

English version

QUARTERLY NOTE

Trends in Italian real estate market - Q4 2016 and annual summary

QUARTERLY NOTE

4th quarter 2016 and annual summary

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Direzione Centrale Osservatorio Mercato Immobiliare e Servizi Estimativi



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Foreword

Data on sales published by the Real Estate Market Observatory refer to the number of real estate units sold each quarter and are extracted from the transfers of title database managed by the local branches of Agenzia delle Entrate (Italian Revenue Agency). Sales figures are computed on the basis of real estate units that have been transferred for valuable consideration and take into account the share of property transferred (see the methodological appendix).

Real estate units are grouped by use (housing, appurtenances, office, retail and industrial) according to the cadastral categories provided in the deeds of transfer.

Data on real estate sales cover the whole national territory except the provinces of Bolzano, Trento, Gorizia, and Trieste, where the cadaster and/or the land registry are managed by local administration.

The data on this report have been extracted on the 9th of February 2017. They refer to the deeds signed in the fourth quarter of 2016 and do not include deeds recorded after legal deadlines. However, those data are residual at statistical level.

For further details and data refer to the Italian version of the Quarterly note available on the website of Agenzia delle Entrate:

<http://www.agenziaentrate.gov.it/wps/content/Nsilib/Nsi/Documentazione/omi/Pubblicazioni>Note+trimestrali/>
<http://www.agenziaentrate.gov.it/wps/content/nsilib/nsi/documentazione/omi/banche+dati/volumi+di+compravendita>

Starting with the next quarter data, IQ 2017, in accordance with D.Lgs 72/2016 that introduces a new article in the Consolidated Law on Banking related to OMI's role, our statistics will undergo a restyling and two different reports will be published: one for the residential sector and one for all the other sectors (office, retail and industrial).



Trends in Italian real estate market

Italian real estate market - Overview

The Italian real estate market continues to expand following a trail of strong recovery started in mid 2015. The change rate in the last three months of 2016 is +16,4% compared to the same period of the previous year. For the first time since 2011 the total number of NTN¹ exceeds the one million threshold, with overall annual growth at +18,4%.

As shown in Table 1, the residential sector grows by 15,2% in the Q4 2016, a slight slowdown, as in the previous quarter, from the peak reached in the first half of the year. Sales of appurtenances (mostly consisting in units serving the main property such as basements, garages or parking spots) show almost no sign of fading, rising by 18,4% on quarterly basis and 19,2% on annual basis.

Non-residential market surge as well. Results are positive for all sectors, especially for the industrial one with sales up to +25,4% in Q4 and an annual average of +22,1%.

Time series of quarterly changes and indices by sector (Figure 1 and Figure 2) show a succession of boom and bust cycles starting in 2004. At first, sales strongly increased then, from 2006 to 2011, there was a continuous decline briefly interrupted by a weak rebound for only parts of the market. This was followed by severe and generalized falls in 2012 and 2013. A new upturn took place in 2014, consolidated in 2015 and gained further speed in 2016.

Italian housing market - Sales

According to Table 2 and Table 3 residential markets show no main differences between chief towns and other towns while, looking at geographical areas, the north proves to be more dynamic than the rest of the Country.

Consistently with national level results, all major cities markets are soaring (Table 4). Among them, in the fourth quarter Torino stands out by further improving its growth rate to 25,2%. Worth mentioning are also Napoli and Bologna performances, both rising above 15%. Only Palermo scores below 5%. On annual basis, Torino and Bologna confirm their leadership, together with other major cities from the north of the country, all rising by more than 20%. Roma averages a +10,6% increase on the previous year.

Italian housing market – Bare ownership sales

In 2016 bare ownership² transfers amount to 23.955 NTNnp³ (Table 5). This implies an increase of 11,5% over 2015, compared to +18,9% of full ownership. Annual growth is higher in minor towns mainly due to the results of the last quarter.

Italian housing market – Mortgages

House purchases made by households and financed through a mortgage placed upon the same property (NTN IP⁴) show notable rise over 2015 (Table 6), +27,3%, reaching almost 250.000 units. This accounts for 48,5% of total households residential purchases. Overall mortgage loans amount to nearly 30 billion euro in 2016, rising by 28% over the previous year. Average loan amount per housing unit (119.600 €) moves slightly up (+0,4%). Average loan length is steady at around 22 years, in line with previous year. Finally, national average interest rate, referred to the first instalment of the mortgage, falls to 2,31% and, accordingly, the average monthly instalment payment (568 €) is down by 4%.

¹ NTN is the number of “standardized” real estate units sold, taking into account the share of property transferred.

² Bare ownership transaction is when property is sold, but without the right to use and derive profit from it.

³ As seen for full ownership transaction, NTNnp is the number of “standardized” real estate units sold, taking into account the share of property transferred.

⁴ Number of “standardized” transactions made by individuals and financed through mortgage, taking into account the share of property transferred.



Italian housing market – Prices

Price index series (Figure 12) kept rising from 2004 to 2008 despite weak trading. This was followed by an extended period of steady prices, while trading rates got worse. Since 2012 prices suffered continuous falls ending in late 2015. Latest observation shows a close to zero growth.

Italian real estate market – Offices, retail and industrial sales

Offices market, up by 12,5% in 2016, faces high volatility in the center areas, with north outpacing the rest of the Country (Table 7)

Retail market performs very positively through the year with center regions lagging behind the national average (Table 8).

Finally, the industrial sector closes 2016 with a remarkable +22,1%: south, in particular, although being a relative small market, hits record results in Q2 and Q4 (Table 9).

Tables and figures

Table 1: Quarterly NTN and year over year percentage change

NTN	I Q 2016	II Q 2016	III Q 2016	IV Q 2016	Year 2016
Residential	115.194	143.298	123.476	146.896	528.865
Office	2.025	2.413	2.510	3.000	9.946
Retail	6.776	7.598	7.188	9.024	30.586
Industrial	2.121	2.897	2.565	3.704	11.287
Appurtenances	87.554	110.015	94.007	119.427	411.003
Others	30.828	38.687	35.719	44.090	149.324
Total	244.498	304.908	265.465	326.141	1.141.012
% Change	I Q 15-16	II Q 15-16	III Q 15-16	IV Q 15-16	Year 15-16
Residential	20,7%	23,0%	17,5%	15,2%	18,9%
Office	1,4%	14,9%	31,2%	5,9%	12,5%
Retail	14,5%	13,0%	23,4%	16,2%	16,6%
Industrial	7,2%	28,8%	24,6%	25,4%	22,1%
Appurtenances	17,3%	23,3%	17,3%	18,4%	19,2%
Others	8,5%	16,1%	18,4%	15,5%	14,8%
Total	17,3%	21,9%	17,9%	16,4%	18,4%

Figure 1: 2004 Q1 - 2016 Q4, indices by real estate sector (base year 2004 = 100)

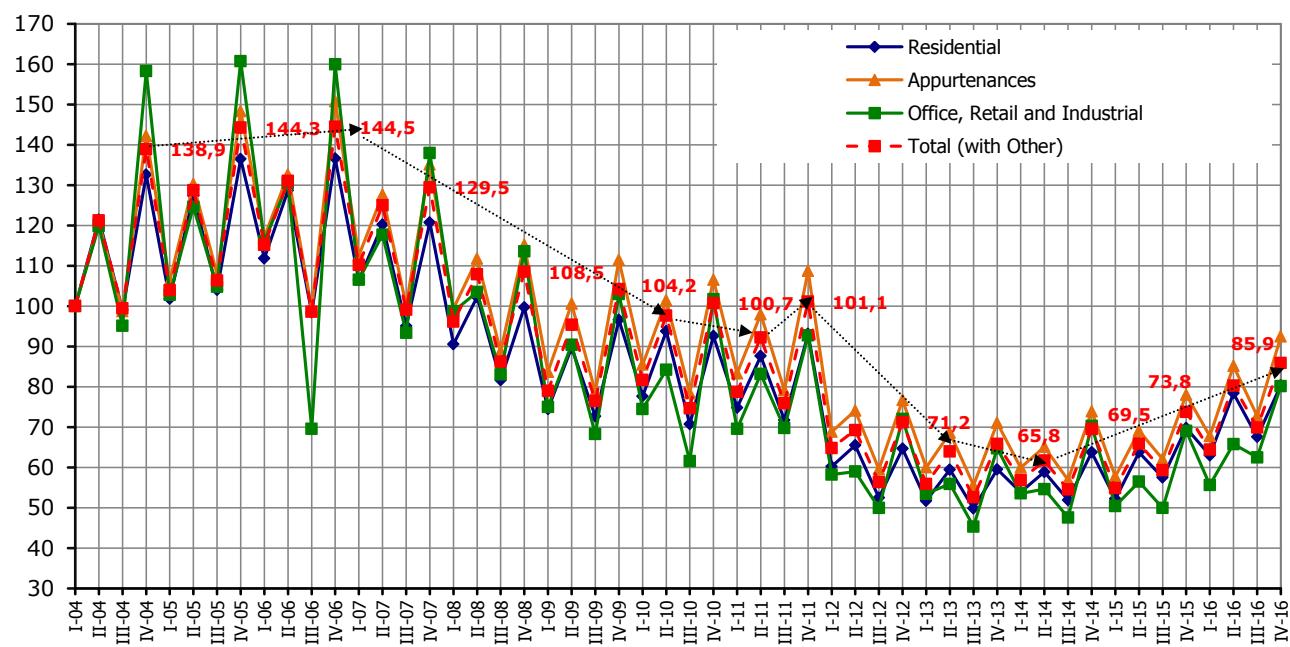




Figure 2: 2004 Q1 - 2016 Q4, year over year percentage changes by real estate sector

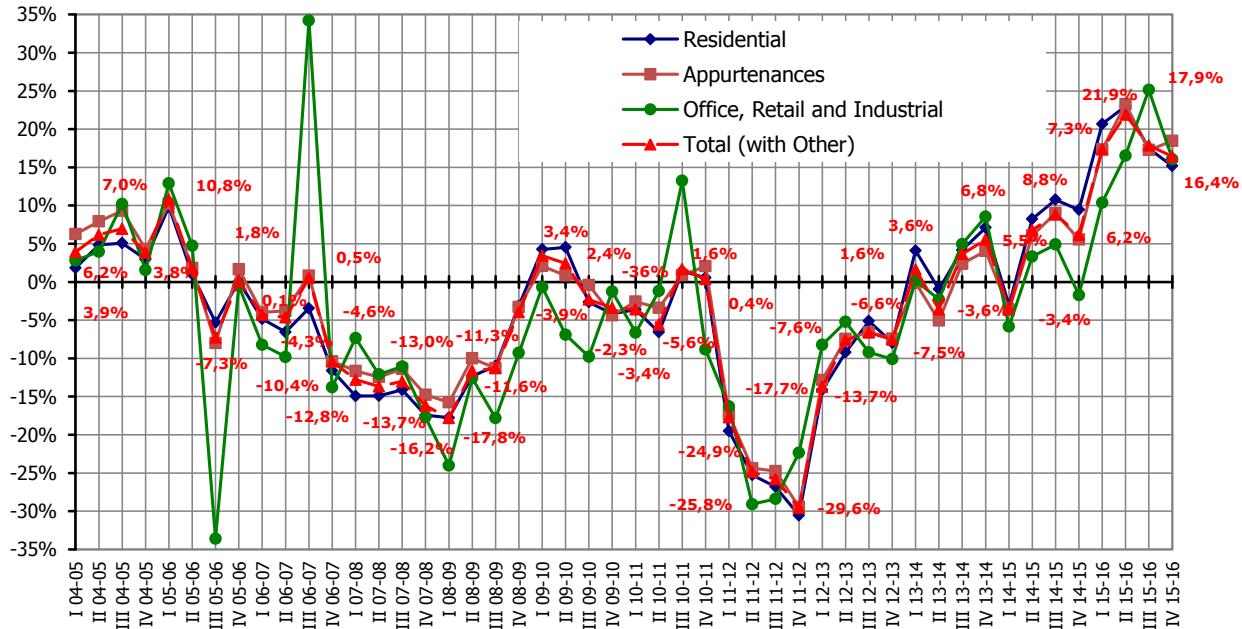


Figure 3: 2013 Q1 - 2016 Q4, quarterly residential NTN and year over year percentage changes by geographical areas

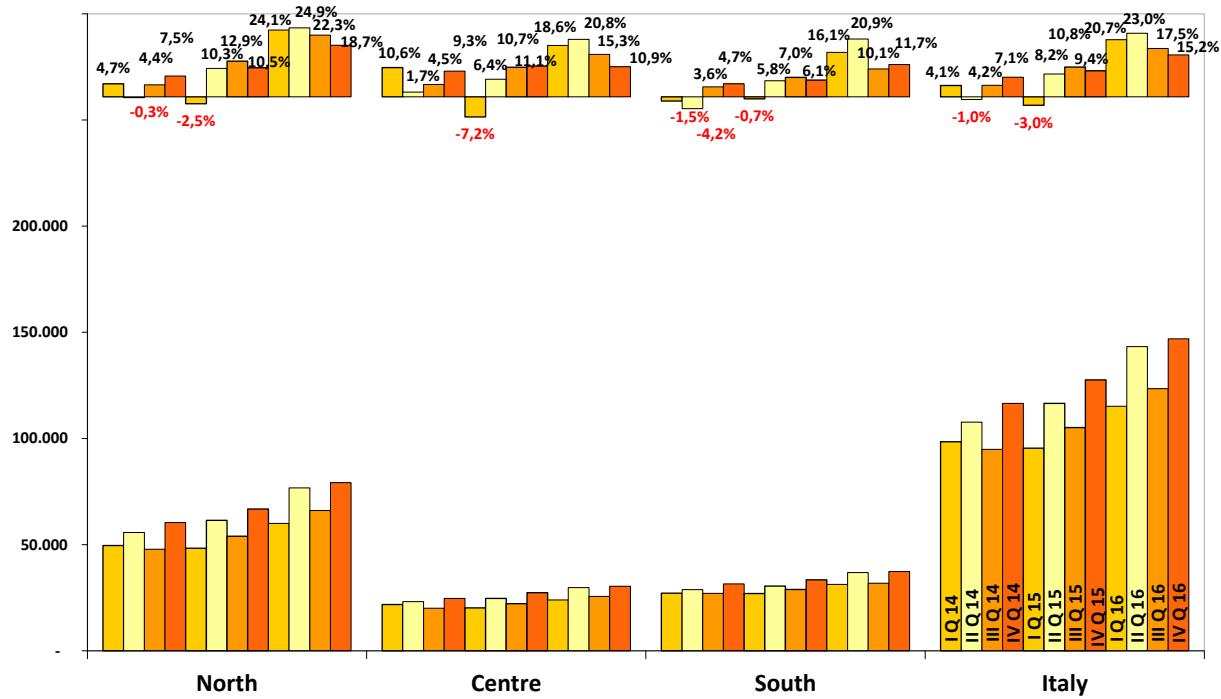




Figure 4: 2004 Q1 - 2016 Q4, indices for residential sector by geographical areas, (base year 2004 = 100)

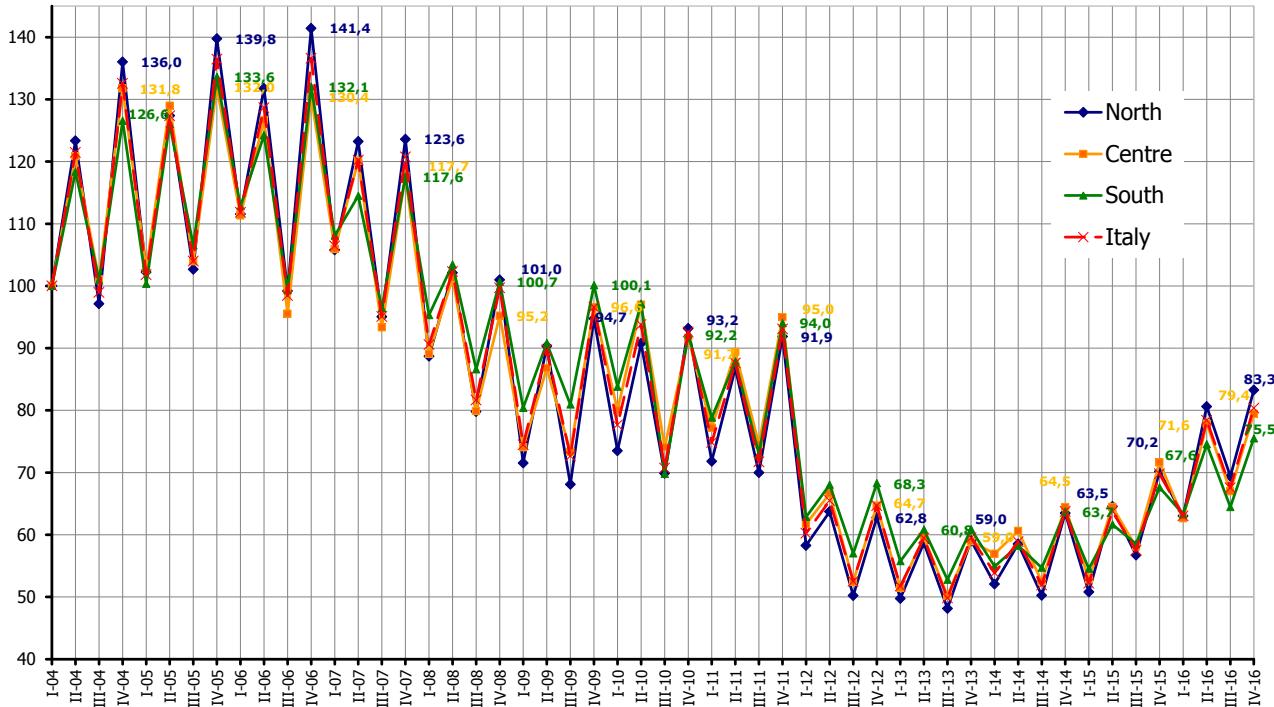


Figure 5: 2004 Q1 - 2016 Q4, year over year percentage changes for residential sector by geographical areas

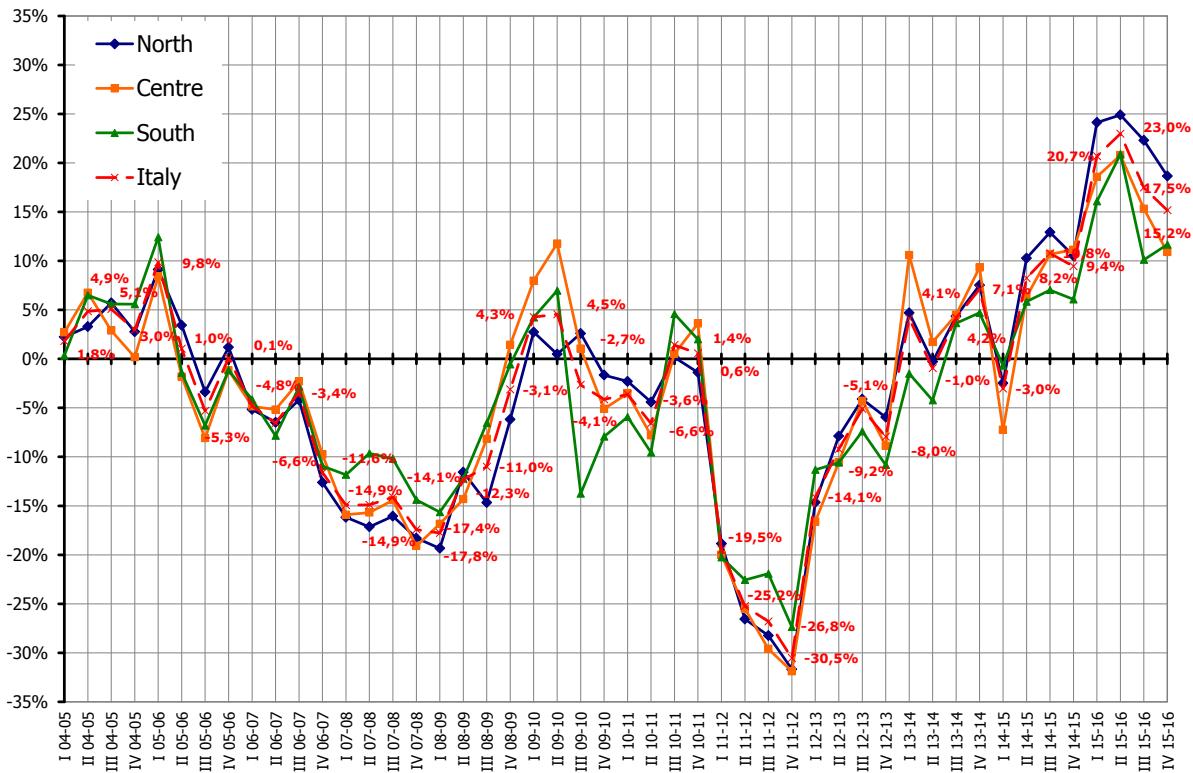


Table 2: Quarterly NTN and year over year percentage change by geographical areas and by chief towns and other towns

NTN Residential		III Q 2016	IV Q 2016	Year 2016	% change III Q 15-16	% change IV Q 15-16	% change year 15-16
North	Chief towns	20.916	24.215	89.901	23,0%	17,5%	23,7%
	Other towns	45.102	55.009	192.015	22,0%	19,2%	21,7%
	Total	66.018	79.224	281.916	22,3%	18,7%	22,3%
Centre	Chief towns	11.915	14.233	51.577	12,6%	7,5%	13,5%
	Other towns	13.709	16.146	58.159	17,8%	14,1%	18,6%
	Total	25.623	30.379	109.736	15,3%	10,9%	16,2%
South	Chief towns	8.768	10.430	38.921	7,7%	11,8%	14,7%
	Other towns	23.067	26.863	98.292	11,0%	11,6%	14,6%
	Total	31.835	37.293	137.214	10,1%	11,7%	14,6%
Italy	Chief towns	41.598	48.878	180.400	16,4%	13,2%	18,7%
	Other towns	81.878	98.018	348.465	18,0%	16,2%	19,1%
	Total	123.476	146.896	528.865	17,5%	15,2%	18,9%

Table 3: 2015 Q1 - 2016 Q4, year over year percentage changes by chief towns and other town

	% change I Q 14-15	% change II Q 14-15	% change III Q 14-15	% change IV Q 14-15	% change I Q 15-16	% change II Q 15-16	% change III Q 15-16	% change IV Q 15-16
Chief towns	-4,5%	9,6%	12,2%	10,9%	22,9%	23,1%	16,4%	13,2%
Other towns	-2,2%	7,5%	10,0%	8,7%	19,5%	22,9%	18,0%	16,2%
Total	-3,0%	8,2%	10,8%	9,4%	20,7%	23,0%	17,5%	15,2%

Table 4: Quarterly residential NTN and year over year percentage changes for major cities

Chief towns	III Q 2016	IV Q 2016	Year 2016	% change III Q 15-16	% change IV Q 15-16	% change year 15-16
ROMA	6.906	8.524	30.253	8,9%	8,7%	10,6%
MILANO	5.090	5.933	21.978	23,9%	10,4%	21,9%
TORINO	2.733	3.356	12.342	20,5%	25,2%	26,4%
GENOVA	1.581	1.755	6.631	25,1%	12,7%	22,9%
NAPOLI	1.404	1.873	6.714	2,5%	17,4%	17,1%
PALERMO	1.051	1.323	4.795	6,0%	11,7%	9,2%
BOLOGNA	1.262	1.496	5.568	21,5%	19,7%	23,7%
FIRENZE	1.105	1.236	4.788	13,3%	6,8%	16,0%
Total	21.132	25.495	93.069	15,1%	12,6%	17,4%
Other towns	III Q 2016	IV Q 2016	Year 2016	% change III Q 15-16	% change IV Q 15-16	% change year 15-16
ROMA	3.213	3.919	14.111	19,5%	16,9%	20,3%
MILANO	6.946	8.928	31.067	19,1%	21,5%	21,8%
TORINO	3.531	4.531	15.338	23,5%	25,1%	24,2%
GENOVA	746	865	3.109	19,2%	9,0%	20,0%
NAPOLI	2.334	2.819	10.283	25,1%	13,2%	19,8%
PALERMO	942	1.024	3.730	13,4%	4,7%	6,5%
BOLOGNA	1.549	1.956	6.800	15,2%	15,9%	19,0%
FIRENZE	1.389	1.587	5.792	31,4%	16,1%	24,1%
Total	20.651	25.630	90.230	20,7%	18,4%	20,9%

Figure 6 a: 2004 Q1 - 2016 Q4, indices and year over year percentage changes for residential sector, major cities (base year 2004 = 100)

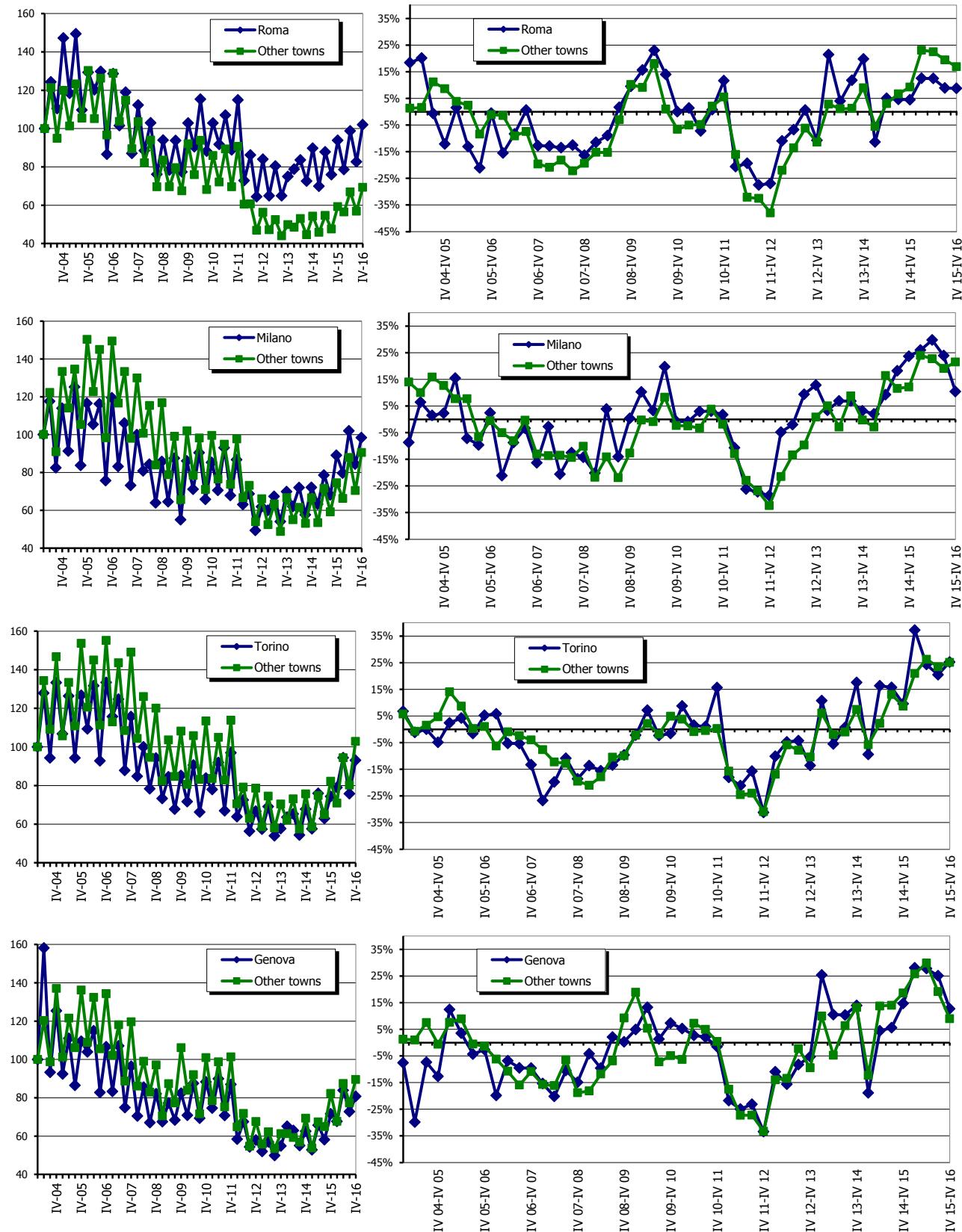


Figure 6 b: 2004 Q1 – 2016 Q4, indices and year over year percentage changes for residential sector, major cities (base year 2004 = 100)

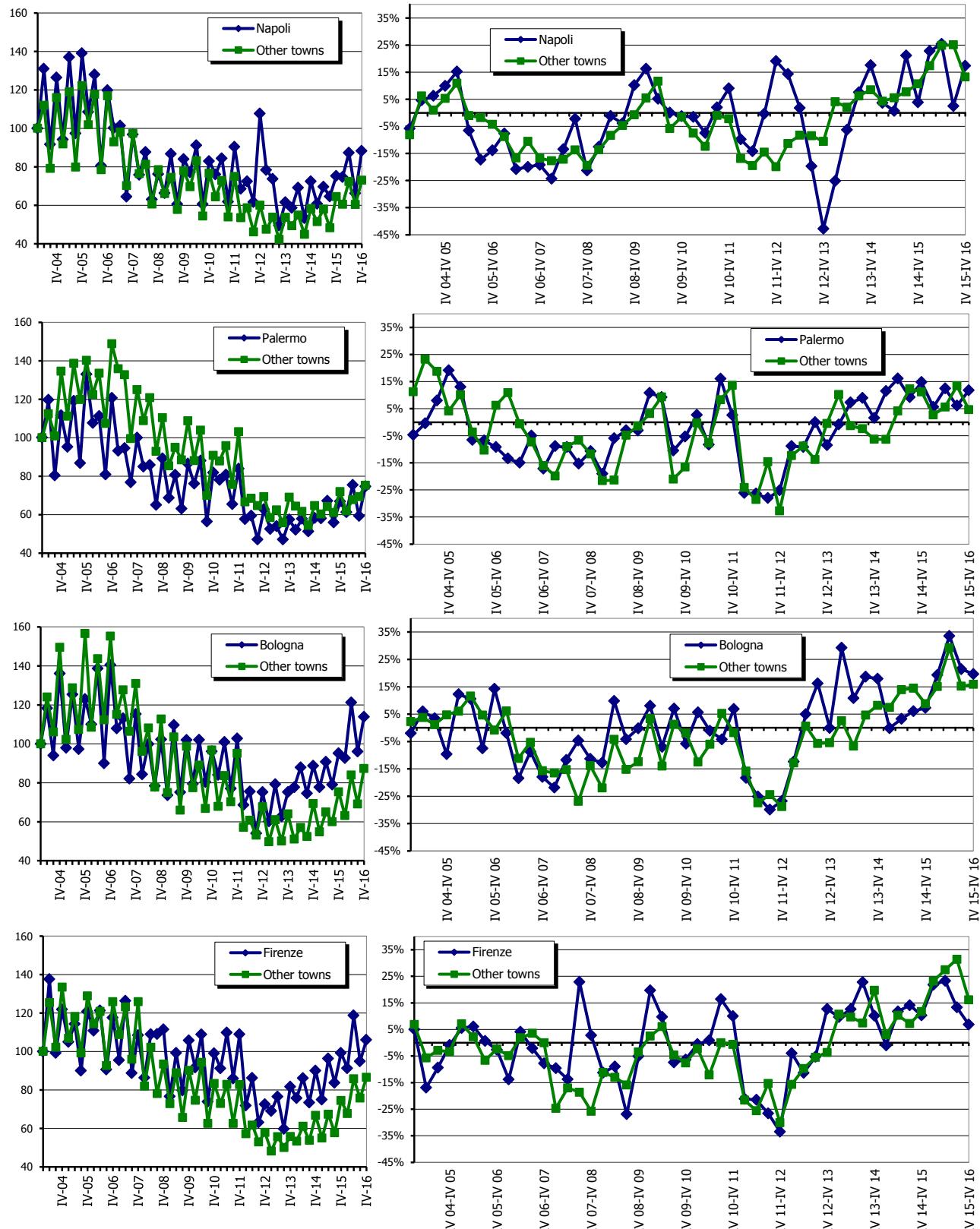


Table 5: Quarterly residential NTN and year over year percentage changes bare and full ownership

Residential NTN Bare Ownership		III Q 2016	IV Q 2016	Year 2016	% change III Q 15-16	% change IV Q 15-16	% change Year 15-16
Italy	Chief towns	1.788	2.176	8.141	9,7%	3,4%	9,5%
	Other towns	3.459	4.401	15.814	11,5%	10,0%	12,5%
	Total	5.247	6.577	23.955	10,9%	7,7%	11,5%

Figure 7: 2004 Q1 - 2016 Q4, indices for residential sector bare and full ownership, (base year 2004 = 100)

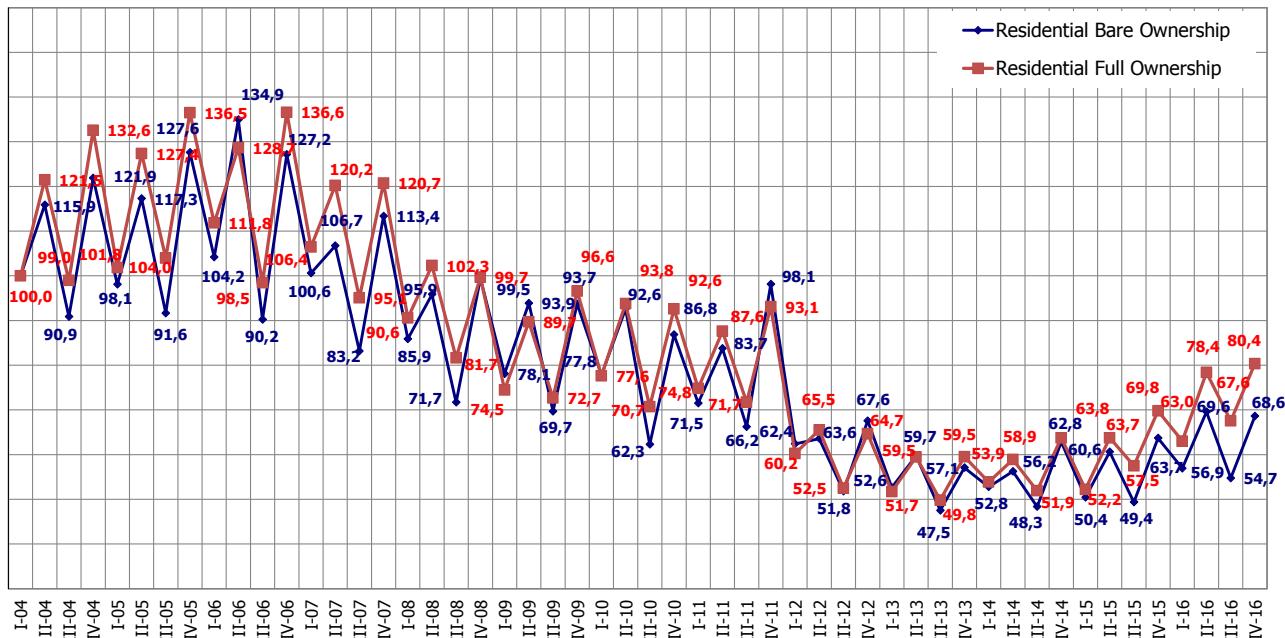


Figure 8: 2004 Q1 - 2016 Q4, year over year percentage change for residential sector bare and full ownership

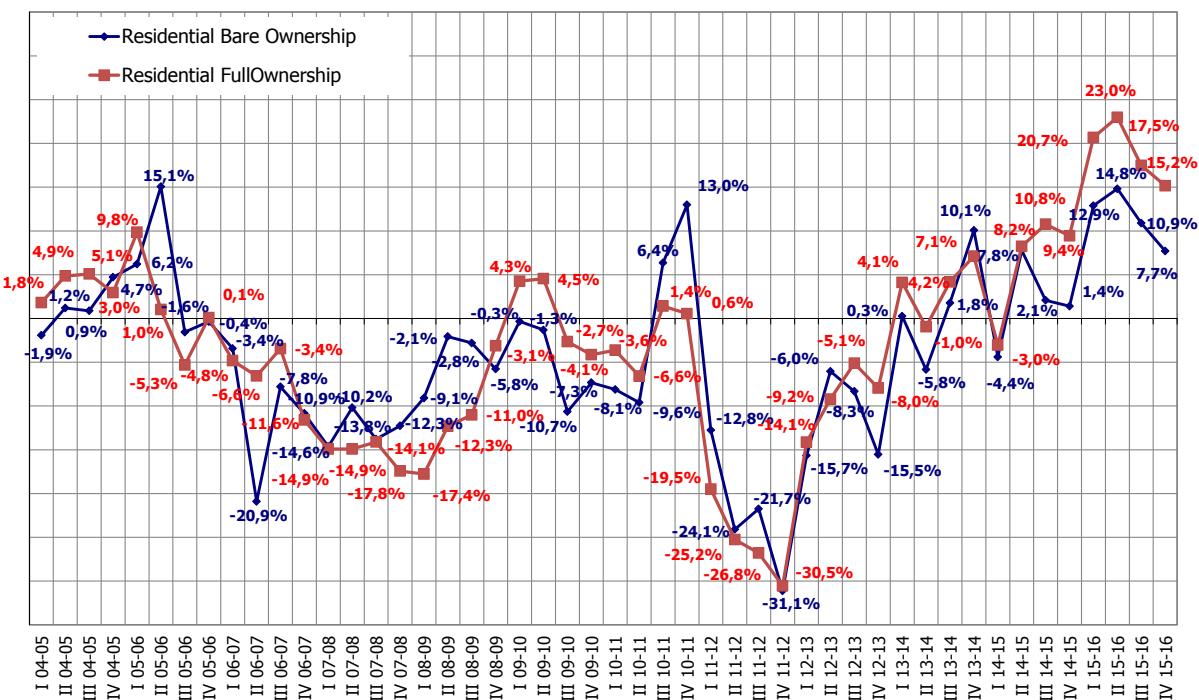




Table 6: NTN IP, loan amount, average interest rate, mortgage length and NTN IP share on NTN PF

ITALY	2015	2016	2015-2016
NTN IP	193.350	246.182	27,3%
Total loan amount (millions €)	23.050	29.451	27,8%
Average loan amount per housing unit (thousand €)	119,2	119,6	0,4%
First instalment average interest rate	2,75%	2,31%	-0,44
Average mortgage length (years)	22,5	22,5	0,00
First instalment average amount (€)	592,0	568,3	-4,0%
Share % on NTN PF	45,5%	48,5%	3,05
North	2015	2016	2015-2016
NTN IP	110.479	142.087	28,6%
Total loan amount (millions €)	13.064	17.031	30,4%
Average loan amount per housing unit (thousand €)	118,2	119,9	1,4%
First instalment average interest rate	2,59%	2,18%	-0,41
Average mortgage length (years)	22,4	22,4	-0,01
First instalment average amount (€)	579,4	563,4	-2,8%
Share % on NTN PF	50,2%	52,7%	2,49
Centre	2015	2016	2015-2016
NTN IP	42.622	53.317	25,1%
Total loan amount (millions €)	5.744	7.207	25,5%
Average loan amount per housing unit (thousand €)	134,8	135,2	0,3%
First instalment average interest rate	2,93%	2,46%	-0,47
Average mortgage length (years)	23,3	23,3	0,00
First instalment average amount (€)	665,6	635,8	-4,5%
Share % on NTN PF	47,2%	50,5%	3,26
South	2015	2016	2015-2016
NTN IP	40.250	50.779	26,2%
Total loan amount (millions €)	4.242	5.214	22,9%
Average loan amount per housing unit (thousand €)	105,4	102,7	-2,6%
First instalment average interest rate	2,98%	2,51%	-0,47
Average mortgage length (years)	21,9	21,9	0,00
First instalment average amount (€)	546,0	507,8	-7,0%
Share % on NTN PF	35,0%	38,4%	3,41

Figure 9: 2004 – 2016, year over year percentage change for NTN IP and annual loan amount by geographical areas, (base year 2004 = 100)

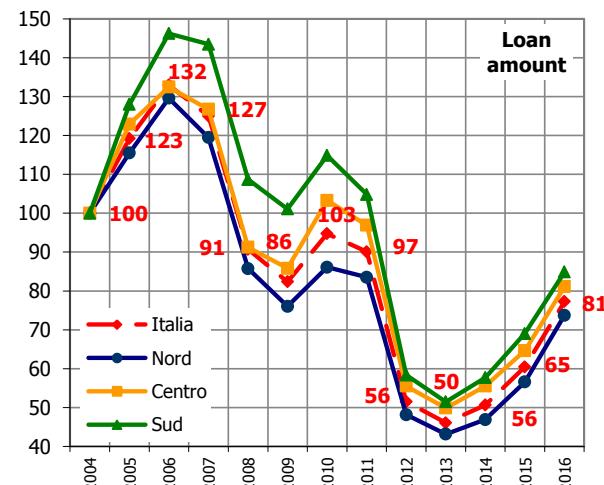
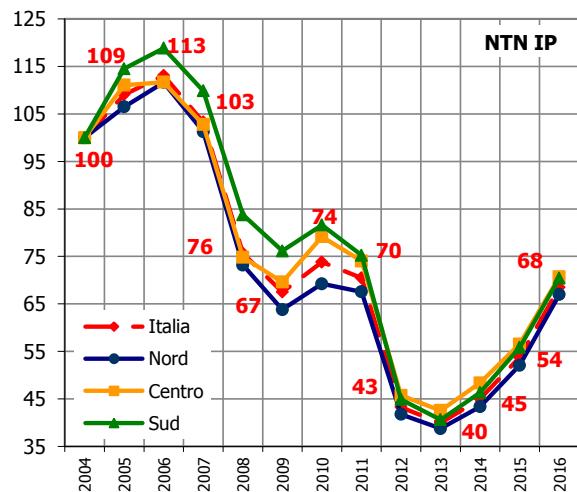


Figure 10: 2004 – 2016, Interest rate and first instalment average amount by geographical areas

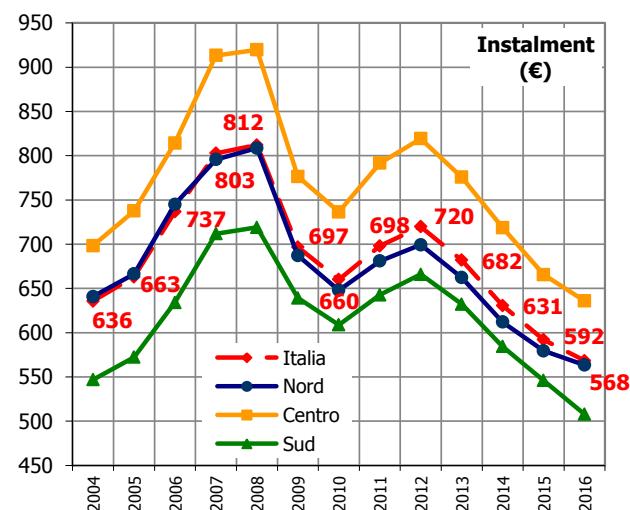
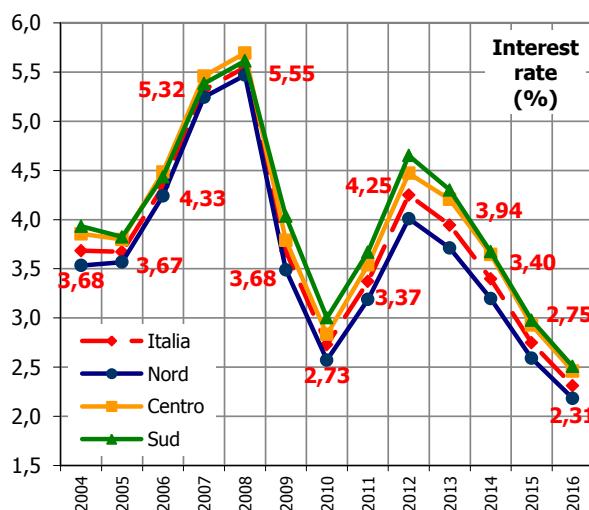


Figure 11: 2004 – 2016, Average loan amount per housing unit

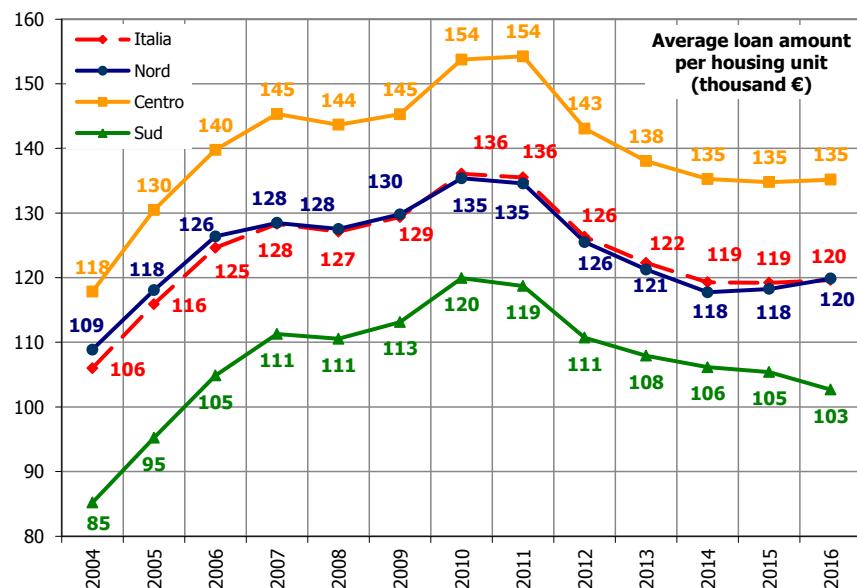
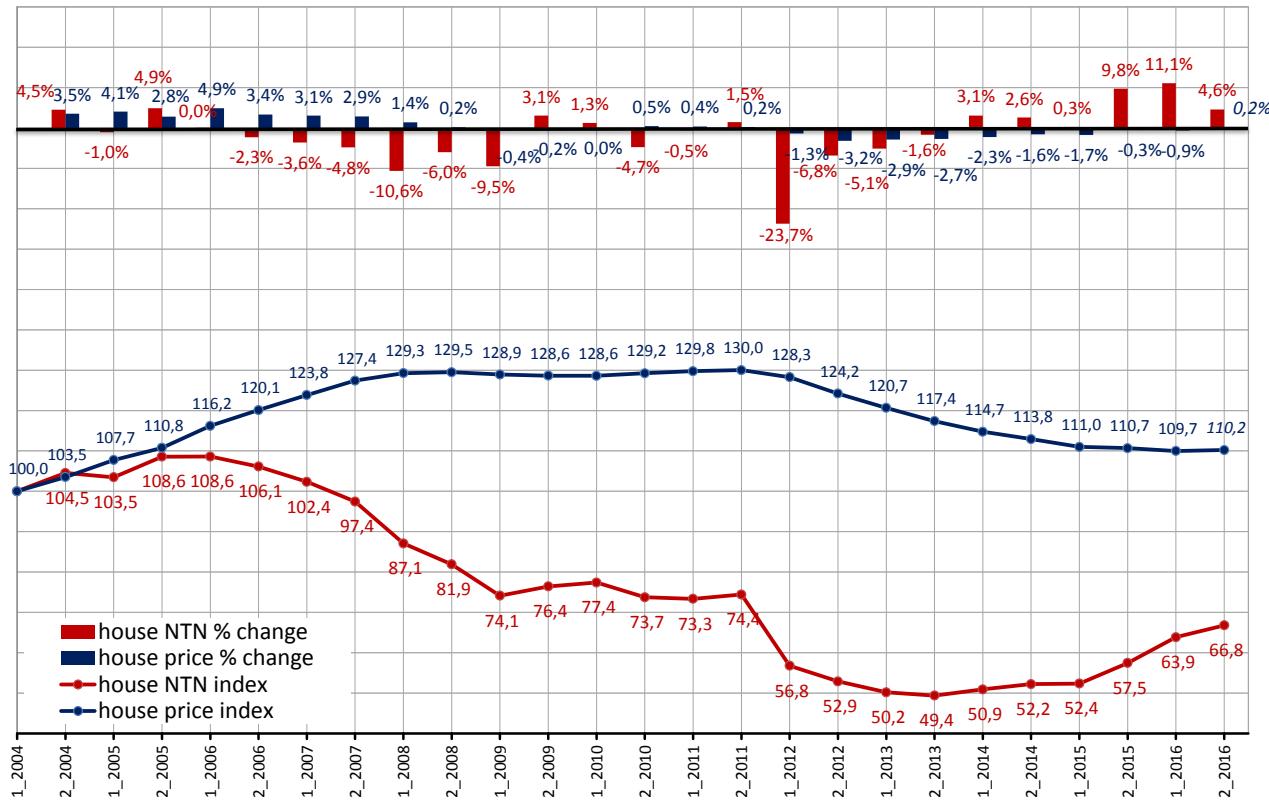


Figure 12: I semester 2004 – II semester 2016, housing price and housing NTN indices, (base semester 1_2004 = 100)



Source: our processing based on OMI and ISTAT data

Figure 13: 2004 Q1 - 2016 Q4, indices by non residential sector, (base year 2004 = 100)

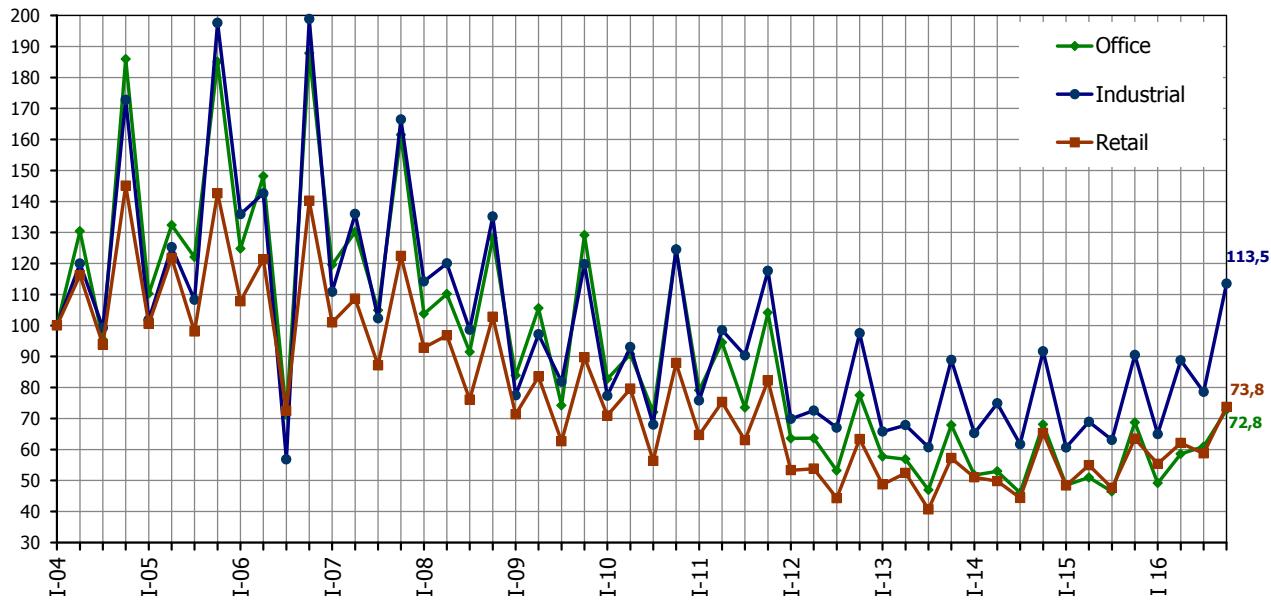


Figure 14: 2004 Q1 - 2016 Q4, year over year percentage changes for Office, Retail and Industrial sector

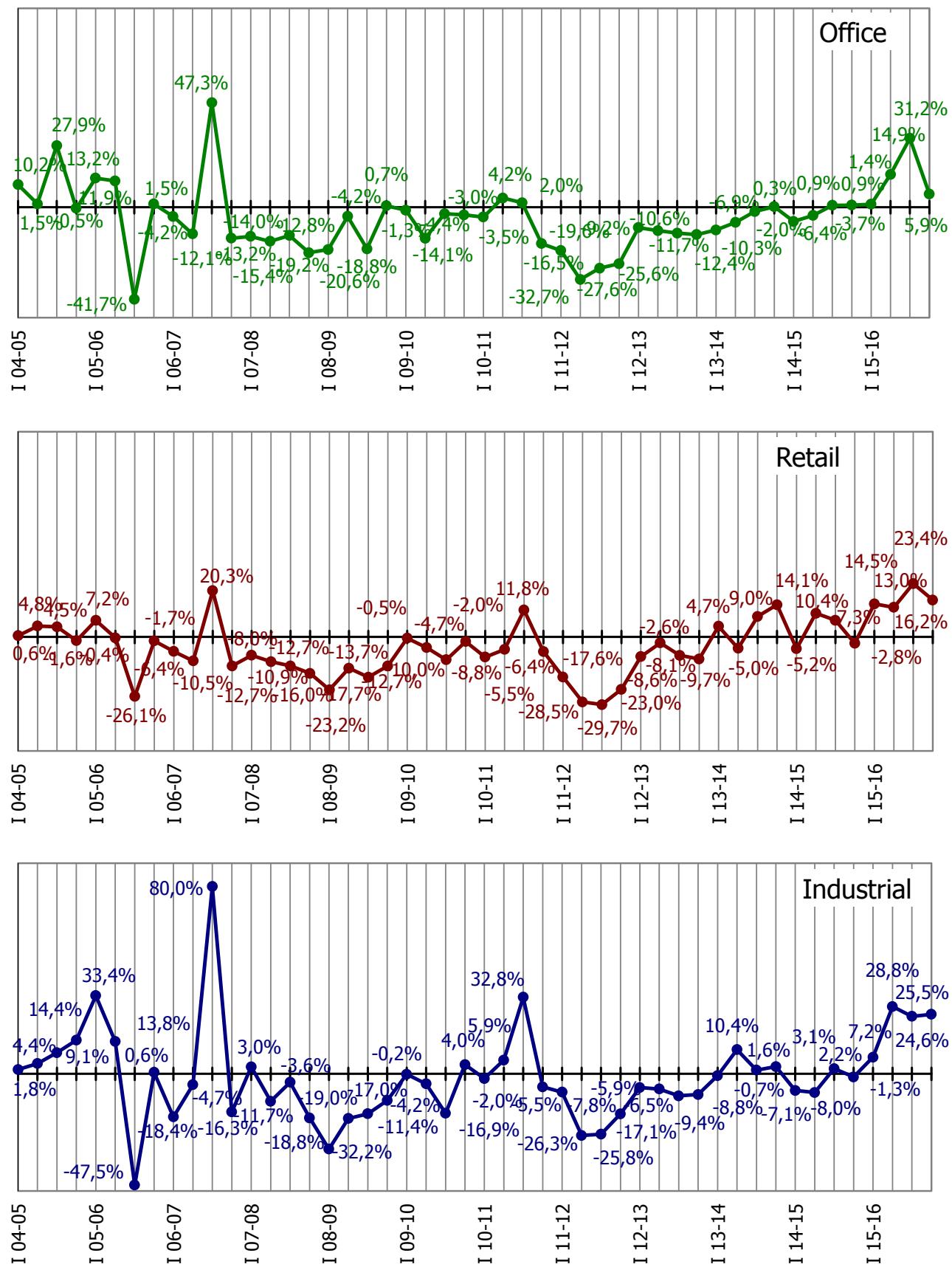




Table 7: Quarterly NTN for office sector and year over year percentage changes by geographical areas

Area	I Q 2016	II Q 2016	III Q 2016	IV Q 2016	Year 2016	% change III Q 15-16	% change IV Q 15-16	% change Year 15-16
North	1.186	1.413	1.579	1.918	6.094	34,7%	14,5%	16,7%
Centre	417	505	488	559	1.966	36,1%	-14,6%	4,2%
South	422	494	442	523	1.879	15,6%	4,3%	8,5%
Italy	2.025	2.413	2.510	3.000	9.944	31,2%	5,9%	12,5%

Table 8: Quarterly NTN for retail sector and year over year percentage changes by geographical areas

Area	I Q 2016	II Q 2016	III Q 2016	IV Q 2016	Year 2016	% change III Q 15-16	% change IV Q 15-16	% change Year 15-16
North	3.309	3.619	3.633	4.442	15.002	28,8%	16,2%	17,7%
Centre	1.451	1.700	1.620	2.051	6.821	23,7%	12,4%	13,7%
South	2.016	2.279	1.935	2.531	8.759	14,2%	19,6%	17,0%
Italy	6.776	7.598	7.188	9.024	30.584	23,4%	16,2%	16,6%

Table 9: Quarterly NTN for industrial sector and year over year percentage changes by geographical areas

Area	I Q 2016	II Q 2016	III Q 2016	IV Q 2016	Year 2016	% change III Q 15-16	% change IV Q 15-16	% change Year 15-16
North	1.396	1.867	1.710	2.371	7.343	22,0%	16,9%	17,4%
Centre	364	430	449	628	1.870	36,0%	26,6%	19,6%
South	361	600	406	706	2.071	23,9%	64,1%	45,5%
Italy	2.121	2.897	2.565	3.704	11.286	24,6%	25,4%	22,1%



Methodological notes

Sources

Data used in this report are retrieved from the cadastral database, the land registry and the real estate market observatory (OMI), all managed by the Italian Revenue Agency. The cadastral database provides the information on cadastral typologies, while the land registry gives the number of real estate unit sold.

Data on this report have been extracted in February, 9 2017. They refer to the deeds signed in the fourth quarter of 2016 except those that have been recorded after legal deadlines. However, those data are residual at statistical level. Quarterly data are subject to revision and the final data are available after two quarters.

Data coverage

Data on real estate sales cover the whole national territory excluding four provinces (Bolzano, Trento, Gorizia, and Trieste) where the cadaster and/or the land registry are managed by local administrations.

Methodological criteria

Conventionally, property transfers are grouped by cadastral categories. While the cadastral category is reliable for the residential segment, in the other sectors there are many mismatches between the reported and the actual use of the units. Among the appurtenances, some units are used for business. However, in this report, all units in categories C2, C6 and C7 are considered as units serving housing. In the rest of the methodological section a glossary is provided with a list of cadastral typologies, divided by sector.

Glossary

NTN	Number of "standardized" real estate units sold (sales of property rights are "counted" taking into account the share of property transferred, which means that if an unit is sold only for a portion, for example 50%, this would not be counted as one, but as 0,5).
Geographical areas	North: Liguria, Lombardia, Piemonte, Valle D'Aosta, Emilia Romagna, Friuli Venezia Giulia, Veneto; Centre: Lazio, Marche, Toscana, Umbria; South: Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna, Sicilia.
NTN np	Number of "standardized" transactions of bare ownership rights. It refers only to deeds in which the seller transfers the ownership of the property, but not the real right of use and/or enjoyment of the property (usufruct), i.e. allowing the holder to maintain possession and full use throughout life or for a specified period.
NTN IP	Number of "standardized" transactions made by individuals and financed through mortgage, taking into account the share of property transferred. The data on mortgage loans used in this report include only loans with mortgage on the same property being transferred. Furthermore, they do not include renewals and loans with other kinds of mortgage.

Loan amount	Amount of capital granted by the loaner (bank or other financial institution) in order to purchase a house
Interest rate	Interest on loan amount as defined at the beginning of the contract (initial interest). It is used to calculate the first loan instalment
Average mortgage loan length	Length (in years) of a mortgage loan as defined at the beginning of the contract
Average instalment amount	The instalment is computed assuming interest rate equal to first interest rate, loan amount equal to average loan amount per housing unit and finally the mortgage term equal to average term.



Comprehensive list of cadastral typologies

	(Cadastral category)	(Description)
RESIDENTIAL SECTOR	A/1	Luxury dwelling-houses
	A/2	Well-finished dwelling-houses
	A/3	Economic dwelling-houses
	A/4	Cheap dwelling-houses
	A/5	Ultra-cheap dwelling-houses
	A/6	Rural dwelling-houses
	A/7	Detached houses
	A/8	Villas
	A/9	Castles, palaces of great historical and artistic value
	A/11	Traditional local dwelling-houses
	WAREHOUSES / STORAGE FACILITIES	
APPURTEANCES	C/2	Warehouses and storage facilities
	BOX / PARKING SPOTS	
	C/6 e C/7	Stables, sheds, storehouses and garages Closed and open canopies
NON RESIDENTIAL SECTOR	OFFICE	
	A10	Private offices and practices
	D5	Credit, exchange and insurance premises
	RETAIL	
	C1 e C3	Shops and workshops
	D8	Buildings constructed for, or adjusted to meet special commercial needs and not suitable for different use without radical transformation
	D2	Hotels
	INDUSTRIAL	
	D1 e D7	Factories and Buildings constructed for, or adjusted to meet special industrial needs and not suitable for different use without radical transformation
OTHERS	GROUP B	
	Real estate units grouped in categories from B1 to B8 such as schools, hospitals, prisons, libraries, public offices, museums etc.	
	GROUP C	
	Real estate units grouped in categories C4 and C5: sports facilities (no profit making), beach facilities and spas.	
	GROUP D	
	Real estate units grouped in categories D3, D4, D6, D9 e D10 used as theatres, cinemas theatres, concert and performance halls, nursing homes and hospitals, sports facilities, etc.	
	GROUP E	
	Real estate units grouped in categories from E1 to E9 such as land, sea and air transport service stations, buildings used as public place of cult etc.	
	UNCLASSIFIED UNITS	
	Real estate units whose category is not available in the deed.	



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