

Italy

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IN A NUTSHELL

- Italy's GDP increased by 0.7 % in 2024.
- The housing market resumed the positive trend started in 2014, after the decline observed in 2023.
- The mortgage market in terms of outstanding grew.
- The "First Home Loan Guarantee Fund" ("Fondo Prima casa") guaranteed more than 564,000 mortgages for a total financed amount of EUR 66.1 billion.
- The affordability index - which estimates the ability of a family to purchase an average priced house with a mortgage - was positive and largely above historical levels

MACROECONOMIC OVERVIEW

Italy's GDP increased by 0.7 % in 2024.

Domestic demand (excluding changes in inventories) provided a positive contribution to the growth, respectively of 0.5%. In particular, both household consumption and public spending provided a positive contribution of 0.2%, and gross fixed capital formation of 0.1%.

The net foreign demand made similar positive contributions to the growth, respectively of 0.4%.

Consumer price inflation in Italy fell to 1% in 2024 from 5.7 of 2023, especially in the wake of falling energy prices. Thanks to the significant drop in inflation, purchasing power returned to growth after contracting slightly in the previous two years.

The economic activity slowed in construction and in services, respectively due to the reduction in tax incentives for residential building and to post-pandemic momentum slowing in high-contact sectors (e.g. tourism and food services).

Households' disposable income continued to expand, though less than in the previous year.

Unemployment declined again, to one of the lowest levels in the last 17 years, reaching 6.5%.

General government net borrowing to GDP decreased to 3.4% and the public debt-to-GDP ratio amounted to 135.3%

In the first quarter of 2025 GDP increased by 0.3% q-o-q.

HOUSING MARKETS

The housing market resumed the positive trend started in 2014, interrupted by the pandemic induced slowdown in 2020, after the decline observed in 2023 (-9.5%).

According to the annual report of Real Estate Market Observatory of the Revenue Agency, residential property sales rose by 1.3% y-o-y, amounting to just over 719,000. The growth in sales volumes continued also in Q1 2025 (+11.2% y-o-y).

The growth of sales was greatest in the South of Italy (+2.6% y-o-y), followed by the Center (+1.6%) and the North-East (+1.5%), while in the North-West and in the Islands the transactions performance was similar to that recorded in 2023. More in detail, Lombardia and Lazio hold the greatest share of transactions on the total (respectively, equal to 21% and 9.7%, with more than 151,000 transactions in Lombardia and 69,000 in Lazio), and both show an increase y-o-y, respectively of 0.5% and 2.6%. Abruzzo recorded the greatest increase y-o-y (+9.2%) with over 16,400 transactions, followed by Friuli Venezia Giulia (+6.4%) and Molise (+6%), although these last ones hold a low share of the transactions on the total in absolute value; Basilicata recorded a decrease y-o-y of 2.9%.

The analysis of the sales transactions recorded in the eight largest Italian cities in terms of population show heterogeneous result. Overall, the positive trend registered at the national level is confirmed also in the main cities, but the increase, compared to 2023, is slight and equal to 0.2%. Roma and Genova recorded the greatest increase of sales y-o-y respectively of 3% and 2%, while Milano and Napoli had the largest falls (respectively -3.5% and -2.7%). Roma holds more than 32% of the main eight cities.

According to preliminary estimates of the Italian National Institute of Statistics (ISTAT), the Housing Price Index increased by 3.2%, due to both new dwellings (7.9%) and existing ones (2.2%).

According to the analysis based on data of the annual report of Real Estate Market Observatory of the Revenue Agency, the price per square metre of properties in Milan continued to increase most (+8.5% y-o-y, growing since 2017), followed by Bologna (+2.8%). In Torino and Napoli, it decreased respectively by 2.1% and 1.9 y-o-y.

According to the Italian Housing Market Survey of a sample of 1,486 real estate agents, conducted between 4 April and 7 May 2025 and published by the Bank of Italy, the share of agents who recorded a decrease in new sale listings remained substantially higher than the share reporting an increase. The gap between asking and offered prices is the main reason for cancelling sale listings.

According to the last report of ENEA, in 2023 (last data available) around 1,2 mn EPC were issued (around 1,1 mn in 2022).

For residential buildings, the share of the most energy efficient rating (A4) increased from 4.7 to 6.2% y-o-y. The most energy efficient ratings classes (from A4 to B) represent 20.6% of the total.

MORTGAGE MARKETS

In 2024, the mortgage market in terms of outstanding grew by 0.4% y-o-y to EUR 426.2bn.

Gross lending decreased by 11.9 y-o-y, reflecting the low demand for loans for house purchase, probably affected by the high key interest rates with respect to those of the two years before, influenced by the monetary policy stance.

In the last months of the year, the trend showed signs of recovery; the reduction in key interest rates boosted the demand for mortgages and this trend was confirmed in the first quarter of 2025 (in Q1 2025, gross residential lending increased + 49.5% on a y-o-y basis).

Overall, housing transactions with a mortgage increased to about 283,000 units (+4.6% y-o-y), resuming the positive trend observed up to 2021, followed by two years of decline. The growth affected all areas of the country, with a weaker growth in the Islands (+3.5%) and higher in the Centre (+5.1%) and in the North-East (+5%) with a slight difference between the provincial capital cities (+ 5.5%) with respect to the smaller cities (+4.1%).

On the total number of houses purchased by individuals, those purchased with a mortgage also restarted to increase and represented the 41.7% of the transactions (+1.6% compared with 2023 when they accounted approximately 40%).

The average mortgage amount increased to about EUR 135,000 (up EUR 4,400 y-o-y): the largest average amount was in the Central area, with an average of EUR 146,000 (almost EUR 167,000 in the major cities). The average maturity is substantially stable to 25.3 years and is similar in all areas, except for the Centre, 26.1 years.

Fixed-rates mortgages continued to be preferred: the share of variable rate mortgages on new loans (up to 1-year initial rate fixation) has decreased from about 33.7% at the end of 2023 to about 6.5% at the end of 2024.

The decrease of interest rates started at the beginning of 2024 continued during the year. In particular, at year end, interest rates on short term fixings averaged approximately 4.2% (from 5% at the end of 2023) and those with a fixing over 1 year at 3.03% (from 4.03% at the end of 2023).

“Green mortgages” are a growing part of the total mortgage market

The growth of “green mortgages” is also supported by the fact that they generally offer more favorable conditions than traditional credit products.

This trend is confirmed by findings showed by the Bank of Italy in its Annual report, based on the latest Regional Bank Lending Survey (RBLs,H1 2024), which reports that the 34% of the banks surveyed offer green mortgage loans to households, both for the purchase of high energy performance houses and for the energy renovation of existing home. Notably, these green mortgage products accounted for around 15% of new mortgage originations.

The main public measure to support credit access for the first house purchase is the “First Home Loan Guarantee Fund” (“Fondo Prima casa”) which issues public guarantees to cover 50% of the mortgage loan exposure up to EUR 250,000, for the purchase of the first home, granted to: (i) single-parent

families with non-adult children; (ii) people under the age of 36 years or (iii) tenants of public housing. The application must be submitted directly to the banks which are always independent in their decision to finance, relying on creditworthiness assessment.

The Italian Budget Law of 2025 extended until 2027 the public guarantee up to 80% of total mortgage loan if specific conditions are met (e.g. if LTV > 80%). The public guarantee increases up to 90% of mortgage loan for “large families” (borrowers with more than three children under the age of 21). According to data as of 31 December 2024, the Fund guaranteed more than 564,000 mortgages for a total financed amount of EUR 66.1 billion.

To support first time buyers having trouble paying the mortgage, the “Solidarity Fund for mortgages for the first home purchase” (Gasparrini Fund) continues. The Fund allows borrowers to request a payment moratorium on their first home for up to 18 months, if specific events occurred (e.g., suspension/reduction/termination of employment). According to data as of 31 December 2024, the Fund has allowed the suspension of over 189,000 mortgages for a total of EUR 18.6 bn.

In 2024, conditions for buying a home remained favorable, with the affordability index largely above historical levels. The index estimates the ability of a family to purchase an average priced house with a mortgage. The index¹ is based on interest rates, house prices and disposable income: a positive affordability index means that the average family was able to purchase a house at the market average price.

After a slight weakening in the affordability index during 2023, at the end 2024 the affordability index increased. This improvement is mainly driven by the start of the reduction of key interest rates on mortgages.

This trend continued in the first three months of 2025.

MORTGAGE FUNDING

Overall, the deposits and bonds increased by 2.7%, continuing the positive trend recorded since the beginning of 2024. Deposits (current accounts, certificates of deposit, repurchase agreements) increased by 2.0%, while funding by bonds increased by 7.2%.

Covered bonds represent an important source of funding; in 2023, Italy has completed the transposition of the new European covered bond legislation, effective from 31 March 2023.

In 2024, according to preliminary estimates, a total of approximately EUR 31.1 bn were issued (17.3 bn in 2023), and total outstandings were approximately EUR 160.8 bn.

GREEN FUNDING

In recent years, several fiscal bonus measures have been introduced to support home renovation, which allow tax subtraction as a percentage of the expenses and subject to a cap which can change based on specific characteristics of the works/ beneficiaries.

¹ For the complete methodology for calculating the affordability index, please refer to the “Residential Real Estate Report 2025” (Italian Revenue Agency – Italian Banking Association) https://www.agenziaentrate.gov.it/portale/documents/d/guest/ri2025_residenziale20250520

Measures concerning energy efficiency are, mainly:

- the “Ecobonus”, for energy efficiency works (e.g., redevelopment of the building, solar collectors², windows), extended until the end of 2027;
- the “Superbonus”, for works improving energy efficiency and seismic security of the houses (including installing photovoltaic cells and electric vehicle charging columns), introduced in 2020 during the pandemic and extended to 2024 and 2025 with some changes, in particular providing a different value of the tax subtraction and a restriction of the scope of beneficiaries.

Other important fiscal measures to encourage renovation and improvement are:

- the “Restructuring Bonus”, for expenses carried out on private properties and commonly owned parts of condominiums in relation to extraordinary maintenance, renovation, restoration, conservative rehabilitation of the buildings, in force until 2033 with different value of the tax subtraction;
- the “Seismic bonus”, for properties in seismic zones, for the expenses incurred until 2027 for seismic risk reduction, improving the seismic class of the property
- the “Furniture bonus”, on purchases of furniture and large household appliances in the context of the renovation of the house, in force until 2025 with some restrictions.

According to the initial rules, the tax subtraction was allowed to be converted into an invoice discount or a tax credit, which could be transferred to banks or financial intermediaries.

According to the new rules in force from the 17 February 2023, in general terms, this is only allowed for the Superbonus for works in seismic zones, but in limited cases and under certain conditions.

	ITALY 2023	ITALY 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	0.7	0.7	1.0
Unemployment Rate (LSF), annual average (%) (1)	7.7	6.5	5.9
HICP inflation (%) (1)	5.9	1.1	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	75.2	75.9	68.4
Gross Fixed Investment in Housing (annual change) (1)	18.1	-3.1	-4.3
Building Permits (2015=100) (2)	115.3	109.5	136.9
House Price Index - country (2015=100) (2)	108.3	111.7	179.8
House Price Index - capital (2015=100) (2)	88.9	89.6	171.5
Nominal house price growth (%) (2)	1.3	3.1	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	424,651	426,224	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	-2,303	1,573	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	31.6	30.6	71.3
Gross residential lending, annual growth (%) (2)	-1.3	-11.9	3.9
Typical mortgage rate, annual average (%) (2)	4.42	3.54	4.34

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

* Eurostat Reviewed

ITALY FACT TABLE

Which entities can issue mortgage loans in your country?	Banks and financial intermediaries.
What is the market share of new mortgage issuances between these entities?	More than 95% of new mortgage loans are issued by banks.
Which entities hold what proportion of outstanding mortgage loans in your country?	Data no available.
What is the typical LTV ratio on residential mortgage loans in your country?	Data no available.
How is the distinction made between loans for residential and non-residential purposes in your country?	Residential loans are loans granted for house purchase and renovation.
What is/are the most common mortgage product(s) in your country?	Fixed interest rate mortgage loans to purchase residential real estate.
What is the typical/average maturity for a mortgage in your country?	20-25 years.

What is/are the most common ways to fund mortgage lending in your country?

Given Italy’s universal banking model, there is not a specific funding source for mortgage lending. That said, the most common funding technique is represented by unsecured bank bonds which, in turn, represents also the most common way for funding mortgage lending. For major Italian banking groups, covered bonds recently started to play an increasing role as a funding source for mortgage lending.

What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?

Data not available. In addition to costs relating to taxation on transfer, the main costs are related to real estate brokerage agency (if existing), and notary costs. The real estate taxation in Italy affects both direct (on income and capital) and indirect (on transfers and contracts) taxes and depend on the players involved (individuals or companies) and on the nature of the properties (land, buildings, commercial or residential).

What is the level (if any) of government subsidies for house purchases in your country?

Regarding tax benefits, homeowners can benefit some fiscal advantages for the “first home” purchase, which consist of smaller indirect taxes than the ordinary value.

The “first home” purchase relief allows to pay reduced taxes if specific conditions are met. If the seller is a private individual (or a company selling in VAT exemption regime) the proportional registration fee is 2% on the cadastral value (instead of 9%) and the fixed “imposta ipotecaria” and “cadastral fee” are both equal to EUR 50. If the seller is a company selling under VAT tax regime, VAT on the purchase price is 4% (instead of 10%) and the fixed “registration fee”, “imposta ipotecaria” and “cadastral fee” are both equal to EUR 200.

In any case, the proportional registration fee (2%) cannot be lower than EUR 1,000.

With reference to public guarantees on residential loans for house purchase, in 2014 the First Home Loan Guarantee Fund and the Solidary Fund for mortgages are in force; they support credit access for the first house purchase.

² Systems that capture solar energy in the form of heat directly, such as solar thermal panels.