Italy

By Marco Marino and Serena Razzi, Italian Banking Association – ABI

IN A NUTSHELL

- → Italy's GDP increased by 0.5% in 2025.
- → The housing market resumed the positive trend started in 2024, after the decline observed in 2023.
- → The outstanding mortgage market grew.
- → The First Home Loan Guarantee Fund ("Fondo Prima Casa") guaranteed more than 544,000 mortgages for a total financed amount of EUR 64.6 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.

MACRO-ECONOMIC OVERVIEW

Italy's GDP grew by 0.5%, in 2025, benefiting from the easing of monetary policy and the measures adopted under the National Recovery and Resilience Plan (NRRP). Growth in economic activity was driven mainly by domestic demand.

Consumer price inflation in Italy remained moderate: after the sharp drop recorded in 2024 (1%), it rose to 1.6% in 2025 driven by developments in its most volatile components.

Households' real disposable income in Italy rose by 0.9%. Consumption grew in line with income, leaving the saving rate unchanged. The latter was buoyed by high real interest rates and heightened uncertainty.

Value added in Italy continued to increase at a moderate pace in 2025, reflecting both strong growth in construction and in the energy sector, and a more subdued expansion in services; conversely, manufacturing contracted slightly, with the exception of a few sectors.

Employment slowed in Italy in 2025, in line with the weakening of economic activity, rising in construction and services while declining in industry excluding construction. The unemployment rate declined further, reaching its lowest average annual level since 2007. As in 2024, this decline was not due to higher chances of employment for job seekers, but to lower flows from employment into unemployment.

General government net borrowing fell for the fifth year in a row in 2025, to 3.1% of GDP (3.4% in 2024) and the public debt-to-GDP ratio increased to 137.1%.

GDP continued to grow at a moderate pace in early 2026, although the economic outlook has deteriorated due to increased geopolitical tensions and rising energy prices, which are expected to weigh on growth prospects.

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 the Real Estate Market Observatory of the Revenue Agency, residential property sales rose by 6.4% y-o-y, amounting to just over 766,000. The growth in sales volumes continued also in Q1 2026 (+4.4% y-o-y).

The increase in sales affected all areas of the country, with the Northwest recording the most significant growth (+8%), closely followed by the Centre (+7%). Positive growth was also recorded in the Islands (+6.8%) and the Northeast (+6.4%), while the South showed more moderate growth (+2.5%).

More specifically, Lombardia and Lazio hold the greatest share of transactions of the total (respectively, equal to 21.2% and 9.6%, with more than 162,000 transactions in Lombardia and 73,000 in Lazio), and both show an increase y-o-y, respectively of 7% and 5.6%.

Valle d'Aosta recorded the greatest increase y-o-y (+15.5%), followed by Umbria (+10.9%) Toscana (+9.4%) and Calabria (+9.4%), although these last ones hold a low share of the transactions on the total in absolute value. Puglia recorded a decrease y-o-y of 0.9%.

The analysis of sales transactions recorded in the eight largest Italian cities in terms of population shows heterogeneous results. Overall, the positive trend registered at the national level was confirmed also in the main cities, with an increase, compared to 2024, of 5.4%. Palermo, Torino and Roma recorded the greatest increase in sales y-o-y respectively of 9.4%, 6.8% and 6.2%. Rome represents 33% of the market in the eight main cities. Firenze is the only market showing a decline, with a decrease y-o-y of 3.8%

According to preliminary estimates of the Italian National Institute of Statistics (ISTAT), the Housing Price Index increased by 4%, due to both new dwellings (0.6%) and existing ones (4.7%).

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 (+6.8% y-o-y), followed by Roma (+3.4%) and Bologna (+2.8%). No significant changes for Genova and Napoli.

According to the Italian Housing Market Survey of a sample of approximately 1,500 real estate agencies, conducted between 7 January and 6 February 2026 and published by the Bank of Italy, in the fourth quarter of 2025 housing demand shows signs of recovery, particularly in metropolitan areas. Supply, on the other hand, continues to decline, with new sales falling further.

According to the last report of ENEA, in 2024 (last data available) around 1.2 mn EPCs were issued (same data as 2023).

Compared to the previous year, the residential buildings showed a slight reduction in the percentage of properties certified in the best energy classes (from A4 to B) (-0.6%), while properties in the intermediate classes (from C to E) increased (+2.7%) and those in the worst classes (F and G) decreased (-2.1%). The most energy efficient ratings classes (from A4 to B) represent 20% of the total.

MORTGAGE MARKETS

MARKET DYNAMICS

In 2025, the mortgage market in terms of outstanding grew significantly compared to 2024 (+0.4%): 3.4% y-o-y to EUR 440.5 bn.

Gross lending increased by over 21% y-o-y, mainly supported by the reduction in key interest rates that boosted the demand for mortgages.

Overall, housing transactions with a mortgage increased to about 334,000 units (+18.3% y-o-y), clearly confirming the positive trend already observed starting from 2024 (+4.5%), following the previous two years of decline corresponding to the period of rising interest rates.

The growth affected all areas of the country, with growth rates in line with the national figure in the North, Centre and Islands, and a more contained trend variation in the South (+14.5%). There were no significant differences between the provincial capital cities (+18.5%) with respect to the smaller cities (+18.3%).

Of the total number of houses purchased by individuals, those purchased with a mortgage also continued to increase and represented the 45.9% of the transactions (+4.5% compared with 2024 when they accounted approximately 41.7%).

The average mortgage amount increased to about EUR 141,000 (up EUR 7,400 y-o-y). The largest average amount was in the Central area, with an average of EUR 152,000 (almost EUR 175,000 in the major cities). The average maturity is slightly increasing to 25.6 years and is similar in all areas, except for the Centre, where it reached 26.3 years.

Fixed-rate 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 16.5% at the end of 2025 increasing compared to 2024 (6.5%).

The decrease in interest rates started at the beginning of 2024 continued during 2025 with reference to interest rates on short-term fixings averaged approximately 3.2% (from 4.2% at the end of 2024). Interest rates with a fixed period over 1 year, on the other hand, showed a slight increase to 3.4% (from 3.03% at the end of 2024).

The green mortgages market continues to expand. The growth of this type of mortgage is also supported by the fact that they generally offer more favourable conditions than traditional credit products.

This trend is confirmed by findings presented by the Bank of Italy in its annual report, based on the latest Regional Bank Lending Survey – RBLS 2025, which reports that the 35% 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 homes. Notably, these green mortgage products accounted for around 16% of new mortgage originations (12% in 2022).

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 a first home, granted to young couples, single-parent families with non-adult children, people under the age of 36, and tenants of public housing. The application must be submitted directly to participating banks which are always independent in their decision to finance, relying on a creditworthiness assessment.

The Italian Budget Law of 2025 extended until 2027 the public guarantee of up to 80% of total mortgage loan if specific conditions are met (e.g. if LTV is greater than 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 2025, the Fund guaranteed more than 544,000 mortgages for a total financed amount of EUR 64.6 billion.

To support first-time buyers having trouble paying the mortgage, the Solidarity Fund for First Home Mortgages (Gasparrini Fund) continues. The Fund allows borrowers to request a payment moratorium on their first home for up to 18 months, if specific events occur (e.g., suspension/reduction/ termination of employment). According to data as of 31 December 2025, the Fund has allowed the suspension of over 190,000 mortgages for a total of EUR 18.7 bn.

In 2025, conditions for buying a home remained favourable, 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 index 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.

At the end of 2025, the index was 12.6%, just under 10 basis points lower than the levels of the previous year.

In the first three months of 2026, conditions for buying a home showed a slight decline compared to the levels at the end of 2025, in line with an international context characterized by greater uncertainty.

MORTGAGE FUNDING

Overall, the deposits and bonds increased by 2.2%, continuing the positive trend recorded since the beginning of 2024. Deposits (current accounts, certificates of deposit and repurchase agreements) increased by 2.3%, while funding by bonds increased by 1.0%.

In 2025, according to preliminary estimates, a total of approximately EUR 30.4 bn was issued, and total outstanding issuance was approximately EUR 161 bn.

GREEN FUNDING

In recent years, several fiscal bonus measures have been introduced to support home renovation. These measures generally allow taxpayers to deduct from their tax liability a percentage of the eligible expenses, subject to statutory caps that may vary depending on the type of works, the property involved and, in some cases, the characteristics of the beneficiary.

Measures concerning energy efficiency mainly include:

- The Ecobonus, for energy efficiency works (e.g., energy redevelopment of buildings, solar collectors and windows), was extended until the end of 2027, although with reduced and differentiated rates, depending in particular on whether the property is used as the taxpayer's main residence;
- The Superbonus, introduced in 2020 during the pandemic for certain works improving energy efficiency and seismic safety of buildings (including photovoltaic systems and electric vehicle charging stations). The measure has been progressively reduced and restricted and, as of today, applies only in limited cases, mainly under transitional rules for works already started or formally approved within the statutory deadlines.

Other important fiscal measures to encourage renovation and improvement include:

- The Renovation Bonus, for expenses incurred on residential properties and common parts of condominium buildings in relation to extraordinary maintenance, restoration, conservative rehabilitation and building renovation works, is in force until 2033 with different levels of tax deduction. The measure remains in force, but the applicable deduction rates have been reduced and differentiated for 2025, 2026 and 2027, with more favourable rates for main residences;
- The Seismic bonus, for expenses incurred until 2027 on properties located in seismic zones and for eligible works aimed at reducing seismic risk;
- The Furniture bonus, for purchases of furniture and large household appliances intended to furnish renovated properties, in force until 2026 with some restrictions.

Under the original framework, taxpayers could, in several cases, opt for an invoice discount or for the transfer of the corresponding tax credit, including to banks or financial intermediaries.

However, following the legislative changes introduced from 17 February 2023, these options have been generally prohibited for new interventions, subject only to specific transitional and derogatory cases. The scope of these exceptions has subsequently been further restricted, in particular by Decree-Law No. 39/2024, so that invoice discount and tax credit transfer are now available only in limited cases and under statutory conditions.

	ITALY 2024	ITALY 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	0.7	0.5	1.5
Unemployment Rate (LSF), annual average (%) (1)	6.5	6.1	6.0
HICP inflation (%) (1)	1.1	1.6	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	75.9	77.1	68.5
Gross Fixed Investment in Housing (annual change) (1)	-1.2	-0.8	2.8
Building Permits (2015=100) (2)	55.3	n/a	86.9
House Price Index - country (2015=100) (1)	110.7	116.2	161.92
House Price Index - capital (2015=100) (2)	88.7	93.2	n/a
Nominal house price growth (%) (1)*	3.14	4.0	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	423,935	440,523	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	7,188.8	7,465	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	30.4	30.28	81.39
Gross residential lending, annual growth (%) (1)	-11.9	21.4	2.8
Typical mortgage rate, annual average (%) (2)	3.11	3.23	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 to be confirmed

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?	79%
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?	25.6 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, also represents 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 depends on the parties 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 from fiscal advantages for the purchase of a first home, which consist of smaller indirect taxes than the ordinary value. The first home purchase relief allows buyers to pay reduced taxes if specific conditions are met. If the seller is a private individual (or a company selling under a VAT-exempt 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 the 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, since 2014 the First Home Loan Guarantee Fund and the Solidary Fund for mortgages have been in force; they support credit access for the first house purchase.