

# PRIME ITALY REPORT

## 2022

◆ SALES STRENGTHENING ◆ TAX & ESG INCENTIVES ◆ RISING DEMAND FOR NEW PROJECTS



**KEY FINDINGS**



**SALES UP**

Residential sales increased 22% in the first half of 2021 compared to the same period in 2019



**COUNTRY OF THE YEAR**

A new age of sensible governance under Prime Minister Draghi and innovative policies explains why *The Economist* named Italy as its country of the year in 2021



**NEW HOMES IN DEMAND**

Italy is ticking the boxes of luxury buyers in a post-lockdown era with new homes offering classical exteriors and contemporary interiors seeing surging interest



**GLOBAL APPEAL**

Italy's flat tax initiative received 680 applicants in its first two years, a figure expected to have risen significantly during the Covid-19 crisis

**ITALY IN THE SPOTLIGHT**



**KATE EVERETT-ALLEN**  
HEAD OF INTERNATIONAL RESIDENTIAL RESEARCH

*Sales increased 22% in 2021 compared to 2019 and prime prices are rising at their fastest rate for 15 years*

**The housing market is picking up**

Italy is known for its history, culture, and ice cream, but rarely has it been known as a hotspot for surging house prices. Instead, Italy has taken up residence at the bottom of Knight Frank's house price rankings over the last decade. But enter the pandemic stage left, and a market characterised by a wide choice of ailing properties and only moderate demand is getting an overhaul. Luxury house prices in Italy registered their strongest rate of growth in 2021 since the financial crisis, up 4% on average.

For the lockdown-weary buyer Italy delivers on all fronts. Space, views, culture, history, good food and a healthy lifestyle; all are in abundance. And for a new breed of hybrid worker, labouring under the dappled shade of a cypress tree is an appealing alternative to a cramped spare room, particularly for Vitamin D deficient northern Europeans.

Not surprisingly, a survey of over 1,000 global buyers listed Italy amongst their top five second home destinations, and for UK and US buyers Italy was in their top two.

The housing market is gaining momentum. Residential sales increased 22% in the first half of 2021 compared to the same period in 2019 and the discount achieved by the average buyer – the gap between the price marketed and the price paid – fell from 12% in 2019 to 9% in 2021 according to the Banca d'Italia.

But headwinds exist. The crisis in Ukraine may delay rate hikes as the European Central Bank looks to manage

higher inflation without snuffing out the embers of economic growth. Plus, Italy's high debt levels mean it is more exposed than its Eurozone neighbours to spiralling prices and the higher cost of debt.



**With a pro-business agenda and an innovative flat tax, Italy is going out of its way to attract inward investment.**

**Attracting investment**

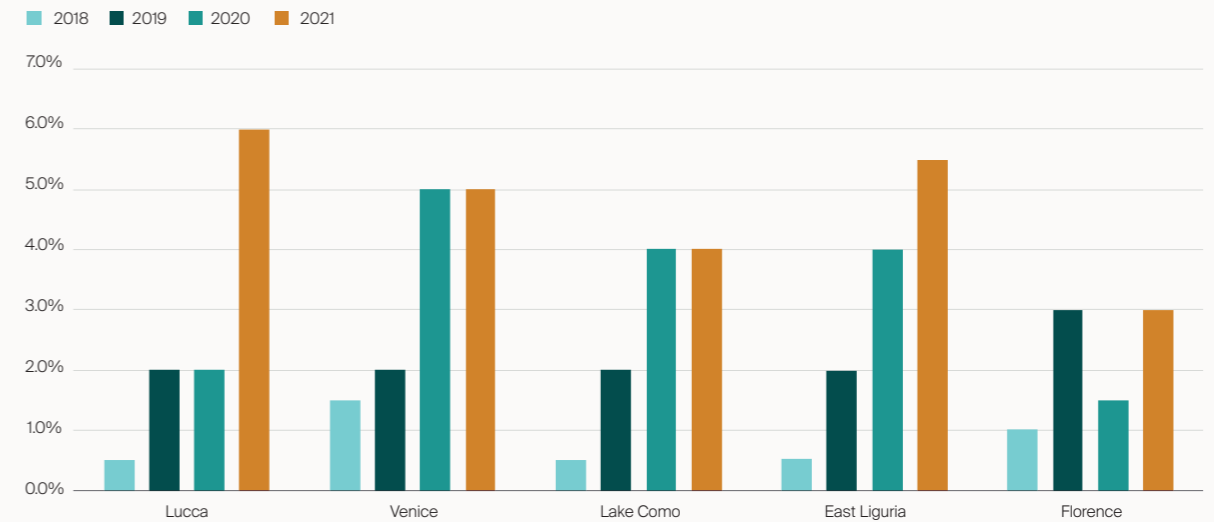
Italy isn't resting on its laurels waiting for tourists and homeowners to recognise 'la dolce vita'. Assisted by Prime Minister Draghi's pro-business agenda and an innovative flat tax, Italy is going out of its way to attract inward investment. The country is already home to 17,359 ultra-high-net-worth individuals – those with more than \$30 million and that figure is set to rise by 14% in the next five years.

Since 2017, residents, both domestic and international, can opt for a flat tax regime paying a single figure of €100,000 each year on all their non-Italian sourced income, instead of paying ordinary tax rates. The initiative is open to any new residents that have not been subject to Italian tax for nine out of the last 10 years.

For the lockdown-weary buyer Italy delivers on all fronts. Space, views, culture, history, good food and a healthy lifestyle; all are in abundance.

**PANDEMIC-INDUCED DEMAND PUSHES PRIME PRICES HIGHER**

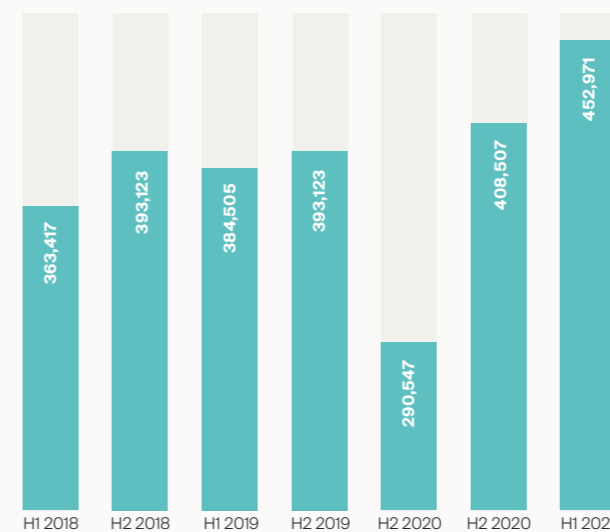
Prime residential prices, annual change



Source: Knight Frank Research

**ITALIAN RESIDENTIAL SALES STRENGTHEN POST-COVID-19**

No. of units sold



Source: Knight Frank, Macrobond

**RELATIVE VALUE**

How many square metres of prime property €1m buys in...

**Q1 2022**

- Costa Smeralda 50.0
- Venice 55.6
- Portofino 71.4
- Milan 80.0
- Lake Como 83.3
- Rome 87.0
- Florence 111.1
- Lucca 142.9
- Val d'Orcia 153.8

Source: Knight Frank Research



Over 680 applicants applied for residency via Italy's flat tax scheme in the first two years, a figure tax consultants Withers Worldwide expect to have risen significantly during the Covid-19 crisis. For wealthy individuals around the world considering a permanent move Italy is an attractive prospect.

But Italy's fiscal appeal extends beyond its flat tax. A low rate of inheritance tax, modest property ownership costs and in the case of foreign buyers, no capital gains tax after five years of ownership, all add to its credentials.

**Tourism ticks up**

Decimated by the pandemic, tourism which accounts for 12% of GDP in Italy, is recovering. International arrivals jumped 14% in 2021 year-on-year, welcome news for investors with holiday rentals after two years of little or no income. The city exodus is reversing, and the holiday rental market is back in business. New data captured by Knight Frank reveals Tuscany is Italy's hotspot for holiday rentals with 47 nationalities letting out their homes in the region.

**New homes shine bright**

Agents are witnessing resurgent demand for luxury new homes in Italy. But stock is in short supply due to labour and material shortages and the halting of construction during Covid-19.

A Tuscan farmhouse with a collapsed terracotta roof, faded fresco walls and threadbare shutters was once the dream 'doer-upper' for a British buyer looking for 'a project'. But things have changed. Hassle-free living offering easy maintenance and lock-up and leave properties are now top of wish lists. After two years hunkering down buyers want to make the most of their free time not spend it at the local hardware store or translating builders' quotes.

New developments in Florence, Lucca and on the Tuscan coast were snapped up during the pandemic with a number offering lifestyle enticements including part ownership of the communal vineyard or olive grove. Read about the latest trends in this sector on pages 10 and 11.

**Italy's makeover**

Italy's housing stock is getting a revamp. Once emptied of all but old men playing boules or chess in a shaded piazza, the country's rural villages and their crumbling housing stock look set to be reinvigorated by two key changes - the rise of hybrid working and a new government initiative to improve the energy efficiency of old homes.

No longer tethered to city centre offices, hybrid workers are seeking rural idylls where they can toil remotely and get more space for their money. Some 25 municipalities in Italy are offering

€1 homes with the aim of stimulating the local economy, boosting construction and fuelling tourism.

Plus, Italy's super bonus policy, upgraded in 2022, sees the government pay 110% of the cost of energy efficient improvements to existing homes. Slated to end in 2025, the scheme has not only boosted GDP and employment but will incentivise homeowners and landlords in Italy's poorer rural regions to modernise their homes.

Italy's housing market is turning a corner. Hit hard by the pandemic, Italian homes are in the sights of global buyers keen to make up for lost time, a trend not lost on its policymakers who are going out of their way to encourage investment and embrace a greener agenda. This sensible governance explains why *The Economist* named Italy its country of the year in 2021. Identifying and securing the best properties before quality stock gets depleted is now the key challenge for potential buyers.



For more on Italy's flat tax initiative head online

# ITALY IN NUMBERS

Key numbers for second homeowners and investors looking to buy in Italy

683

The number of applicants registered for Italy's flat tax initiative between 2017 and 2019

17,359

The number of Italian ultra-high-net-worth individuals in 2021 - those with \$30m including their primary residence



2nd

Amongst US and UK second home buyers Italy is ranked as their second favourite destination

47

The number of nationalities that own a holiday rental in Tuscany



2017

The year Italy's flat tax initiative was announced

14%

The increase in international arrivals in Italy in 2021 year-on-year



71%

The percentage of Italian homes bought with a mortgage in Q4 2021

85%

The proportion of estate agents that considered Italian house prices were stable or rising in Q4 2021



9.7%

According to the Banca d'Italia, the average discount negotiated on Italian homes in 2021, the lowest level since records began in 2012

2026

The year Milano-Cortina hosts The Winter Olympics



# TUSCANY

Still Italy's number one region for global buyers, enquiries jumped 30% in 2021 year-on-year



Since 2018 prime prices have nudged higher across Tuscany, following a decade of largely static growth in the wake of the financial crisis. In 2021, Lucca, Val d'Orcia and Florence recorded price growth of 6%, 4% and 3% respectively, as demand strengthened, and travel rules were relaxed.

Knight Frank recorded a 30% increase in enquiries for Tuscan homes in 2021 year-on-year and Tuscany accounted for 66% of all enquiries for Italy.

The core market of Florence and the wider Chianti region dominate sales activity. Some 31% of the enquiries received in 2021 were focused in this area, while Lucca, Pisa and Bolgheri together generated 24% of buyer requests.

The average property price sought by Knight Frank's Tuscan buyers stood at €3.7m, up 8% compared to 2020. By comparison, in Lucca and Pisa the average property price was significantly lower at €1.7m.

Traditionally, August sees a lull in sales activity but in 2021 it was the busiest month for enquiries as lockdowns ended across European markets.

The holiday rental market is recovering. In 2021, some 47 nationalities owned holiday lets in the region with the average overnight prime rental price standing at €471. The region is popular with US and UK buyers as well as those from Germany and France.

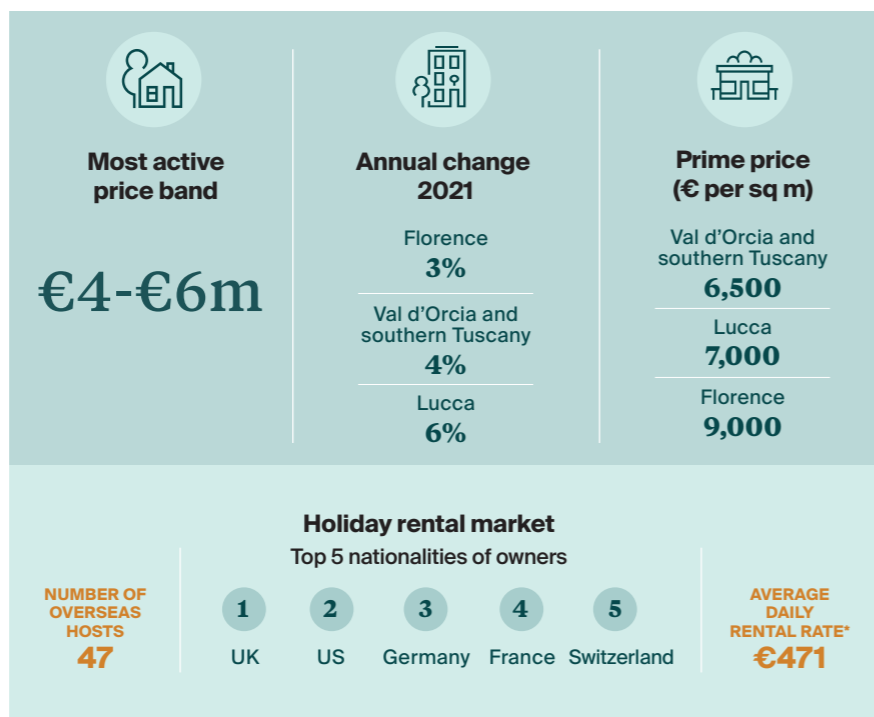
The number of people classified as foreign residents in Tuscany continues to climb. Despite the pandemic, between 2019 and 2021, the total climbed 2% to almost 426,000 according to Istat, Italy's Statistics Office. Florence recorded one of the largest increases in foreign residents over the last decade with the number rising by 37%.

The region is popular with young families looking to take advantage of the Italian flat tax, with many targeting Florence and its surrounding villages due to the city's highly rated international schools.



### PRIME MARKETS

- Florence
- Lucca
- Siena
- Impruneta
- Arezzo
- Chianti



Source: Knight Frank Research, selected holiday rental platforms. \* Rental data based on all properties with an average daily rental rate above US\$250.

# LAKE COMO

Lifestyle, location and lakeside living are attracting buyers from all four corners of the globe



Of all Knight Frank's destinations across Italy, the villages on the banks of Lake Como attract the most diverse mix of buyers – from Europe, the US, Middle East and even Australasia.

Enquiries leapt 144% in 2021 year-on-year as lake and mountain views struck a chord with global buyers tired of concrete cityscapes during Covid-19 lockdowns.

The average price of prime properties along Lake Como increased 4% in 2021 with most enquiries looking within the €2-€4m price bracket, over the five-years to 2021 prices have increased by around 10%.

On a square metre basis prime prices sit at around €12,000 per sq m in the best villages, these include perennial favourites such as Bellagio and Menaggio.

Lifestyle and location are Lake Como's unique selling points. From water sports on the lake in the summer to skiing at the local Bormio ski resort in winter and fine dining in Como town all year-round, it ticks numerous boxes.

Located less than an hour from Milan Malpensa airport with flights to 147 destinations and a 30-minute drive from Switzerland it offers good accessibility from northern and central Europe.

The Como province is home to 596,000 residents according to the Italian Statistics Office and 46,000 are foreign residents, a figure that has increased 9% over the last decade.

With an average daily prime rental rate of €479 Lake Como commands the highest rental figure of Italy's four key prime regions covered in the report and despite its relatively small size some 22 nationalities own holiday lets in the vicinity.

Much like Florence, The Como International School, home to 290 students, attracts strong interest from overseas residents looking to make Como their permanent base and take advantage of the flat tax regime.

With an average daily rental rate of €479 Lake Como commands the highest rental figure of Italy's four key prime regions.



### PRIME MARKETS

- Bellagio
- Menaggio
- Como
- Cernobbio
- Moltrasio
- Blevio



Source: Knight Frank Research, selected holiday rental platforms. \* Rental data based on all properties with an average daily rental rate above US\$250.

# VENICE

*A firm favourite with US and UK buyers, prime prices are gaining traction once more*



Annual price growth in Venice climbed to multi-year highs in 2020 and 2021 registering 5% growth in both years as the lockdown came to an end for international buyers.

However, while air passenger numbers are climbing, international buyers are not yet the force they were before the pandemic suggesting there is room for further growth.

Prior to the pandemic, price growth in Venice lagged rates of growth seen in parts of Tuscany but a resurgent appetite for city living, particularly one which combines culture and amenities with grand vistas, means the gap is starting to close.

Unlike in other Italian markets, good stock levels in Venice provide buyers with a choice of quality properties and enables a degree of negotiation on price.

The number of new prospective buyers registering in 2021 increased 6%

compared with 2020. The €2-€4m price band generates the strongest interest with the typical requirement being direct frontage onto the Grand Canal.

US and French interest in Venice is strong with the artistic Dorsoduro as well as San Marco in the Centro Storico amongst the most favoured of Venice's six sestieri.

The 59th Venice Biennale, the city's international contemporary art exhibition, will be held between April and November 2022. Attracting 600,000 visitors the festival's influence ensures the city attracts buyers with an artistic flare whether from the world of fashion, art, photography, film or architecture.

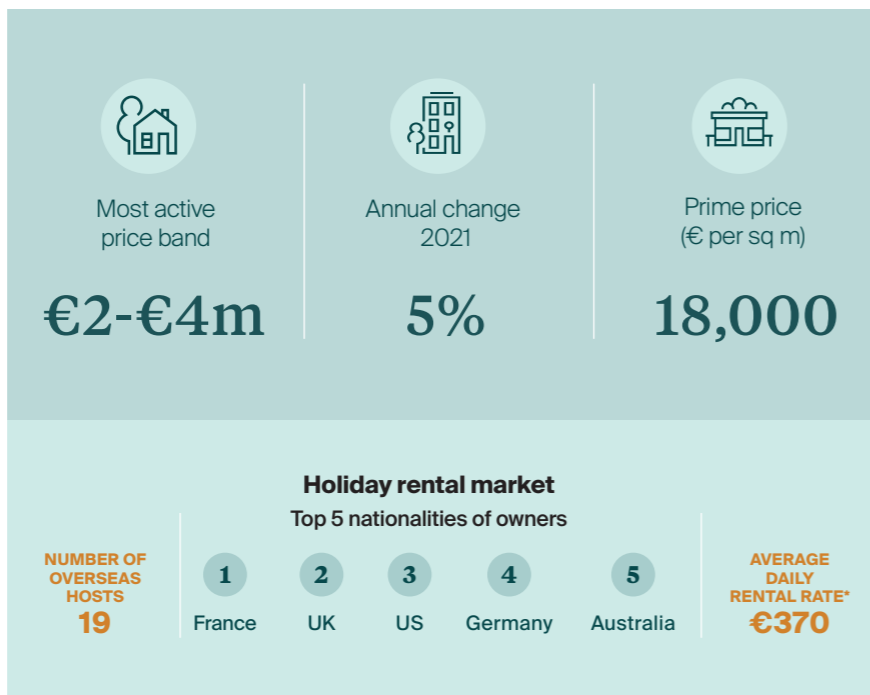
Some 22 nationalities own holiday rentals in Venice but the average daily prime rental rate\* in 2021 at around €370.

Annual price growth in Venice climbed to multi-year highs in 2020 and 2021 registering 5% growth in both years.



### PRIME MARKETS

- San Marco
- San Polo
- Giudecca
- Dorsoduro



Source: Knight Frank Research, selected holiday rental platforms. \* Rental data based on all properties with an average daily rental rate above US\$250.

# EAST LIGURIA

*Increasingly on the radar of global buyers, the Cinque Terre coastline saw prime prices climb 5.5% in 2021*



Enquiries for properties along the East Ligurian coastline jumped 63% in 2021 year-on-year and the area represents around 10% of Knight Frank's Italian property enquiries, a figure we expect to rise in the next few years.

Annual prime price growth in East Liguria climbed to 5.5% in 2021 as the recovery from the depths of the pandemic continued. In total, prime prices have accelerated 11% since 2018.

The Cinque Terre, an assortment of colourful seaside villages clinging precariously to the Italian riviera coastline, are catching the attention of buyers due to their accessibility and relative value.

Most second homeowners arrive via Pisa International Airport which offers 77 flight routes. Nearby Sarzana-Luni Airport is also increasingly popular for those travelling by private jet.

Prime prices for the best homes in Portofino sit at around €14,000 per sq m or lower in areas further east such as Porto

Venere and La Spezia. Due to its relative value, the coastline is attracting more interest from buyers whose search was previously confined to the French riviera.

Popular with French, Swiss and Northern Europeans there are 27 nationalities owning holiday lets in the area with the average daily prime rental rate sat at €380.

The pandemic has influenced demand trends in East Liguria. Firstly, as highlighted in Knight Frank's *Global Buyer Survey*, 55% of global buyers say they are more likely to want a property that offers views of nature as a result of the pandemic. This is evident in Liguria where pied dans l'eau properties have received significant attention in villages such as Portofino and Tellaro.

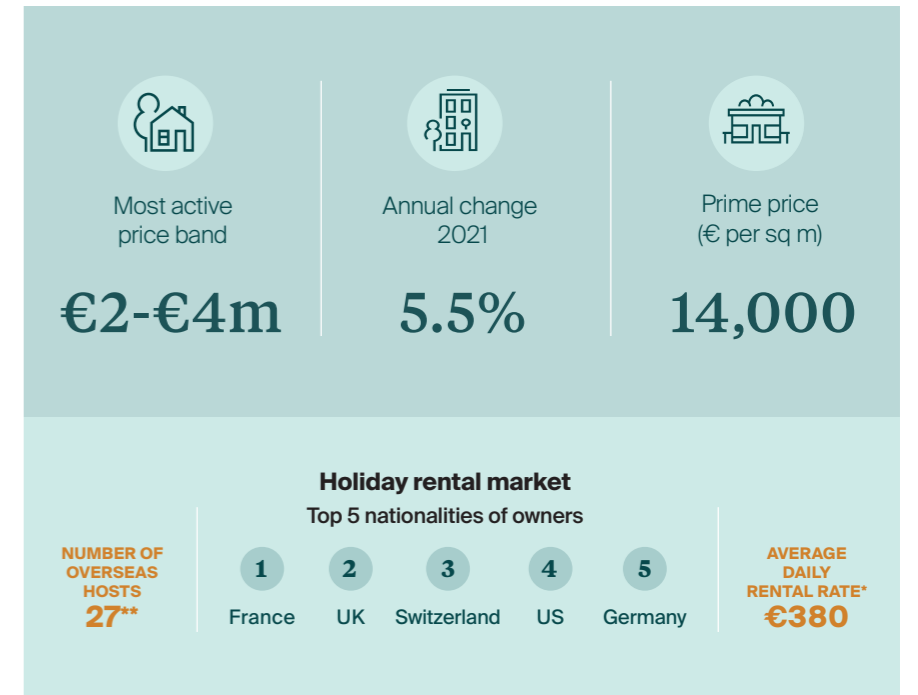
Secondly, there has been a notable uptick in younger buyers in their forties or fifties registering for semi-retirement opportunities in the region, drawn by its accessibility, value and quality of life.

The Cinque Terre, an assortment of colourful seaside villages clinging precariously to the Italian riviera coastline, are catching the attention of buyers due to their accessibility and relative value.



### PRIME MARKETS

- Portofino
- Santa Margherita Ligure
- Lerici
- Moneglia
- Sestri Levante
- Camogli



Source: Knight Frank Research, selected holiday rental platforms. \* Rental data based on all properties with an average daily rental rate above US\$250. \*\* Coastal Liguria (5 miles from the coast)

# WHEN ONLY NEW WILL DO



*Luxury new projects are springing up across Italy as buyers seek traditional exteriors with modern comforts and new technology. Kate Everett-Allen talks to Knight Frank's Aldo Flakstad to learn more*

Italy may not immediately conjure up images of contemporary designed homes and cutting-edge eco-properties but there is a growing appetite from international clients for such properties and developers look to have got the memo.

"The specification of new homes being delivered in Italy is on a whole new level," says Aldo Flakstad, Knight Frank's Head of Residential Development in Italy.

"Turnkey, or ready-to-move-into homes, are in demand post lockdown, buyers want to spend less time and energy on a self-build," Aldo adds.

And the communal aspect of many of these new projects, whether a shared vineyard, members lounge or spa facilities, after two years of isolation, are an added draw.

The ability to influence the layout and style of the property, approve the garden



**The specification of new homes being delivered in Italy is on a whole new level.**



Palazzo Poste, Verona



Marina di Scarlino, Tuscany

## WHY BUY A NEW HOME?

**Latest technology and specification**

**More energy efficient**

**Ability to influence design and layout**

**Lifestyle benefits fractional ownership of vineyards, olive groves etc**

**Connectivity & social spaces - members' lounge etc**

**Built-in security - easy to lock-up and leave**

**Contemporary homes in classic buildings**

design or add in energy efficient features whilst leaving the heavy lifting to the developer is another attraction. In many of the developments the owner can have as little or as much involvement as they wish.

Some want purely a second home, others an investment and a number want a mix of both.

"We're seeing three key shifts," says Aldo. "Firstly, yields are more competitive than they have been for some time. For a luxury home worth €1m a yield of around 7% is attainable as a holiday let assuming it is rented for up to 10-15 weeks a year."

"Secondly, enquiries are from a younger demographic than we've seen previously, often 30- to 50-year-olds with young families," he tells me. "Overseas families that are looking to relocate often want to be within 30-minutes of an international school, many will be looking to take advantage of Italy's flat tax which enables Britons and other non-EU residents to stay permanently rather be tied to 90 out of every 180 days."

"Finally, the quality of the services on offer are impeccable. From the gym to a concierge and from the members' lounge to extra guest accommodation, developers and architects have listened to buyers' requirements and responded," Aldo concludes.

Knight Frank has six new projects across Italy's traditional second home hotspots including Lake Como, Florence, Venice and Verona. Each offers a different slant on Italian living, from Palazzo Poste in Verona to Marina di Scarlino on the Tuscan coast.

In 2022, Aldo has noticed the time between exchange and completion is getting shorter. Buyers are keen to progress, there's a degree of impatience as people want to move in and start enjoying their new home after two years of travel bans.

I ask Aldo, if there is one message you'd like to convey to Knight Frank clients what would it be. Aldo's response was immediate "Italy has moved on since 2008. It is safe to invest here. Use a trusted advisor, preferably Knight Frank, and the process can be a lot smoother - and if you want to get involved in the design phase - it is an enjoyable and rewarding one too."

*Head online to learn more about the Palazzo Poste in Verona*



---

## SALES

---

### MARK HARVEY

Department Head, International Residential  
+44 20 7861 5034  
mark.harvey@knightfrank.com

### AMY REDFERN-WOODS

Associate, International Residential  
+44 20 4502 8469  
amy.redfern-woods@knightfrank.com

### VICTORIA SIDDON

Negotiator, International Residential  
+44 20 3930 4969  
victoria.siddons@knightfrank.com

### ANDREW BLANDFORD-NEWSON

Senior Negotiator, International Residential  
+44 20 3944 7455  
andrew.blandford-newson@knightfrank.com

### ALASDAIR PRITCHARD

Partner  
+44 20 7861 1098  
alasdair.pritchard@knightfrank.com

---

## RESEARCH AND PR

---

### KATE EVERETT-ALLEN

Head of International Residential Research  
+44 207 167 2497  
kate.everett-allen@knightfrank.com

### EMMA STANLEY-EVANS

Media Enquiries  
+44 20 7861 1182  
emma.stanley-evans@knightfrank.com

[WWW.KNIGHTFRANK.COM/OVERSEAS-PROPERTY](http://WWW.KNIGHTFRANK.COM/OVERSEAS-PROPERTY)



NOW AVAILABLE

**Important notice © 2022. All rights reserved.** Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.