

# RESIDENTIAL RESEARCH

## TUSCANY AND UMBRIA

### RESIDENTIAL INSIGHT

**Knight Frank**



**Bill Thomson, Chairman of the Italian Network and Rupert Fawcett, from Knight Frank's Italian Department, give their views on how the Tuscan and Umbrian prime property market is performing. They discuss who's buying, the latest price trends and offer their outlook for the market in 2012**

#### How is the market performing?

2011 was our busiest year as well-informed buyers and realistic vendors seemed to converge for the first time in meaningful numbers since the economic downturn.

That said, the average price of luxury homes fell by around 5% in Tuscany and Umbria during 2011. This marginal downward shift was predominantly due to external factors such as the prevailing global economic uncertainty and the Eurozone's debt crisis.

In particular the €500,000 to €1.5m market and the €2m to €4m market saw healthy levels of activity, with a large increase in enquiry levels from €5m to €15m.

Most new properties coming onto the market are being correctly priced which is helping the market gain traction.

The global recession saw sales volumes shrink and prices soften slightly. However, the real impact was on the flight to quality both in terms of a home's specification and its location too. Prior to 2008 buyers were starting to explore more peripheral locations but quickly re-focused their attention on the region's established core markets around Chianti, Florence, Siena and the Val d'Orcia.

#### Who's buying in Tuscany and Umbria?

Tuscany and Umbria represent one of Europe's most established second home markets. Most purchases in the region are lifestyle driven, motivated by the region's climate, landscape and history. International buyers are looking to sample "la dolce vita" by enjoying the region's exemplary food and wine and by absorbing the culture, renaissance architecture and relaxed pace of life.

In 2011 exchange rates and the surprisingly strong euro largely determined the source of property demand. Eurozone buyers, particularly those from the Benelux nations, overtook British and US purchasers as the main component of demand. However, we may see a reversal of this trend as sterling is expected to strengthen against the euro in 2012 potentially boosting UK demand once more.

#### Where are the hotspots?

Chianti epitomises the Tuscan prime market providing the archetypal view of Cypress trees and rolling hills with country homes and farmhouses nestled amongst them. Beyond Chianti the Val d'Orcia which extends from the hills south of Siena to Monte Amiata is attracting significant interest along with Cortona to the east and the stunning medieval city of Lucca to the north-west.

Florence is a traditional favourite allowing buyers to take advantage of the city's cultural richness but also providing a base to explore the region's exquisite countryside.

Umbria has traditionally been considered marginally cheaper than Tuscany but today there is very little margin between them, with Umbria's Niccone Valley becoming increasingly popular.

#### What type of property is in greatest demand?

Most requirements fall within the €750,000 to €4m price bracket with a large proportion of buyers looking within the wider Chianti region and the southern Tuscan/Umbrian borders. Restored homes, ideally a stand-alone farmhouse or villa with secondary guest accommodation would fulfil most requests.

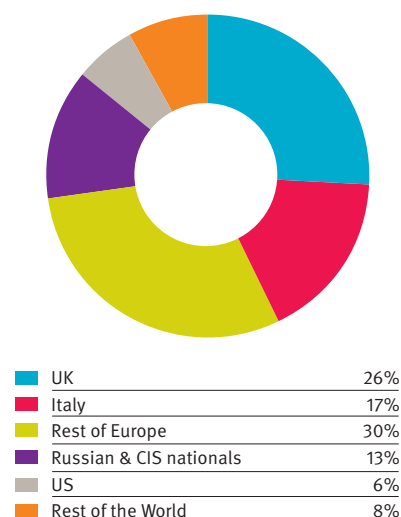
Few Tuscan buyers want to undertake a project, most are time poor and want a turnkey home in which to relax from day one. There is also an increased demand for quality managed developments where work is in progress or completed.

#### What's your outlook for 2012?

We expect prices to remain relatively steady in 2012 with market activity picking up slightly as the year progresses. Restrictions on new development means that demand for the best quality properties will always exceed supply and there is already a notable dearth of this stock coming onto the market.

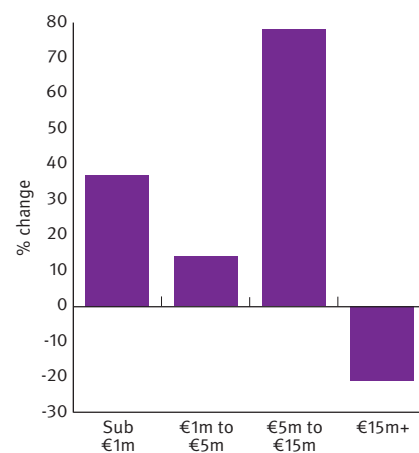
Since the global financial crisis, bricks and mortar in prime locations have come to be seen as safe havens for buyers looking to preserve their wealth whilst enjoying the associated lifestyle benefits. In our view this safe haven argument does, and will continue to, benefit the region by insulating it from any significant price falls as has been evident in some of the world's emerging second home markets.

Figure 1  
**Who is buying prime property in Tuscany and Umbria?**



Source: Knight Frank Residential Research

Figure 2  
**Searches by price bracket**  
Percentage change in searches by price bracket, 2010 vs 2011



Source: Knight Frank Global Property Search website



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## Knight Frank



Knight Frank's Global Property Search website receives 600,000 hits per month making it a unique barometer of the demand for prime international property. The following charts highlight some of the trends in the Tuscany and Umbria market.

### Nationality

Statistically Belgian buyers were seeking the most expensive properties in Tuscany and Umbria in the three months to February 2012, priced on average at €2.8m (figure 3). However, over a 12-month period Russian and US buyers targeted the most expensive homes with over 30% of their online searches relating to the €5m+ price bands (figure 4).

Figure 3

#### Average price searched by selected nationalities

Searches in the three months to Feb 2012 (€)

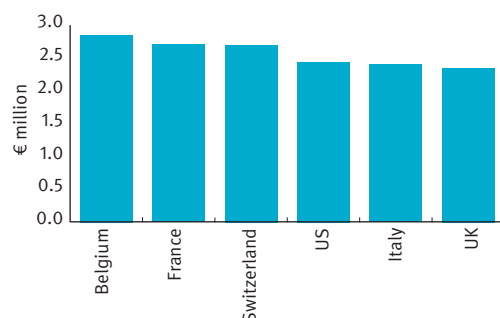
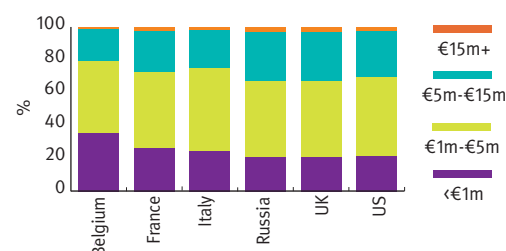


Figure 4

#### Nationality and price bracket

Proportion of searches by price band and nationality, 12 months to Feb 2012



### Search volumes

Online search activity peaks on average between May and October with August seeing the largest volume of searches (figure 5). Online viewings were higher in 2011 than 2010 with a noticeable increase in the months of March, June and August (figure 6).

Figure 5

#### On-trend?

Search activity compared to the monthly average for each location

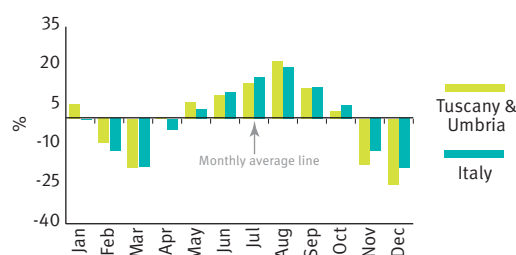
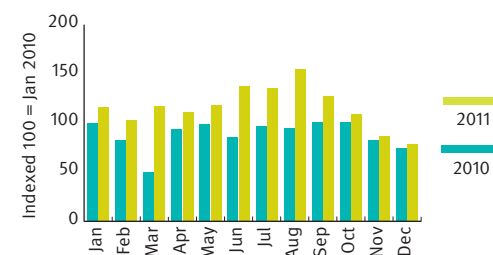


Figure 6

#### Monthly activity

Volume of property searches by month, 2010 vs. 2011



Source: Knight Frank Global Property Search website

## What can you buy for up to €3m?

### CETONA, TUSCANY

**Classic Tuscan country home**

Asking price: €2.5m

4



## What can you buy above €5m?

### SIENA, TUSCANY

**Restored monastery in the Chianti hills**

Asking price: €8m

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For more details please click on the images above...

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