recorded last year. Italian cities are set to follow a similar trend, with Milan forecast to see capital value growth of between 0% and 1.9% and residential prices in Rome to grow between 2% and 3.9% over 2024. While forecast growth is below the five-year average, there are opportunities for surprises on the upside should anticipated interest rate decreases over the course of 2024 bring some of the 'wait and see' buyers back to the market.

Average prime prices per square metre, Italy and world cities



Source: Savills Research

Rome

The eternal city, enduring appeal with buyers and renters.



From historic homes to world class cultural institutions and landmarks, to national and international organisations, there is a panoply of drivers for buyers to come to Rome. Demographics are in Rome's favour with a growing youthful population: 33% are under the age of 34, forecast to increase a further 7.9% by 2033, drawn by the two universities in the global top 500 and the economic growth of the city.

Prices have been steadily increasing in a market which is characterised by strong levels of demand and very limited supply. While transactions fell by -20.3% over 2023 as prospective buyers adapted to a more challenging economic and borrowing environment, prime properties remained in high demand, especially for larger residences with outdoor areas.

Prime prices in Rome grew by 2.2% over the course of 2023. Prices will likely continue to grow throughout 2024 at a similar pace of between 2.0% to 3.9% as challenging economic conditions continue.

Rents, meanwhile, are rising as supply has been unable to match the levels of demand. Prime rents grew 2.2% in 2023 and 7.0% on 2019. Rental growth is expected to rise at a slower pace through 2024. With prime rents at €8 per square metre

per week (€37 per square metre per month), Rome remains affordable among the major Italian cities in which to rent prime residential property, but a lack of product will continue to drive increases.

SHORTING OUT THE SHORT TERM LETS

The lack of supply in the rental market in Rome and across the country has resulted in a proposed new law to clamp down on short-term tourist rentals for residential properties in the historic city centres in order to free up more housing stock for local people.

Florence has gone one step further than the proposed national legislation working its way through the Italian parliament. The city is also attempting to balance tourism, which is its main economic driver, and the lives of its local population which have been disrupted by increasing numbers of short-term rentals which have themselves become a large portion of the housing stock in Florence. As such from June 2023, the city has imposed an immediate ban on new short-term rental listings, including those on platforms such as Airbnb for apartments located in the city's historic centre, in the UNESCO-listed area.

Milan

Economic heavyweight records market growth



The wealthiest city in Italy and one of the fashion capitals of Europe has the highest prime residential prices per square metre of the four main cities in Italy. Transaction volumes fell by 15.2% in 2023, but pricing was sustained by low levels of supply across the market. A resilient financial and business services sector in Milan has supported increased migration to the city in recent years.

Prices increased by 0.9% over the course of 2023 and stand 6.7% higher than in 2019. A number of new developments have increased the quality of product on offer in the prime market but have also contributed to the increase of prices in the city which now stand at €16,000 per square metre. They have not, however, been sufficient to address the undersupply issues the city faces. While buyers in the city are predominantly Italian, a sizable minority are foreign buyers mainly from the UK, Germany, Switzerland and the United States. International appeal is also bound to rise further with the Winter Olympic Games taking place in the city in 2026.

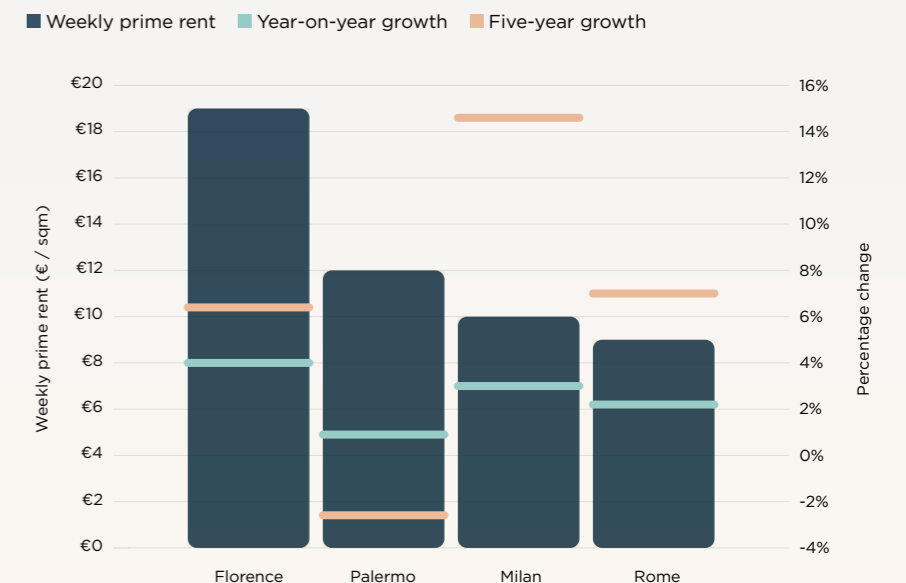
The rental market in Milan has seen significant levels of growth, increasing 3.0% over the course of 2023 and 14.6% on pre-pandemic levels. New migrants to the city and would-be purchasers deterred by a

competitive sales market and high interest rates have all contributed to this growth.

Milan shows positivity through 2024, with forecast price growth up to 1.9% for the year. As inflation continues to ease and interest rates have the potential to see cuts, the market will continue its growth,

though the timing of any potential cuts will more than likely translate to a wait-and-see approach for prospective buyers. Italian families and also international investors are buying in real estate to protect their financial investments from inflation by taking advantage of the strong rental market.

Prime residential weekly rents per square metre and changes



Source: Savills Research

Florence

The Tuscan capital has international appeal



A top destination for culture and history, Florence attracts millions of tourists each year. UNESCO declared the historic centre of the city a World Heritage Site in 1982. Noted for its culture, Renaissance art and architecture and monuments, the city is also home to a number of international

schools and universities. Its relatively compact historical centre with easy access to the countryside, coupled with a range of historical properties, have long been driving international purchasers.

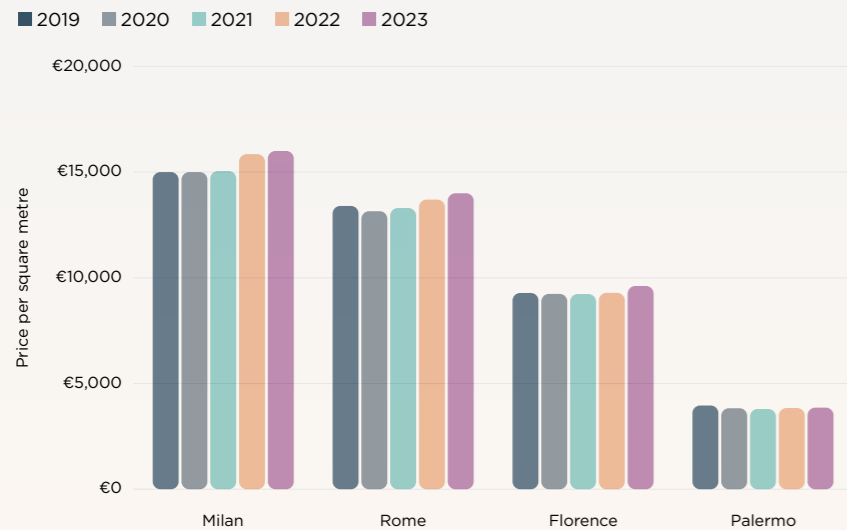
At the end of 2023 prime prices in the city stood at €9,600 per square metre,

having increased 3.5% over the course of 2023 and 3.6% since 2019. Like many Italian markets, Florence remains significantly undersupplied, especially in the prime city centre locations which remain popular both with Italian and international buyers in the prime segment. Domestic buyers make up the bulk of the prime market, but nearly 40% are international, with the UK, the US, Germany, and France the most common source markets.

While prime residential prices continue to increase in the Tuscan capital, transactions in the market are yet to return to their pre-pandemic levels. Transactions in Florence were down -16.9% on the year and -2.8% on 2019, reflecting the limited levels of supply across the city. New developments are nearly impossible in the historic city centre where there is the highest demand, a factor that will further support price growth going forward.

As in the purchase market, limited supply across Florence is increasing rents across the city. Over the course of 2023, prime rents in the city increased 4.0% in 2023 and have grown 6.4% since 2019. The market is sustained by strong and growing demand, as well as a lack of supply.

Prime residential prices per square metre



Source: Savills Research

Palermo

History meets home



Palermo is the cultural, economic and tourism capital of Sicily and the fifth largest city in Italy. It is the largest port on the island and is home to many cultural and historic attractions which speak to its rich heritage and, along with its renowned gastronomy and favourable Mediterranean climate, is a long-standing soft spot in the hearts of buyers and renters alike. With the lowest prices and rents per square metre of major Italian cities, Palermo also offers more affordable living compared to other hubs.

Significant growth in transactions has been a key differentiator for Palermo, rising by 11.3% on 2019. Demand was sustained even during the pandemic, supported by

the combination of affordability and city life that Palermo provides.

Price growth was flat in 2023, however, and declined by -2.5% on pre-pandemic levels, largely driven by an oversupply of stock and a lack of new developments. Palermo remains a predominantly domestic market for prime residential, with approximately 80% of all buyers being Italian, meaning global trends have less impact on prices here compared to its other city counterparts. However, there is a growing interest from international buyers from the United States, UK, and France.

Palermo's rental market has seen marginally higher growth than that seen

in the sales markets, rising by 0.9% in 2023, but rents are down -2.6% on 2019. The prime rental market also suffers from oversupply and lack of new development as the sales market, albeit to a lesser degree.

Prime residential prices and rents in Palermo are set to decline marginally over 2024, as elevated interest rates will likely make the economic environment more difficult. However, this stability and slow price growth likely works in Palermo's favour, as it remains an attractively priced alternative to its much more expensive competitors.

Countryside - Tuscany and Umbria

Villas, vineyards, vacations



From cuisine to architecture and from historic cities to timeless landscapes, Tuscany's lifestyle appeal to the global community is well documented. Stretching from The Apennines to the Tyrrhenian Sea, prime residential prices are averaging just over €12,000 per square metre, second to Sardinia's Costa Smeralda.

Umbria, adjacent to Tuscany and one of the few landlocked regions in Italy, is the least expensive prime Italian countryside

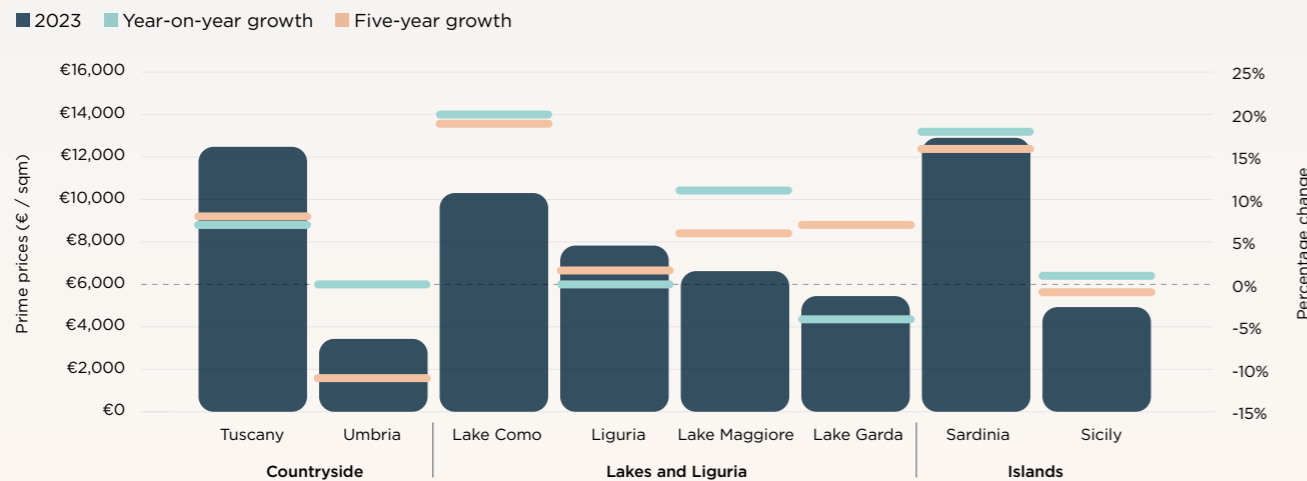
market, with prices of just €3,400 per square metre. While prices in Tuscany grew by 7.2% in 2023 (8.0% growth since 2019), Umbria has seen flat growth over the last year and prices have fallen -10.8% on 2019, partially due to a less robust transport infrastructure, which makes it less easily accessible for potential international buyers.

Both regions are seeing lower numbers of transactions than were seen pre-pandemic, primarily due to a lack of

high-quality prime supply coming to market.

Rents in these two countryside locations have remained strong, however, with Tuscany seeing 29.5% price growth over 2023 and Umbria recording 8.5%. Both regions recorded high levels of rental growth since before the pandemic, rising by 26.6% and 13.2% on 2019. The Tuscan and Umbrian countryside offers space and access to nature in abundance, two elements key to many people's lifestyle moves.

Prime residential prices and price growth



Source: Savills Research

The Lakes and Liguria

The emerging and established



Italy's northern regions, encompassing Lake Como, Lake Maggiore, Lake Garda, and Liguria are iconic destinations for second homes driven by both domestic and international interest. These regions attract thousands of visitors each year and have been thoroughly established destinations for decades. Lakes Maggiore and Garda are quickly emerging as prime markets that are becoming popular destinations in Italy, driven both by the undersupply in Lake Como and their comparative affordability.

Prime prices have, for the most part, increased for all locations in this region, led by Lake Como. The international recognition and extreme desirability of Lake Como as well as the limited supply

found around the lake has driven prices up by 19.9% in 2023 alone. Liguria is the only region that did not see price growth over the past five-year period, due to largely more stable levels of demand.

This region remains popular with every location seeing positive transactions growth over the past five years; Lake Maggiore leads with a 20% increase in transactions on 2019, reflecting its comparative affordability.

Lake Maggiore and Lake Garda have seen the largest gains in rents, up of 64.7% and 44.1% respectively in 2023, and some 67.8% and 109.4% on 2019, respectively. Both have benefitted as a more affordable alternative to the Lake Como region, which has greater international attention and

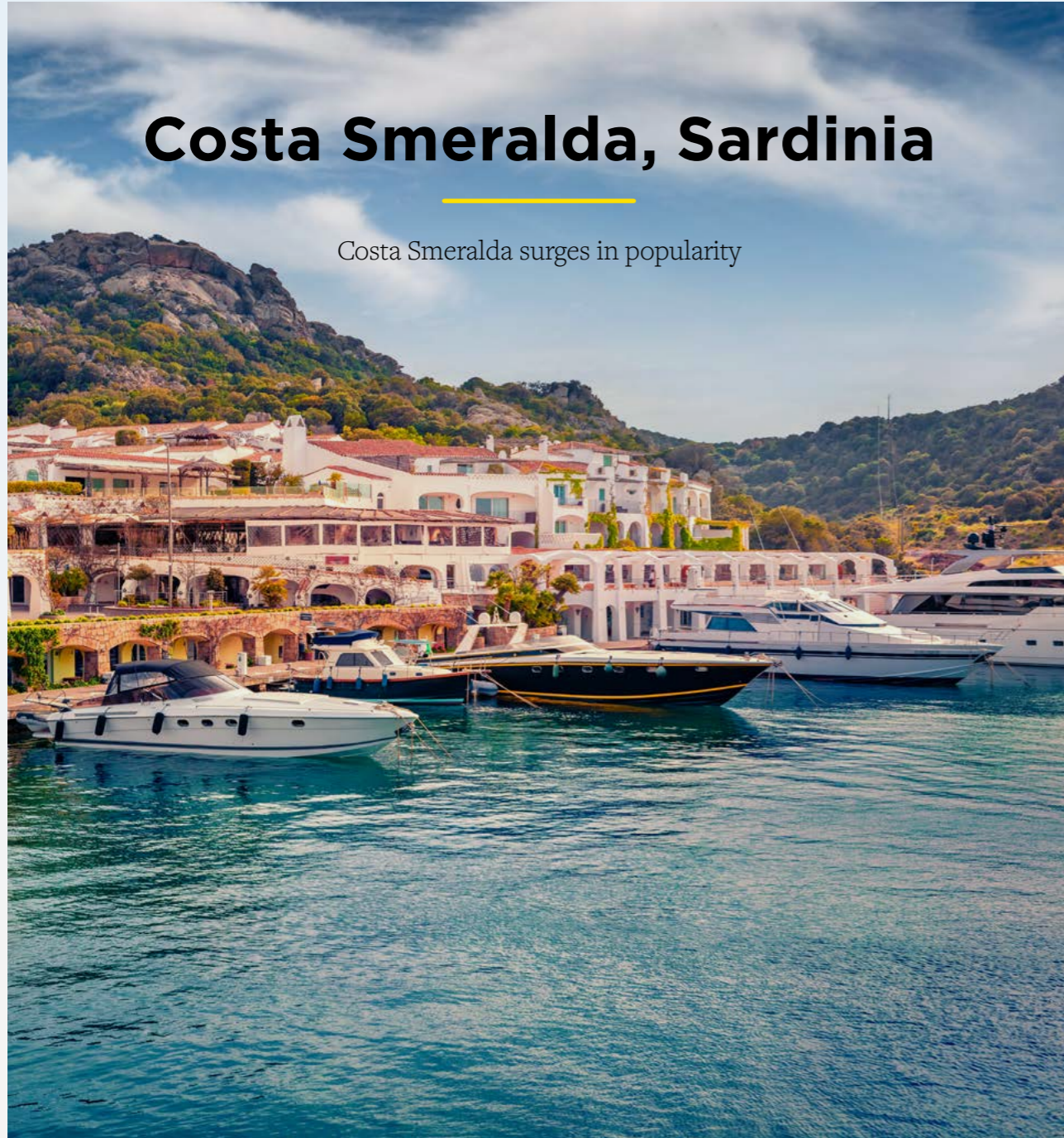
chronic undersupply.

Turning to the coast, Liguria has seen far greater growth in rents than in capital values, recording a 33.8% increase in 2023, attributed to the sharp decline in supply and increased demand for rental properties.

Looking forward to 2024, the region as a whole will likely continue to be impacted by global trends including higher interest rates and macroeconomic uncertainty. While this may have a negative impact on the established locations as it did in 2023, the more affordable emerging regions may benefit as higher borrowing costs incentivise buyers to see lower cost options.

Costa Smeralda, Sardinia

Costa Smeralda surges in popularity



Costa Smeralda on the island of Sardinia remains a well-established location in Italy for the prime residential market. Emerging into global consciousness during the 1960s with the redevelopment of the area by Aga Khan, with beaches like the Maldives framed by lush Mediterranean scrub, the region has seen strong performance across its prime residential market for years. Despite a decrease in transactions, prices and rents continue to rise.

Prime residential prices in Costa Smeralda are benefitting greatly from the global push to lifestyle locations, with 80% of all buyers coming from international

backgrounds. In 2023 prices increased by 18%, the second highest in Italy, largely driven by low levels of supply and high international demand. Villas with countryside and sea views are in particularly high demand, and Costa Smeralda is well placed to offer these.

Costa Smeralda's prime rents have doubled in 2023 and tripled compared to 2019 values, supported by strong international demand. The post-pandemic trend increasing desire for luxury holiday lets has been particularly noted in this region, as visitors are seeking higher degrees of privacy and the possibility of personalised

services. Renters are also looking for a similar lifestyle as buyers, with a large emphasis on access to nature and open countryside.

Transactions grew by 13.5% on 2019, but decreased by -20.2% in 2023, one of the most significant decreases we have seen in the prime Italian markets. As most buyers in this region are international, global macroeconomic uncertainty does tend to play a larger role in this market. These factors will likely continue in the first part of 2024; however, the later part of the year may see rate cuts and spur more activity on Costa Smeralda.

Sicily

Location, location, (filming) location



Once a more off-the-radar destination, Sicily has surged to the forefront of global consciousness once again, thanks to several high-profile television series and films. An area of rich history, reflected in Greek, Roman, and Byzantine sites as well as a haven for nature with Mount Etna towering over the landscape.

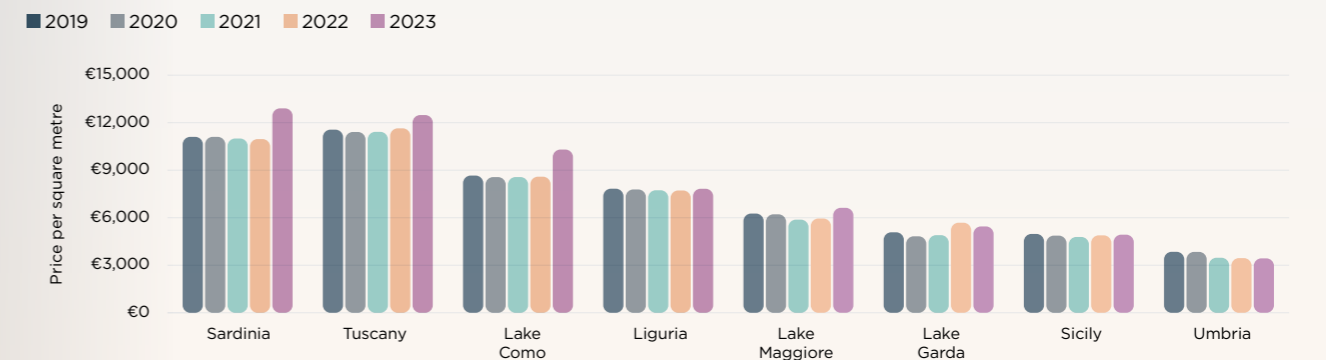
This global attention has the potential to further boost the property market in a region which is currently one of the least expensive in Italy. Prices per square metre across Sicily remain down on values seen in 2019 by -0.9%; however, they have grown by 0.9% over the course of 2023.

The market is also seeing stable demand and an expanding supply, which is helping to slightly mitigate the levels of undersupply seen in recent years across the market. Transaction volumes are down -14.4% over 2023, but they remain 15.3% higher than volumes seen in 2019. Increasing amounts of supply in the market should help support transaction numbers in the coming years. Buyers across Sicily are mainly Italian, but the market has seen significantly increased levels of interest from a growing minority of buyers from France, the UK, Switzerland, the United States and Scandinavia, looking to take

advantage of the lifestyle to be found on the island.

Rental prices have increased at a steady pace in recent years, growing 9.7% on 2019 and 11.7% over 2023. As is the case with many markets globally, visitors to Sicily will look to try out the market by renting property before they choose to buy in their desired location. Increasing demand for rental property across the region, especially due to its rising international prominence and comparatively less expensive prime rental stock, will likely continue to support rental price growth.

Prime residential prices per square metre



Source: Savills Research

Outlook

Lifestyle, culture, weather, but also competitive prices and tax incentives: the Italian market is opening more and more to international interest, supporting further expectations of growth.



Second homes locations, not second place

As seen in other locations across the globe, we expect prime second home locations to continue to outperform city markets as buyers worldwide prioritise the lifestyles to be had in many of these locations.



Trophy assets continue to triumph

The rarefied nature of prime Italian property makes it one of the ultimate trophy asset destinations for buyers, especially for the growing numbers of high-net-worth individuals around the world who are looking to add to their property portfolios.



Price preferences

Prime markets across Italy remain comparatively lower priced compared to residential property in other parts of Europe. Coupled with the enduring appeal of the Italian lifestyle, accessing prime residential property for a relative bargain can be a golden opportunity for many buyers.



Global appeal

Whilst Italy as a whole remains a predominantly domestic market, interest is growing in its prime property markets from across Europe and further afield, drawn by the quality of life, tax incentives, and rarity of Italian prime residential property. We expect that this increasing desire will continue to support prices across the key markets.



Gladiator performance

With forecast prime residential price growth of between 2% and 3.9%, Rome is expected to outperform the World city forecast average growth of 0.6% for 2024, demonstrating the enduring appeal of the eternal city.

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