

Residential snapshot



General Outlook

GDP growth recovery continues to face a high degree of uncertainty: US and UK forecasts are accelerating while the European one slowed down again. Inflation is coming back sustained by energy costs and government stimulus programmes, but we should plan for a temporary rebound between 2% and 3%, not for the emergence of a sustained period of above-normal price growth.

In the April 2021 meeting, the ECB Governing Council decided to reconfirm its very accommodative monetary policy stance. The Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converging to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

In Italy, after the strict lockdown measures put in place over Easter, from April 26th, we are registering a gradual relaxation with the restoration of the yellow zones and the reopening of some activities such as restaurants, but only outdoor. The new decree is valid until July 31st, 2021. The Government has approved and transmitted to Parliament DEF 2021. The annual GDP growth estimates have been revised downwards for 2021, forecasting a growth of 4.5% due to the worsening of the epidemic and, consequently, the restrictive measures adopted to contain it. The deficit will reach 11.8% in 2021 while public debt will rise to 159.8% in 2021. In May, a new decree will be promulgated for a total amount of €40 bn; among the measures, it is envisaged a support for the purchase of a first home by young people up to 36 years of age.

On April 30th, the government submitted the plan for the Recovery Fund to the European Commission. The Italian PNRR – Piano Nazionale di Ripresa e Resilienza (i.e., National Recovery and Resilience Plan) plans the allocation of €248 bn related to 6 different Missions: digitisation, innovation, competitiveness and culture; green revolution and ecological transition; infrastructure for sustainable mobility; education and research; inclusion and cohesion; healthcare. Among these, more than €120 bn will be allocated to activities directly related to the real estate sector: energy upgrading and renovation of buildings; railway network; renewable energy, hydrogen and local sustainable mobility; strengthening the supply of education services; social infrastructures; families, communities and third sector; tourism and culture; intermodality and integrated logistics; protection of the territory and water resources; circular economy and sustainable agriculture. About 40% of the resources are earmarked for the Mezzogiorno, which testifies the attention paid to the issue of territorial rebalancing.

Mission M5C2 is strictly connected to the residential market. This component enhances the social dimension of health policies, urban planning, housing, and services for vulnerable individuals.

The planned interventions are related to affordable housing, urban regeneration and requalification of sports facilities to support inclusion and fight against social and environmental degradation. €11.17 bn have been allocated to this mission. In the remaining missions, interventions related to energy efficiency and seismic safety of buildings are enhanced.

In January 2021, the resident population in Italy was of 59.2 million of inhabitants. For the next 10 years an upward trend is expected in terms of number of population both in Rome (+2.3%) and Milan (+1.2%); the overall number of families should rise faster than the population due to the compression of household size (2031 average household size: Milan 2, Rome 2.1). In 2020, an increase in propensity to save was observed (15.2% in Q4 2020) and it was joined by a decrease of household disposable income (-2.7% YoY) and by a strong compression of household consumption (-10.2%); Oxford Economics forecasts an upward trend for 2021 for both consumption and income, going back to pre-Covid level only in 2022.

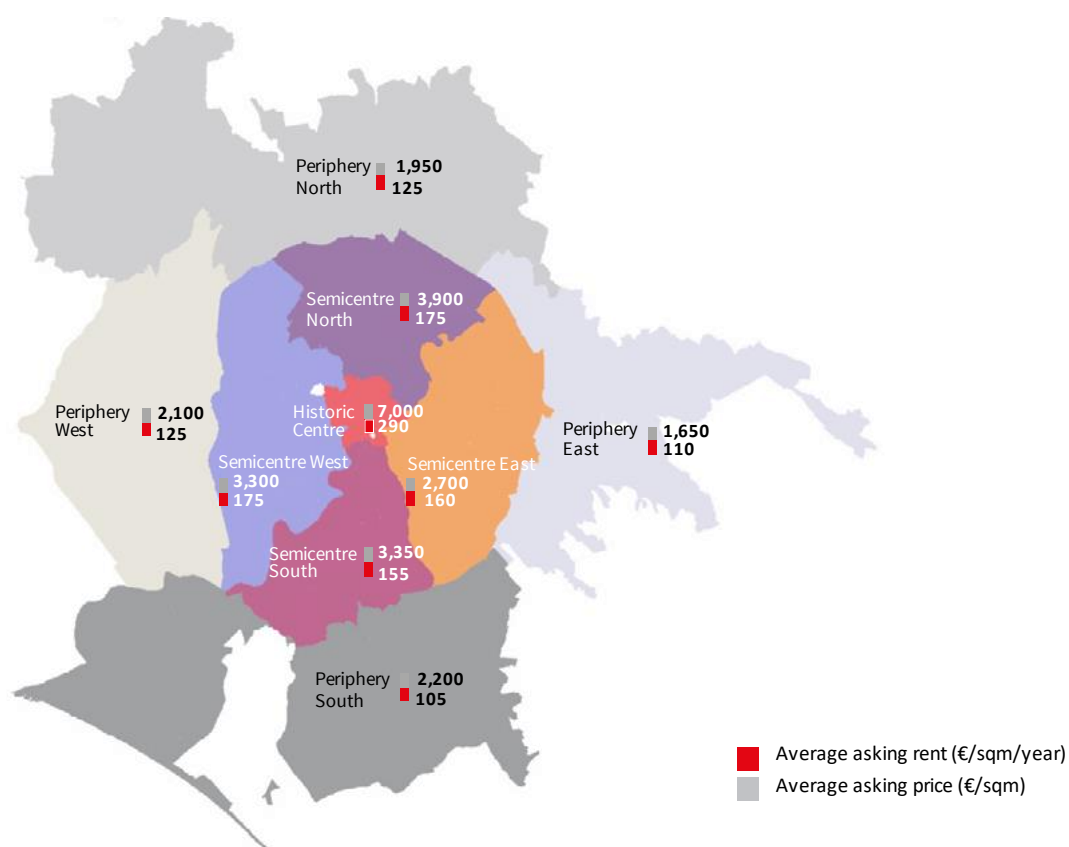
According to Banca d'Italia data and opposite to the negative trend of the residential market, the disbursement of mortgage loans related to dwellings of consumer households increased by 5% in 2020, amounting to €51 billion, thanks to new contracts' expansion; volumes related to subrogation increased by 62%. In February 2021, the average interest rate to purchase a house was 1.3% (-10bps YoY). The 3-months Euribor rate registered a new downward record. The new guarantee schemes on financing and moratoriums on existing loans adopted by the Government to support the liquidity of businesses and households, would be extended until December 2021 with the May Sostegni bis Decree.

The European living sector was one of the few which benefitted from the current market environment: volumes in Q1 2021 reached more than €13 billion, a 45% higher figure compared to the same quarter of the previous year. Last year domestic capitals remained the most active, representing the 60% of the total, but US and global investors are increasingly targeting this sector, doubling their acquisitions. The German market was the first European destination: it attracted the 29% of the yearly volumes and was followed by UK (15%) and The Netherlands (10%).

In Italy, in 2020 multifamily PRS investment volumes recorded around €400 million; besides, several developments and land acquisitions were closed in the last 12 months for around €150 million. The first quarter of 2021 confirmed the high interest in the sector: both domestic and international operators are eager to invest in the Italian market, especially in the north of the Country. Milan represents an established location where requalification and new development projects destined to multifamily, social housing and micro living are booming.

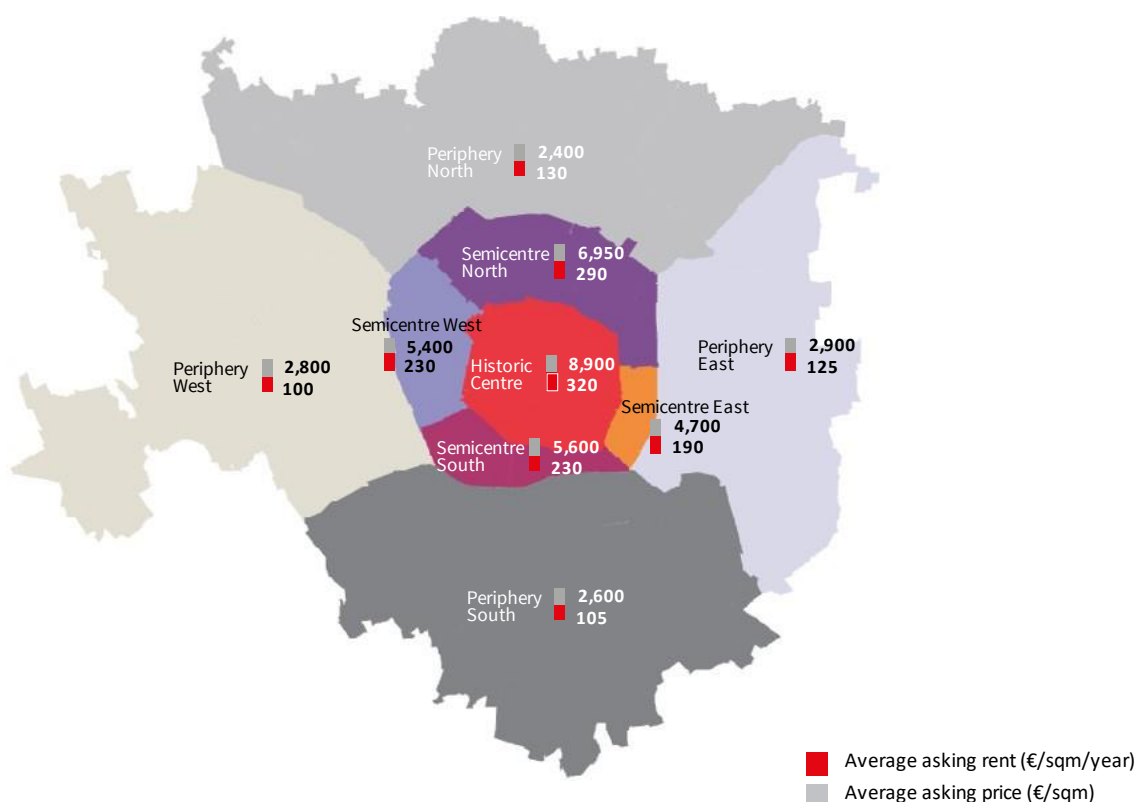
Rome,

rents and prices by submarket*



Milan,

rents and prices by submarket*



Average rents, prices and changes on previous year*

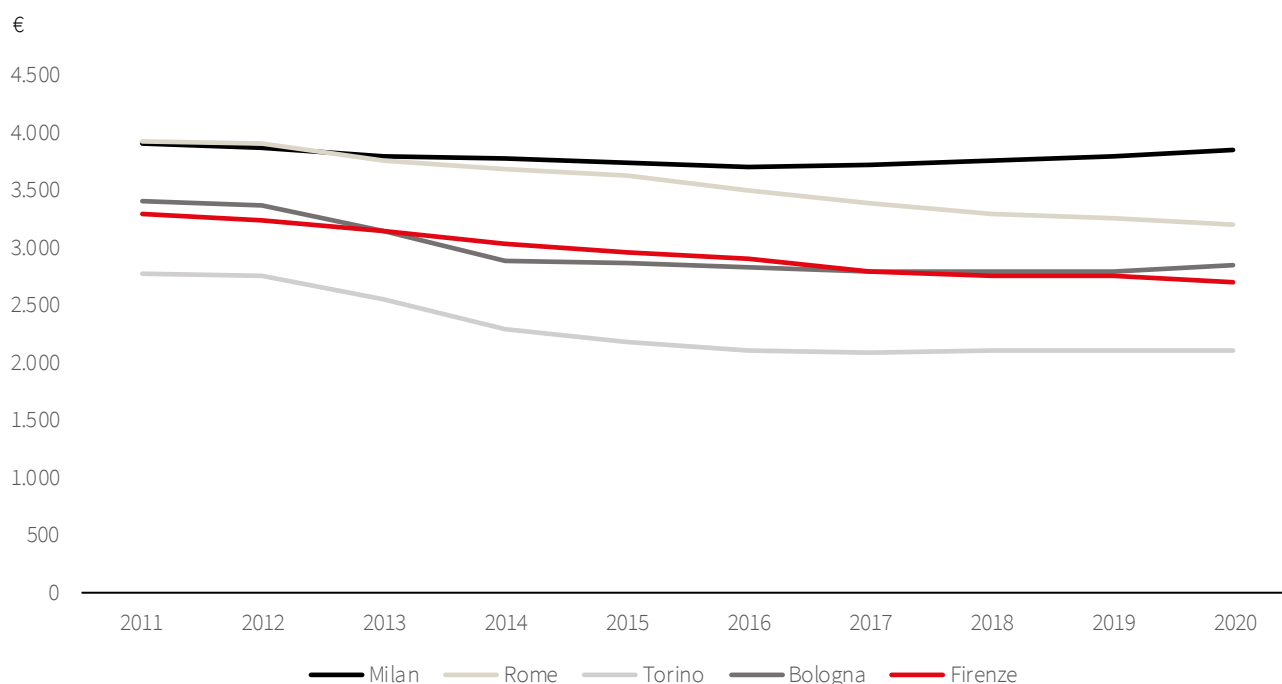
	Milan	Rome	Bologna	Firenze	Torino
Average asking price (€/sqm)	3,850 ↑	3,200 ↓	2,850 ↑	2,700 ↓	2,100 →
Average asking rent (€/sqm/pa)	160 →	120 ↓	125 →	125 ↓	90 →

Prime prices and prime rents*

	Milan	Rome	Bologna	Firenze	Torino
Prime price (€/sqm)	15,000	8,600	5,800	7,800	5,100
Prime rent (€/sqm/pa)	450	350	230	300	175

*Data refers to two-room and three-room apartments with medium or long term contracts

Average prices' trend



Italian average
prices (2020 vs 2019,
% var.)

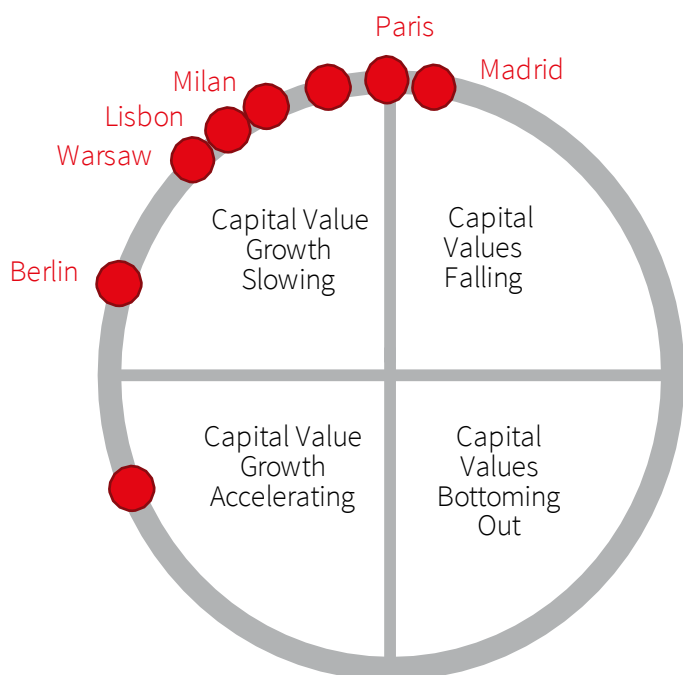
Average
1.6

New
1.7

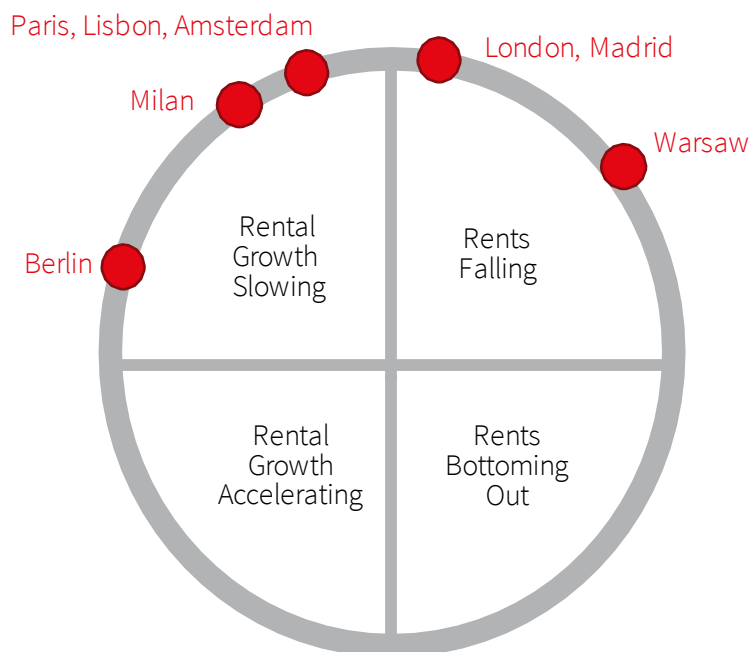
Second-hand
1.4

EMEA Residential Clock

Q1 2021 – Residential Capital Growth



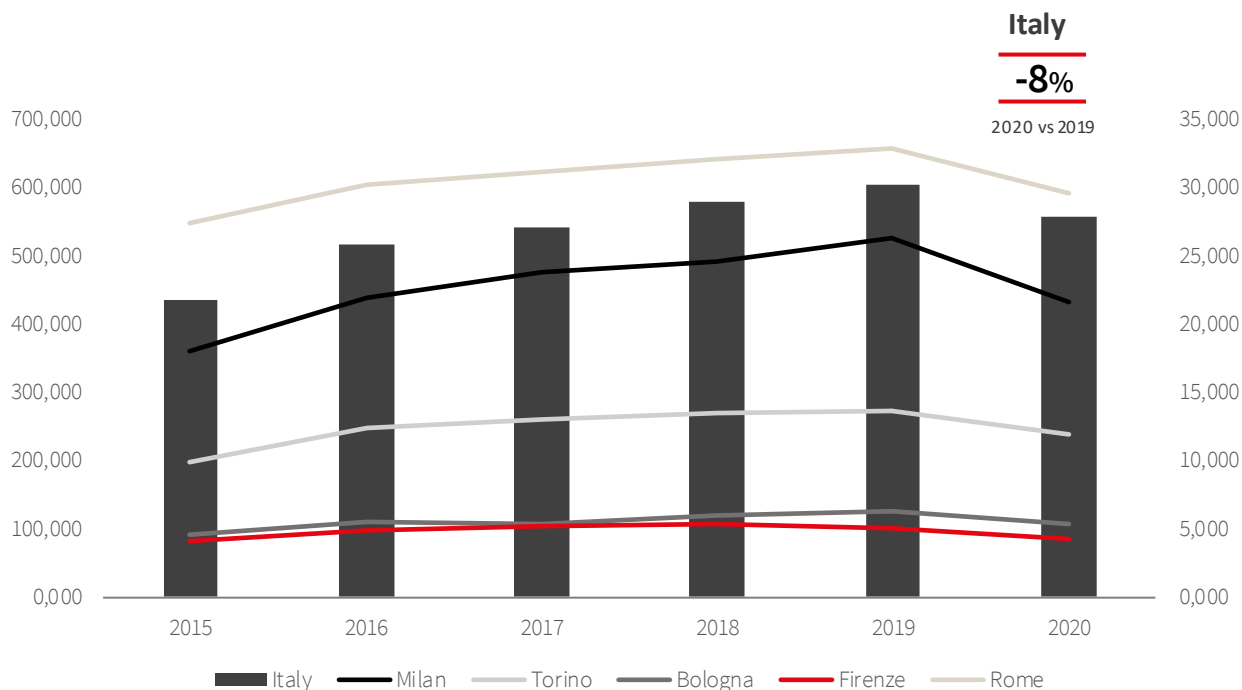
Q1 2021 – Residential Rental Clock



Based on central city geographies

NTN

Number of normalised transactions, Italy (left axis) and main cities (right axis)

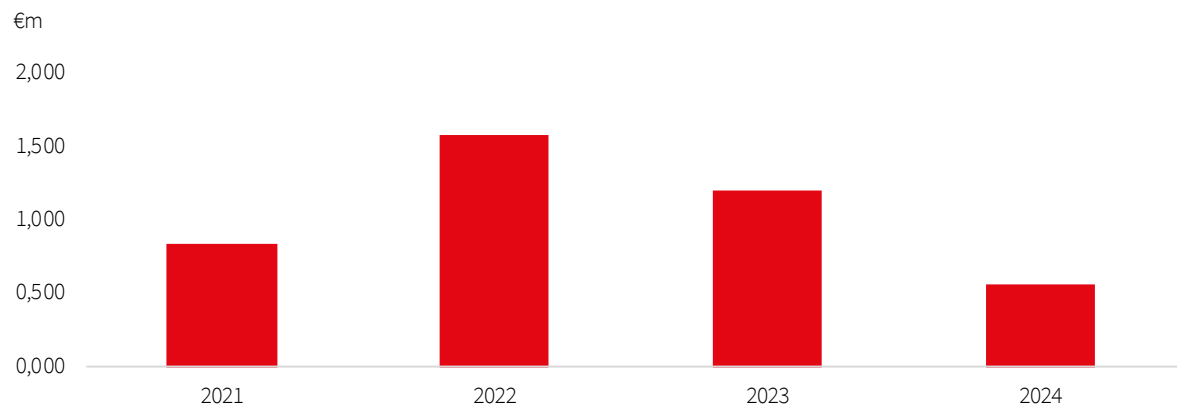


% NTN change 2020 vs 2019

Milan	Rome	Bologna	Firenze	Torino
-18%	-10%	-15%	-15%	-13%

Residential projects

Italian total invested volume in residential projects (projects > €5 million, planning phase projects excluded)



Source: JLL elaboration on NII Progetti data

Main international projects

Invesco | Sei Milano
Private Rented Sector (PRS)

- **Location:** Milan
- **Size:** 53,000 sqm - 650 dwellings
- **Delivery date:** 2024

Hines | ex Trotto San Siro
Portion affordable (PRS)

- **Location:** Milan
- **Size:** 150,000 sqm (residential, retail, park, museum)
- **Delivery date:** 2024

Reale Immobili-Investire SGR | Fondo di
Residenza in Affitto (PRS)

- **Location:** Milan, Rome, Torino
- **Size:** 70,000 sqm
- **Existing**

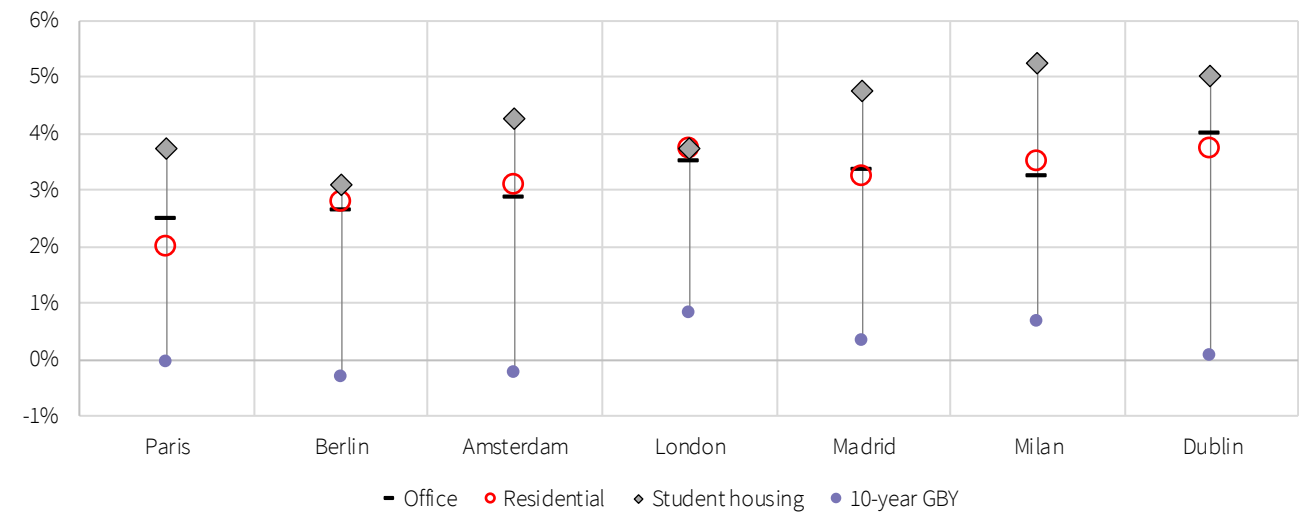
Generali | Maggiolina
Private Rented Sector (PRS)

- **Location:** Milan
- **Size:** 11 buildings (PRS, built-for-sale)
- **Delivery date:** 2023



Prime yields

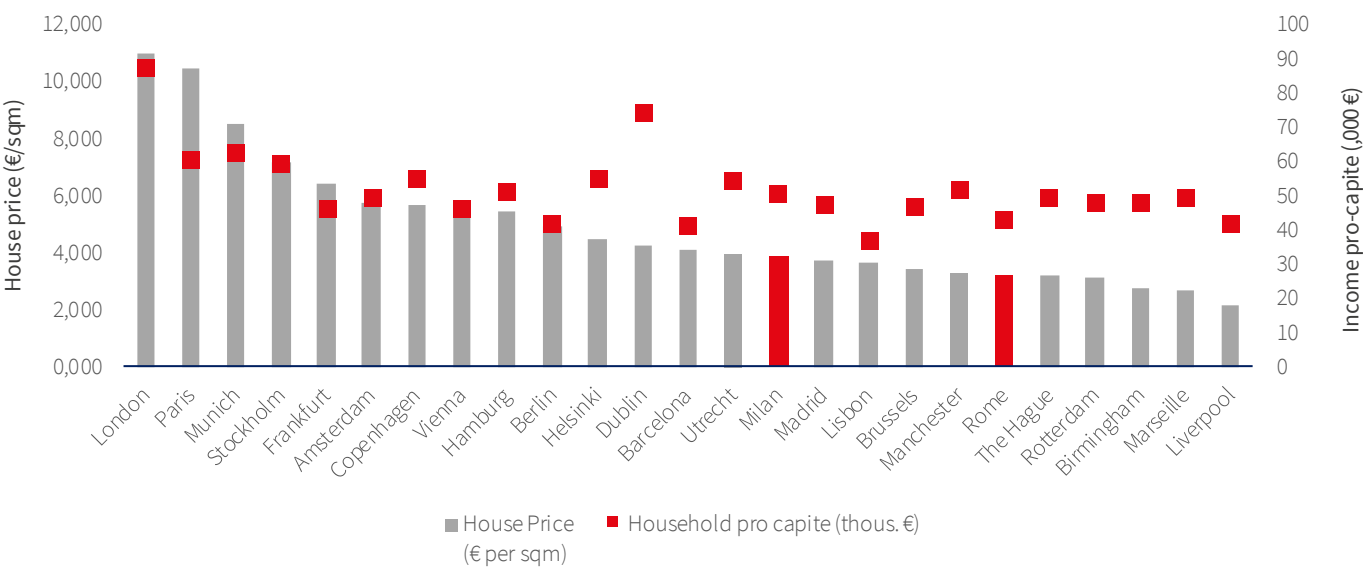
Europe, residential yields vs office, student housing and 10-year government bond yields



Source: JLL and Investing.com

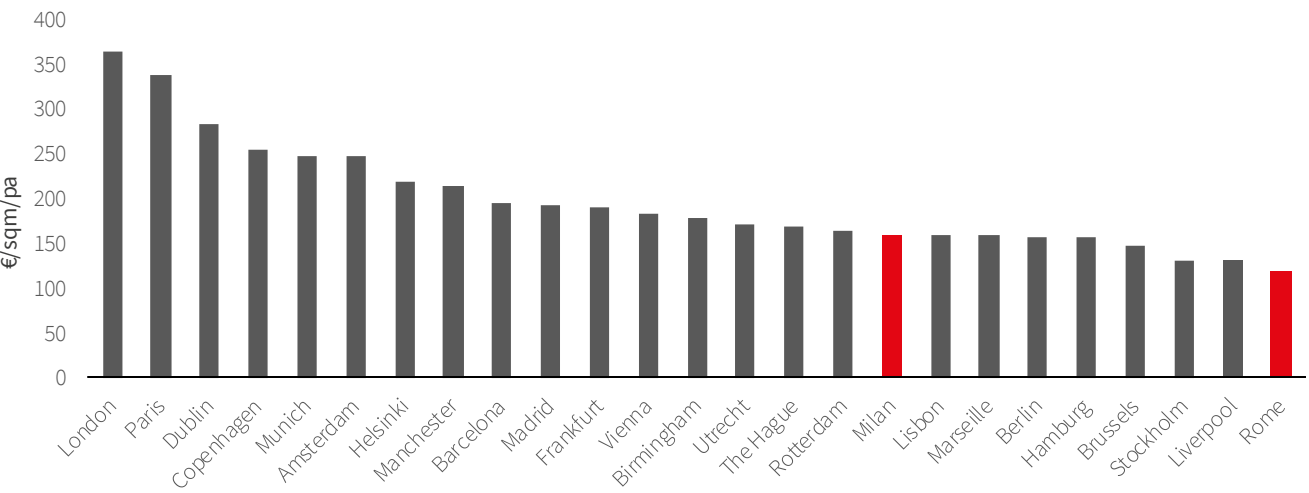
Italy vs Europe

Europe, average house prices and income pro-capite



Source: JLL and Oxford Economics data

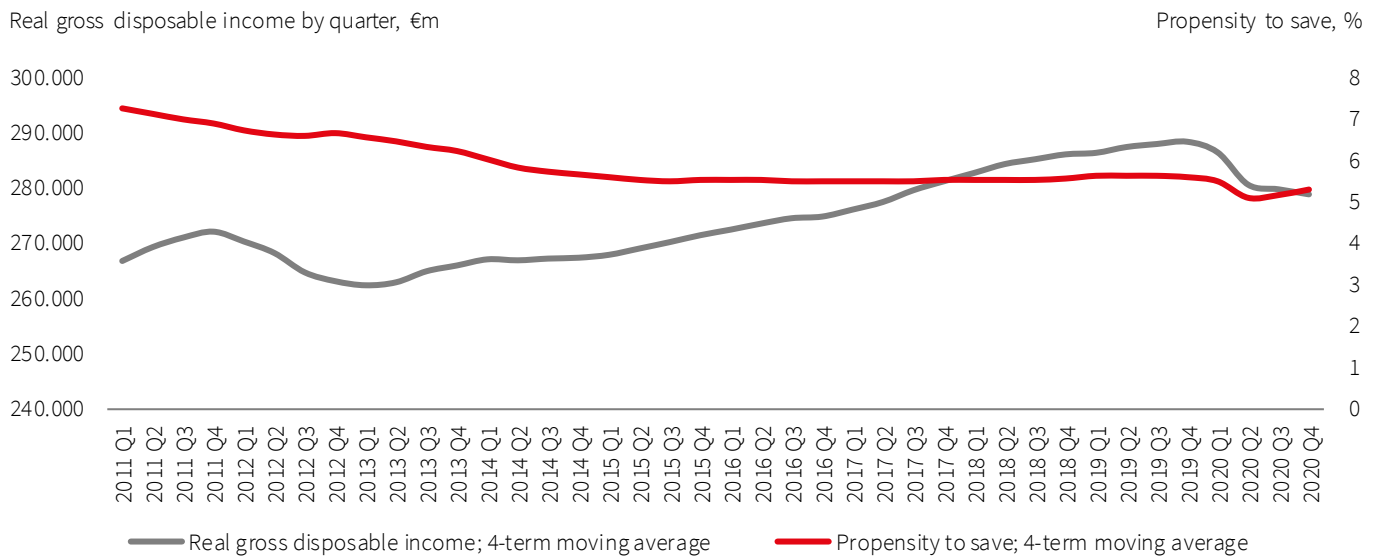
Europe, average rent comparison



Source: JLL, Various

Income and propensity to save

Consumer households' disposable income and propensity to save (seasonally adjusted data)

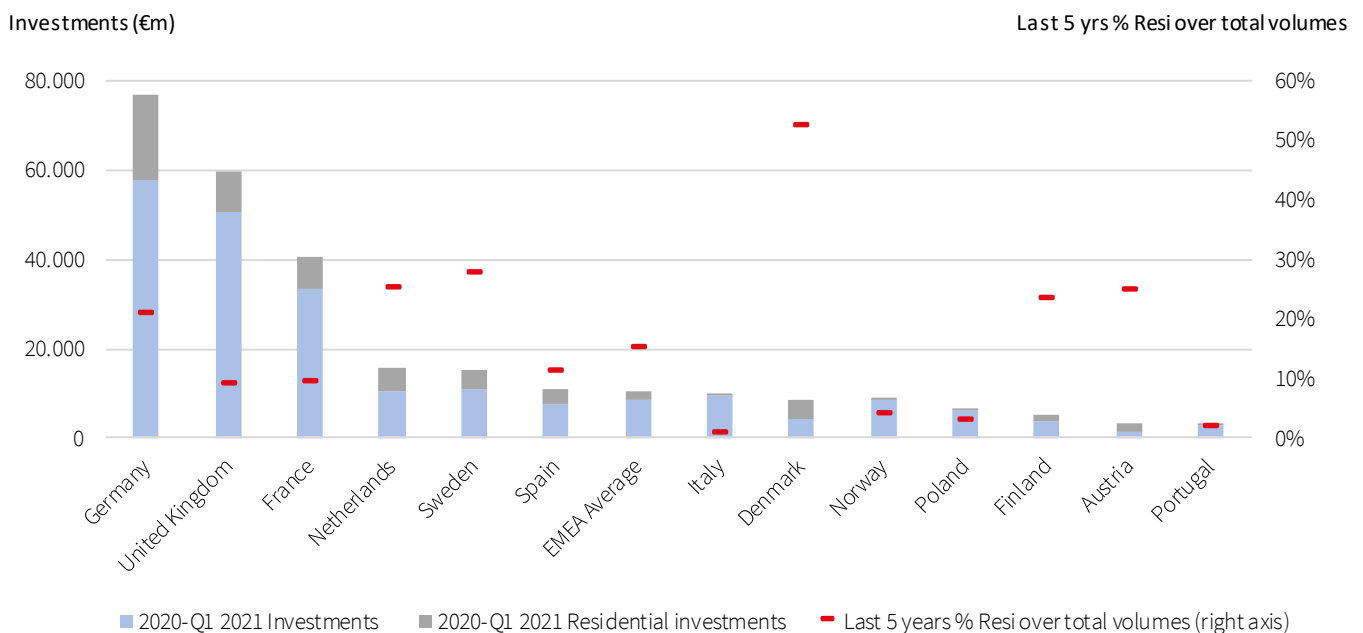


Source: ISTAT



Investments' volume

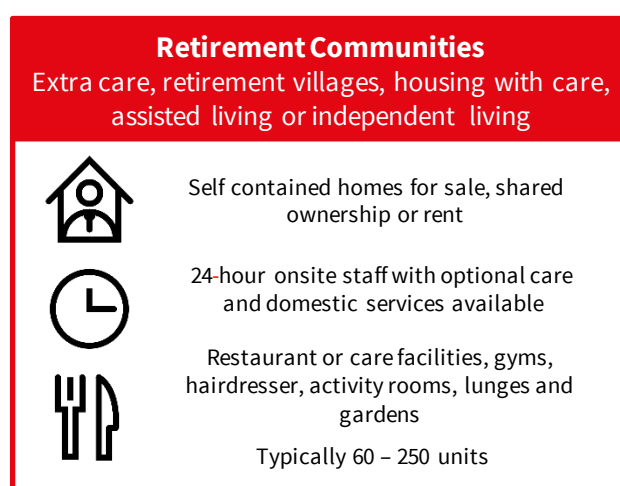
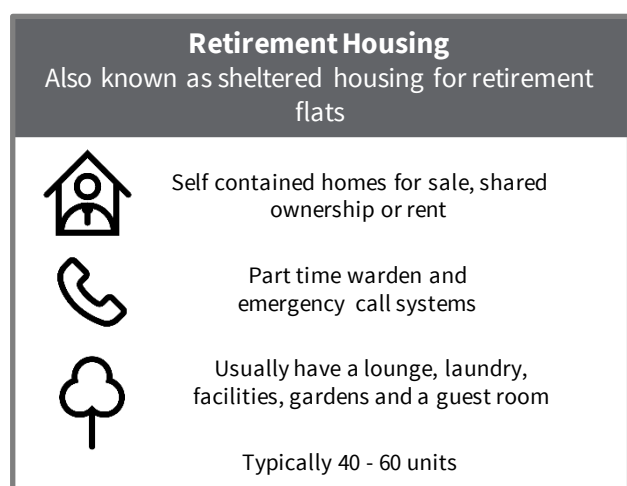
2020-Q1 2021 EMEA total investments vs residential volume



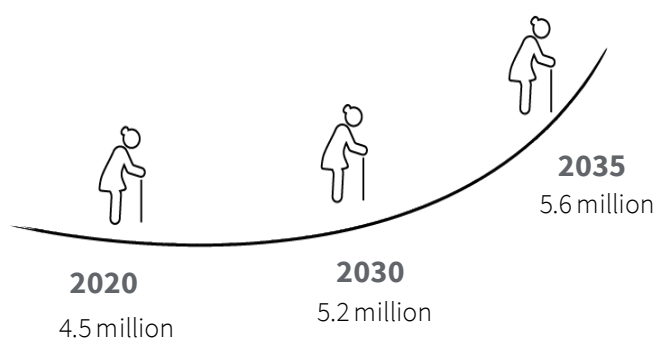
SENIOR LIVING

Senior living is represented by a complex of independent apartments developed for the elder community. The model is very distant from the idea of the rehabilitation clinic or retirement home for the elderly who are no longer self-sufficient. It involves villages aimed at hosting retirees over 65 who are still self-sufficient, generally consisting of private apartments, reception and 24-hour health center, as well as spaces for common activities, in which the elderly can maintain their active lifestyle and their privacy, but which also contains common areas dedicated to socialisation. This residential model represents one of the fastest growing alternative residential living sectors and it is widely spread in European countries such as France, Germany and the United Kingdom, while it is still underdeveloped in Italy. The first Italian retirement structure has been inaugurated in Bergamo last year: the *Domitys Quarto Verde*, consisting of 124 medium-size apartments available for rent. Domitys offers a consolidated model throughout Europe giving full autonomy and independence to the guests and the possibility of socialising with similar people; it is the only operator that has developed senior living structures in the Italian landscape and its model is also the first one utilised in France. Different operators are looking at the Italian market with the ambition of developing a new residential offer specifically dedicated to elderly people.

Even if the sector is still at an embryonal phase, it represents a huge opportunity in countries like Italy, where the old population is expected to increase strongly in the coming years and where the elderly people can count on a significant level of wealth.

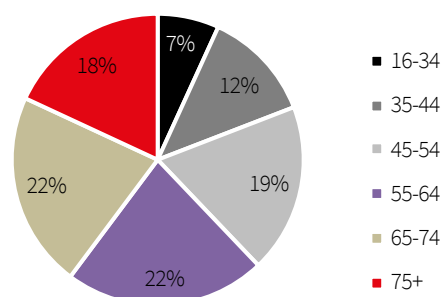


Italian Population aged above 80 years old



Source: Oxford Economics

Italian net wealth by age group



Source: ECB, 2017 data

Korian proposes a different model oriented towards the residential with care and consisting in assisted living housing destined to a clientele with greater need for attention. This approach differs from senior housing by providing an audience of users with a lower level of independence and with a generally higher age; customers are autonomous in some respects but need assistance. Korian is the main operator in Germany together with Pro Seniore. In Spain, the market is dominated by DomusVi, who follows the classic model of senior living; it is expanding also in Portugal and France. In UK, there are several players such as Pegasus, Inspired Villages, Brio, Churchill, Audley Villages, McCarty & Stone e Life Care Residences. The British model is the “retirement home” one and foresees that the over guest buys his own unit within the complex. In Sweden and Finland, the Saga Care operator hosts elderly people not completely independent, offering several amenities with a staff trained to follow people without severe illnesses. In the Netherlands, De Leyhoeve offers two residences following the Korian model; the main characteristic of this operator is the choice of peripheral locations strictly in contact with the green.

Main projects and operators

Vittoria Residence, Brescia

Korian

23 apartments located in the center of Brescia intended for single or couple elderly people who can have access to prestigious services and on-call assistance. There are common areas to encourage socialising (living room, terraces equipped with greenery, restaurant, cafeteria, wellness area, gym).

Heliopolis Residence, Binasco (Milan)

Korian

The residence comprises 64 apartments and is dedicated to elderly people who still maintain partial self-sufficiency. It is the first Italian residence for the elderly equipped with a Dog Camp, an exclusive service to welcome guests together with their pets.

Quarto Verde, Bergamo

Domitys

124 medium-sized apartments available for rent and designed for self-sufficient elderly: the apartments are equipped with kitchens, appropriately designed bathrooms, spacious rooms, balcony and/or terrace, wide choice of TV channels and free wi-fi. Each resident has complete independence and is free to receive guests and customise the accommodation.

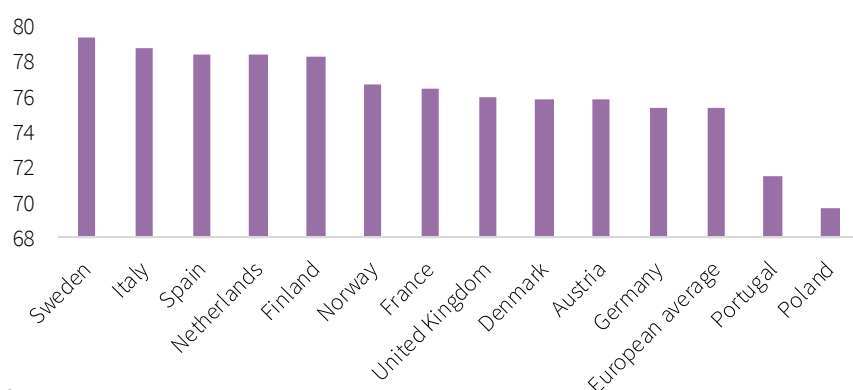
Via Carcano, Milan

Domitys

Project currently under construction in the city of Milan consisting of 128 apartments which will be developed on a total surface of over 8,000 sqm. The structure will have an internal restaurant, a SPA area with swimming pool and a large outdoor area for both private and common use. The residence is well connected and just 3 km away from the city centre.

Healthy life expectancy based on self-perceived health, 2019 data

Years



Source: Eurostat



Healthy life expectancy in Italy is higher compared to other European countries, suggesting the opportunity to develop more structures for self-sufficient people

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