

Mortgage Market Monitor

Market trends

The mortgage market in the first part of 2023 was marked by the impacts of the tightening of monetary policy, particularly by the sharp and sudden rise in policy rates which contributed to a significant fall in demand. The effect on volume dynamics was noteworthy, with growth in the stock of loans for home purchases slowing rapidly. In May, the rate of change fell to +2.3% yoy, from +3.9% at the beginning of 2023 and halved compared to +4.6% in Q4 2022.

The deceleration is due to the sharp decline in disbursements for new mortgage loan contracts, a trend that started in the middle of last year, with the rise in policy rates, and has become more pronounced in recent months. Since February, new mortgages have recorded changes in the region of -30% yoy, bringing the decline in the first five months of 2023 to -28.4% after -16.9% in the last quarter of 2022. The slowdown is expected to continue in the remainder of 2023, due to the considerable increase imposed by the monetary tightening on mortgage loan rates and the current weakening of the residential property market. Expectations recorded by consumer surveys are of mortgage rates still rising slightly over a twelve-month horizon.

The impacts of the rising rate environment on the mortgage market also concern the resumption of renegotiations and a re-composition of disbursements by type of rate. For renegotiations, after a 2022 characterised by a decline until October, the total amount in the first five months of 2023 has roughly tripled with respect to the same period last year, accounting for 34% of total transactions compared to 11% from January to May 2022.

As for the rapid changes in rate preferences, while in 2022 the rise first affected the fixed rate and then the floating rate, in recent months the increases have been more intense for the latter. The floating rate, in fact, has risen since July 2022 by 3.1 percentage points, about half of which since the beginning of 2023, to 4.4 % in May, the highest level since the end of 2008. The fixed rate rose less overall and only by 57bp in the first five months of 2023, to 4.14% in May. Consequently, the floating rate has been higher than the fixed rate since April. Thus, after the widening of the spread between fixed and floating rates in 2022 had led to a return of interest for the latter, particularly for forms with a maximum rate threshold (cap), following the recent alignment of the two rates and the inversion of the sign of the spread, the monthly volume of fixed-rate disbursements has returned to being higher than that of floating-rate mortgages. In April, the share of fixed rate in total transactions rose to 59%, from a low of 31% at the end of 2022 (it was 83% in 1Q2022).

Mortgage trends and prospects reflect the evolution of the residential market, which is seeing a slowdown in prices and a decline in traded volumes. House prices in 1Q2023 reported a moderate year-on-year increase of +1.1%, from an average of +3.8% yoy in 2022, but were essentially stable when compared to the latter part of last year (+0.1% qoq) due to the fact that property transaction volumes have clearly been falling since 4Q2022. The contraction in housing transactions intensified in the first quarter this year, registering -8.3% yoy. The latest available housing market survey, carried out between April and May, reported an unfavourable opinion of real estate agents on the situation of the Italian residential market and its outlook, with an assessment of stable prices in the second quarter, according to more than 60% of operators.

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Quarterly Note

Research Department

Banking Research

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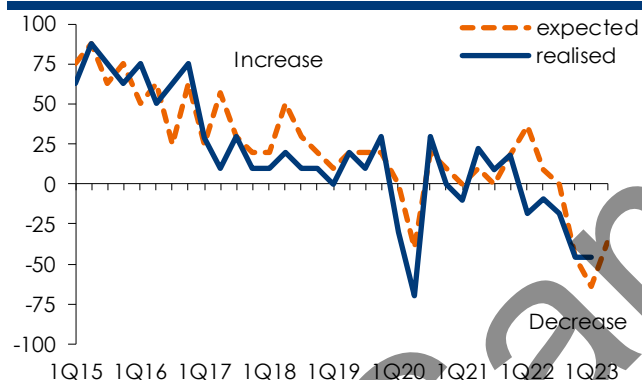
Growth of mortgage stock slowing rapidly

The mortgage loan market in the first half of 2023 was marked by the **impact of the monetary policy tightening**, particularly by the **sharp and sudden rise in policy rates** which contributed to a **significant fall in demand**. The effect on volume dynamics was noteworthy, with the **growth in the stock of loans to households for house purchases slowing down rapidly**. In May, the rate of change fell to +2.3% yoy, from +3.9% at the beginning of 2023 and halved compared to +4.6% in 4Q22. It should be noted that this trend reversal follows a prolonged period of robust growth, with peaks of +5.3% yoy reached until last September. The slowdown is expected to continue for the remainder of 2023, due to the considerable increase imposed by the monetary tightening on mortgage loan rates and the current weakening of the residential property market.

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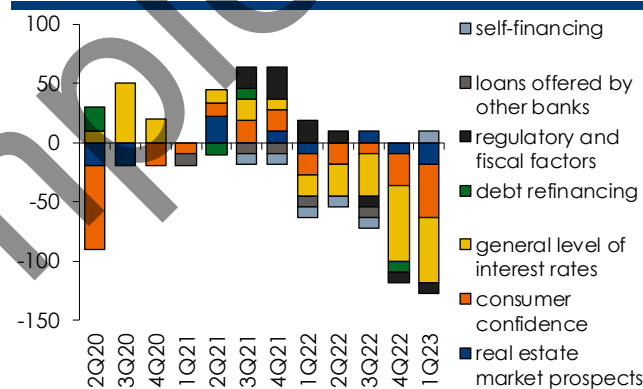
The deceleration in the stock of mortgage loans is due to the **sharp decline in disbursements for new mortgage loan contracts** compared with the very positive cyclical phase that characterised 2021 and the first part of last year. With the rise in policy rates since July 2022, new mortgage loan contracts have begun to record double-digit declines. This trend has worsened in recent months with changes of around -30% yoy since February, bringing the decline in the first five months of 2023 to -28.4% following the -16.9% drop in the last quarter of 2022.

Change in the demand for loans to households for house purchases (net %: increase - decrease)



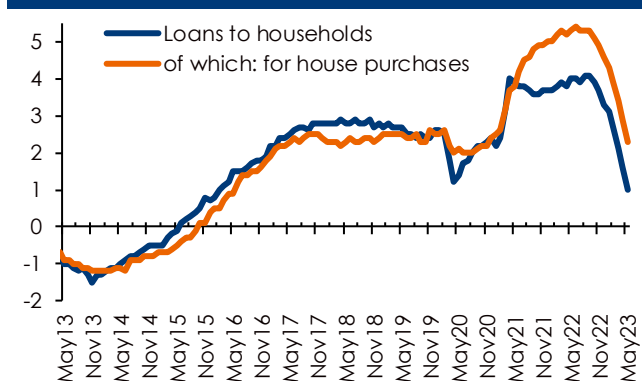
Source: Bank of Italy, Quarterly Bank Lending Survey (BLS)

Relative importance of factors contributing to the demand for loans for house purchases (net %: increase - decrease)



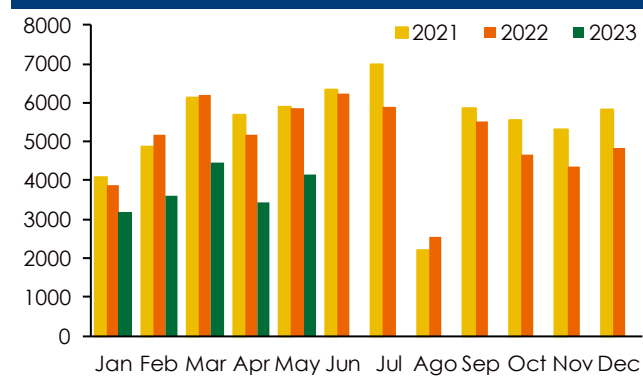
Source: Bank of Italy, Quarterly Bank Lending Survey (BLS)

Trend in loans to households, including loans for house purchase (yoy % change in stock, adjusted for securitisations)



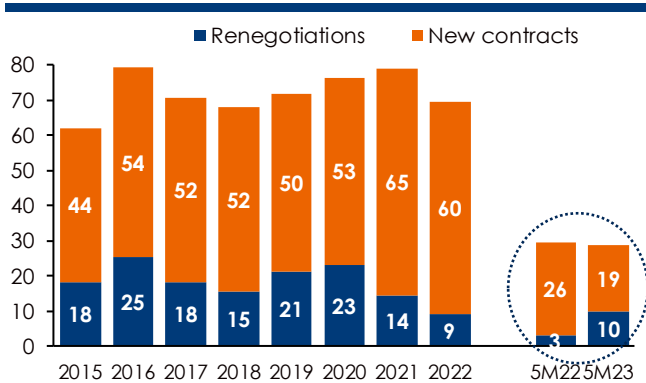
Source: ECB

Monthly flows of new loan contracts for house purchases: 3Y comparison (EUR M)



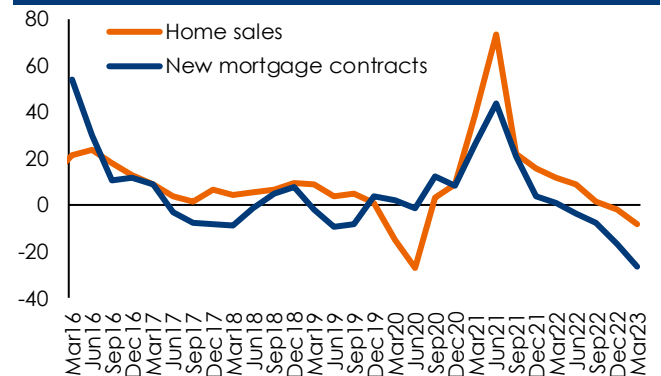
Source: ECB, Intesa Sanpaolo Research Department calculations

Renegotiations flows and new house purchase loan contracts – annual and five-month 2022-23 data (EUR Bn)



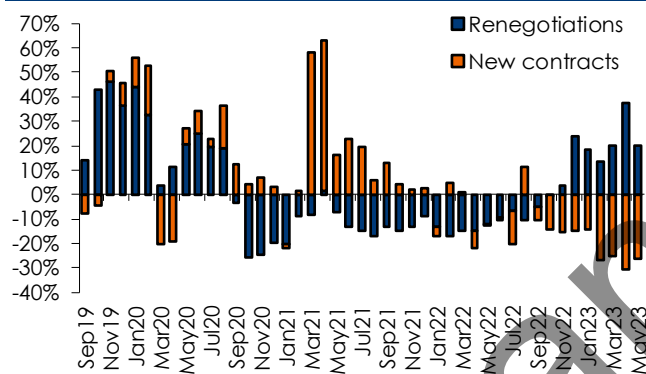
Source: ECB, Intesa Sanpaolo Research Department calculations

Trend in new mortgage loan contracts and residential property transactions (yoy change in mortgage volumes and number of transactions)



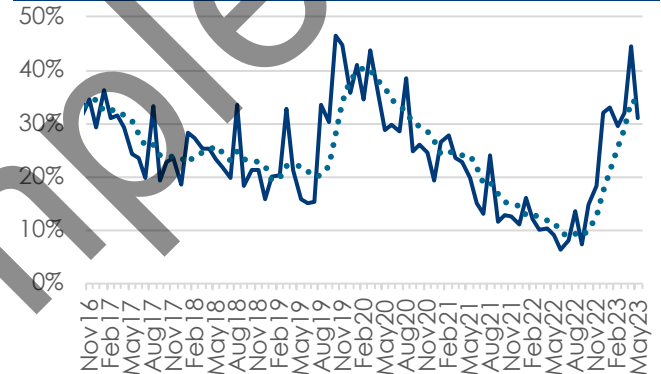
Source: ECB, Intesa Sanpaolo Research Department calculations

Contribution of renegotiations and new contracts to the growth of monthly flows of loans for house purchases (%)



Source: ECB and Intesa Sanpaolo calculations

Renegotiations of loans for house purchases as a % of total monthly flows (gross flows and 5-term moving average)

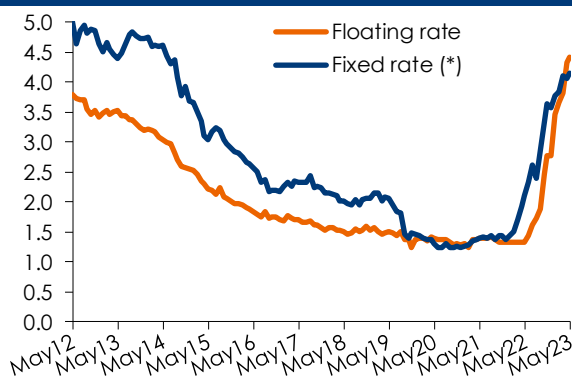


Source: ECB and Intesa Sanpaolo Research Department calculations

As already highlighted by the dynamics observed in the last part of 2022, the impacts of the monetary tightening context and the consequent rise in mortgage loan rates are manifold. They also involve the **recovery of renegotiations** and a **recomposition of disbursements by rate type**.

With regard to **renegotiations**, after a 2022 characterised by a constant decline until October and a strong rebound in the volume of these transactions in December, the first part of 2023 saw the continuation of the **rapid recovery**. The trend compares with the modest volumes recorded last year, but since December 2022 the volume of renegotiations has been considerable, equal to an average of 2Bn per month. **From January to May, the total amount of renegotiations approximately tripled** over the same period of 2022, accounting for 34% of total transactions compared to 11% in the first five months of 2022. However, this strong performance did not offset the decline in new contracts, hence the total gross flow (sum of renegotiations and new contracts) fell over the period by -3.4% compared to the first five months of 2022.

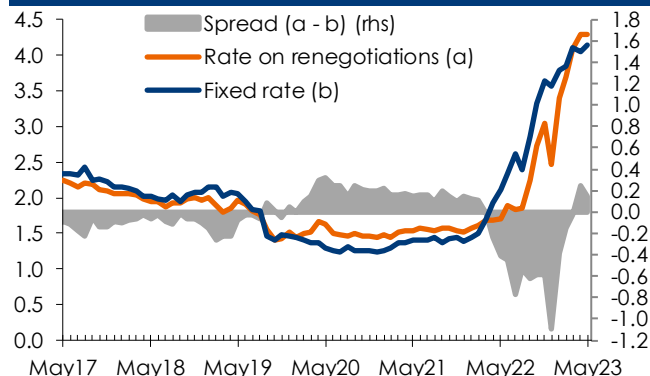
Rates on new loans to households for house purchase (%)



Note: (*) Initial rate fixation period over 10 years

Source: Bank of Italy

Rate on renegotiations compared to fixed rate (%)



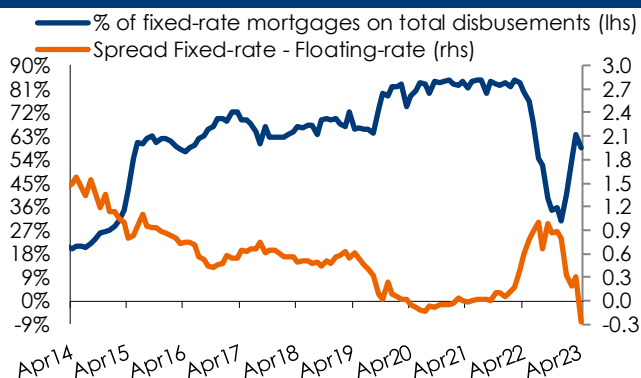
Source: ECB and Intesa Sanpaolo Research Department calculations

The evolution of interest rates continues to lead to **swift changes in the rate preferences on mortgage loans**. While in 2022 the rise had initially affected the fixed rate and subsequently the floating rate, in recent months the increases have been more marked for the latter. **Indeed, since July 2022, the floating rate has risen by 3.1 percentage points, of which approximately half since the beginning of 2023** (+1.63pp compared to the end of 2022 and +3.08pp compared to the end of 2021), **reaching 4.4% in May, the highest level since the end of 2008**. The fixed rate increased to a lesser extent overall and by only 57 bps since the beginning of 2023, recording 4.14% in May, the highest level since August 2014 (+2.76pp the increase measured compared to the end of 2021 since the rise in the fixed rate began in January 2022).

Consequently, **since April 2023 the floating rate has been higher than the fixed rate**, and so has the overall average rate, which stood at 4.22% in May. It should be noted that in 2022 the different speeds of adjustment led to a sharp widening of the **spread between fixed and floating rates**, which had reached zero in 2020-21 and rose to 1% in July 2022, to then close the year at 0.8%, fall sharply in 1Q23 to 0.27% on average and finally turn negative in April and May (-28bps and -26bps, respectively).

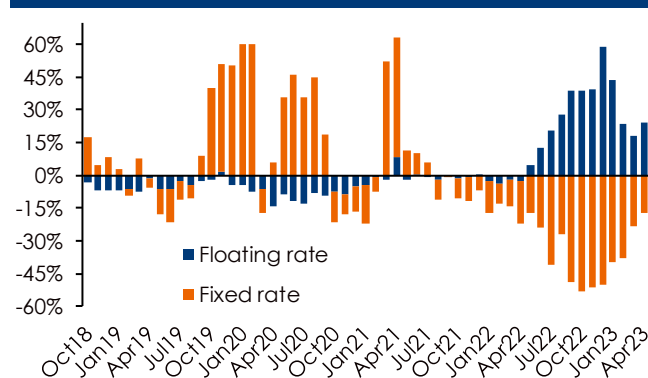
After the widening of the spread between fixed and floating rates had led to the return of interest for floating rate mortgages in 2022, particularly to the forms with a maximum rate threshold (cap), it should be noted that the recent alignment of the two rates and the subsequent reversal of the sign spread is resulting in a **recomposition of the overall disbursements**. Indeed, the statistics on disbursements by rate type, which at the time of writing this report are available until April, show that **since February the volume of fixed-rate disbursements was again higher than that of floating-rate mortgage loans**. Therefore, **the fixed-rate share of the total transactions (including renegotiations) moved back above 50% to 59% in April** from 41% in January and from a minimum of 31% recorded at the end of 2022 (the average for the last 3 months of the year was 35%, 83% in 1Q22). It should be noted that **in terms of stocks, fixed-rate mortgage loans accounted for 63% of total mortgage loans at the end of 2022, a high share in the historical comparison** (before the financial crisis this figure fluctuated at around 20%).

Disbursements of loans for house purchase: fixed-rate as % of the total and spread between fixed and floating rate



Source: Bank of Italy and Intesa Sanpaolo calculations

Contribution of fixed-rate and floating-rate flows to the growth of monthly loan transactions for house purchases (%)

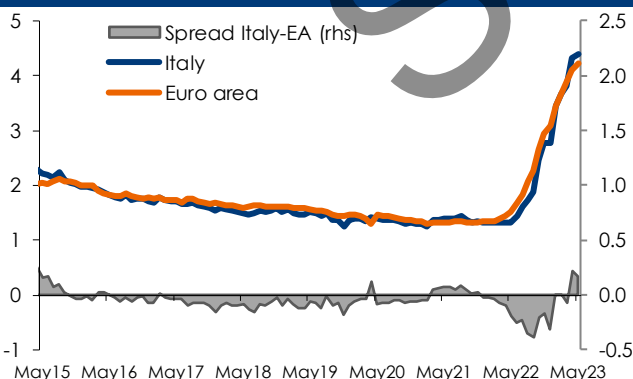


Source: Bank of Italy and Intesa Sanpaolo calculations

The Italian fixed rate remains higher than the rate in the Euro area having increased to a greater extent: +2.8pp the Italian fixed rate and +2.0pp the average Euro area rate compared to the minimum at the end of 2021, at 4.14% and 3.31% respectively. Therefore, the spread between the Italian fixed rate and that of the Euro area, which rose to 1.1% in November 2022, was on average 1% in 4Q22 and in 1Q23, falling slightly in April and May to 83bps as a result of the settling shown in the last few months by the Italian rate.

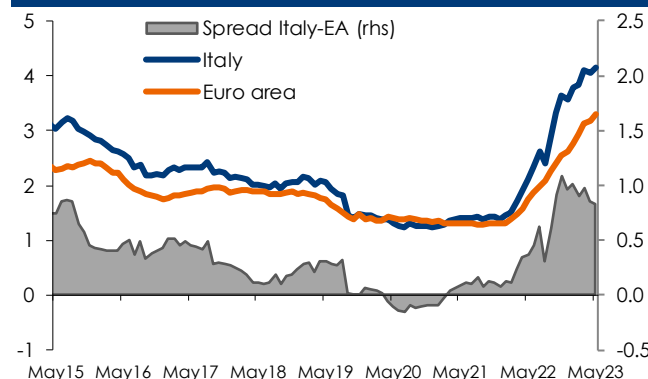
Recently, the floating rate also rose above that of the Euro area, after aligning in early 2023. Therefore, while in 2022 the responsiveness of the Italian floating rate to the rise in policy rates was lower than that shown in the Euro area, the increase was decidedly more marked in the first months of 2023. As a result, in Italy the floating rate also increased more than in the Euro area, by 308bps over the end of 2021 to 4.40% as already reported above compared to +289bps to 4.23% in the Euro area. Therefore, the spread between Italian and Euro-area floating rates turned positive again in the amount of around 20bps in April and May after remaining in negative territory for 13 consecutive months from end-2021 to end-2022.

Rates on new floating-rate loans for house purchases: comparison between Italy and the Euro area (%)



Source: ECB and Intesa Sanpaolo Research Department calculations

Rates on new fixed-rate loans for house purchases: comparison between Italy and the Euro area (%)



Source: ECB and Intesa Sanpaolo Research Department calculations

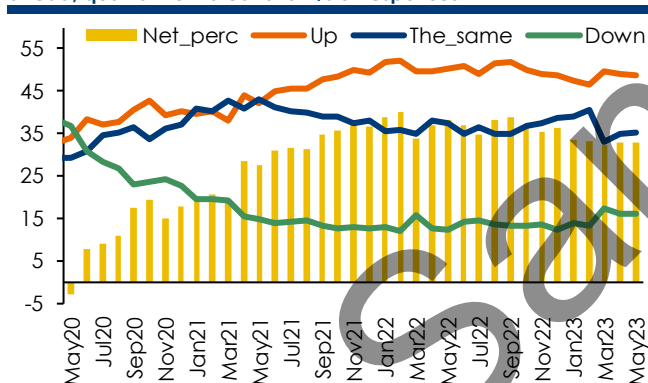
Consumers perceive slightly more relaxed credit access conditions

The ECB's monthly Consumer Expectations Survey (CES) collects views from consumers in six major Euro area countries (Belgium, Germany, France, Italy, the Netherlands and Spain) on home price expectations and credit access conditions¹. Below are the main results for Italy of the survey published on 5 July and conducted in May 2023, involving interviews with over 14 thousand adult respondents, of which approximately 3,100 were Italians.

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With reference to house prices², it emerges that, generally speaking, **Italian consumers and those of the other main Euro area countries continue to expect the price of their home to increase over a time horizon of twelve months**, with the exception of respondents residing in the Netherlands. However, the trend points to weaker growth. 48.8% of Italian consumers expect prices to continue to grow, a percentage that remains high and which is close to but lower than the highs of around 52% recorded by the survey in February and September 2022. The share of Italians who expect prices to fall slightly increased to 15.9% in May compared to 12.2% twelve months earlier. The net percentage (difference between increase and decrease expectations) has fallen since the beginning of 2023 to 33% (graph on the next page), five points less compared to the same period in 2022. In five of the six countries where the survey was conducted, the net percentage remains positive, with the exception of the Netherlands, where declining price expectations have tended to prevail since the beginning of 2023. Even in Germany, where house prices fell in 1Q23, expectations of a 12-month increase prevail, but the net percentage fell to 21%, around a third compared to an average of 60% in the first four months of 2022.

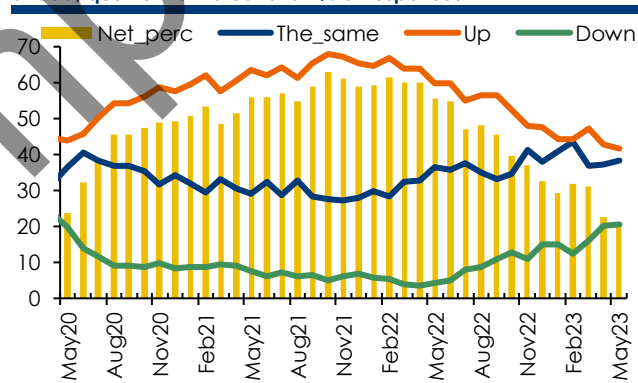
Expectations of Italian consumers on house prices 12 months ahead, qualitative indications - % of responses



Note: net percentages are obtained by subtracting the percentage of respondents indicating that prices will decrease from the percentage of respondents indicating that prices will increase.

Source: calculations based on ECB figures

Expectations of German consumers on house prices 12 months ahead, qualitative indications - % of responses



Note: net percentages are obtained by subtracting the percentage of respondents indicating that prices will decrease from the percentage of respondents indicating that prices will increase.

Source: calculations based on ECB figures

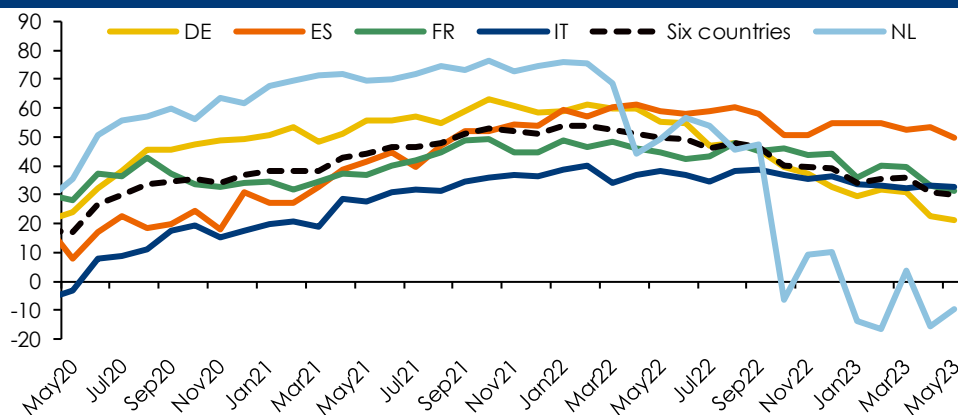
Consumer expectations about mortgage loan interest rates over a time horizon of 12 months are still slightly up. According to the CES survey, Italians surveyed in May responded on average that they expected a rate of 5.8% twelve months ahead, above the 5.7% indicated in April and 5.5% at the beginning of 2023. Italians have consistently expressed expectations of mortgage loan rates at higher levels compared to the other major countries surveyed, while, conversely, France ranks lowest, compared to Germany and Spain in the middle. The gap between the ends of the spectrum, with France's minimum at 4.6% and Italy's maximum at 5.8%, is equal to 1.2 percentage points in May.

¹ The survey also covers inflation, income and consumption, the labour market and economic growth, again investigating the point of view of individuals.

² In the qualitative question, respondents are asked: "In 12 months from now, what do you expect will happen to the price of your current home? By this, we mean the price that would be paid if your home were to be sold 12 months from now." The possible responses are "Increase a lot", "Decrease a lot", "Increase a little", "Decrease a little", and "Stay exactly the same".

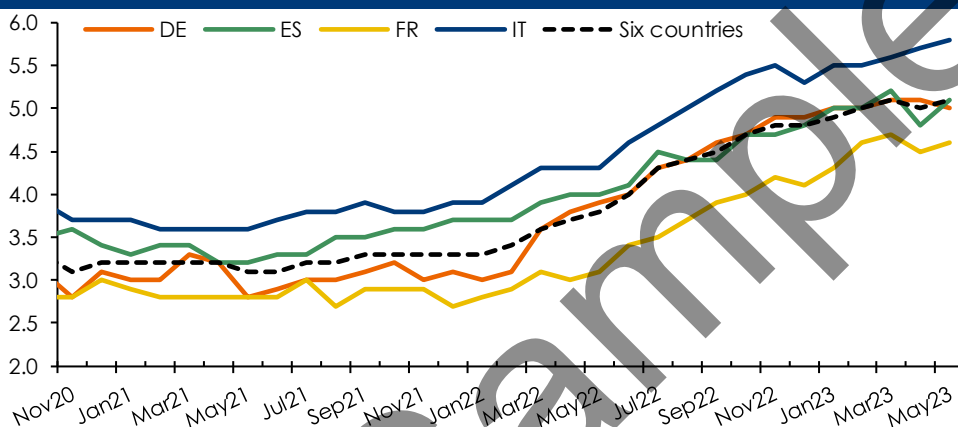
Home price expectations of consumers 12 months ahead, comparison among countries

Net % = % of increase responses - % of decrease responses



Source: calculations based on ECB figures

Average by country of expected consumer mortgage loan interest rates 12 months ahead (%)

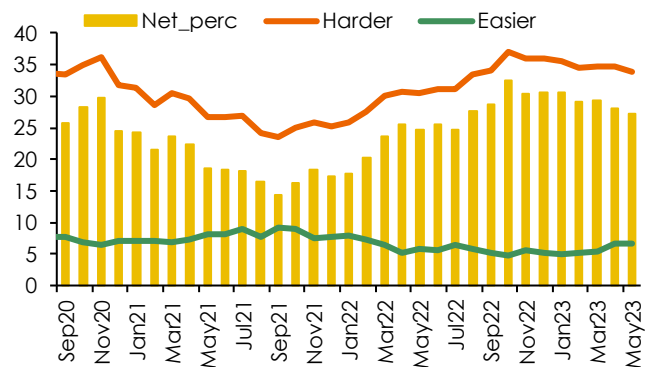


Source: calculations based on ECB figures

Credit access conditions³ are perceived by Italian consumers to be slightly easing in the first five months of 2023, after the restrictive phase related to the monetary tightening. Indeed, the percentage of responses indicating more difficult conditions gradually decreased, from 36% at the end of 2022, to 33.8% in May, while in the two-month April-May period the percentage of easier credit access responses increased slightly (6.6% from 4.9% at the beginning of the year). In the countries surveyed as a whole, the assessment of credit access conditions appears to have stabilised in the last three months of the survey, after recording a higher percentage of responses indicating greater difficulties since March (around 36% from 33.2% in February). The comparison among countries of the net percentage (harder – easier credit access conditions) shows that Italian respondents are the only ones to perceive, as a whole, a slight easing of credit access conditions in the last four surveys (net percentage of 27.3% in May from 30.7% in January). In 12 months from now, Italians expect credit access to become easier, with the net percentage down to 18.7% in May. Only Germans are more confident about credit access prospects (net percentage of 8.5%), but they are also more confident about the current conditions.

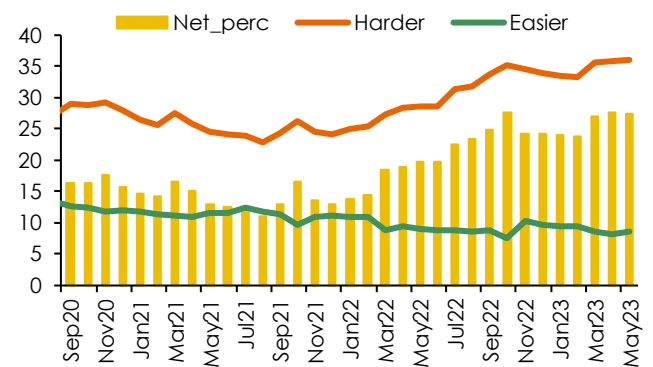
³ In the backward-looking question, respondents are asked: "Compared with your household's situation 12 months ago, do you think it is generally harder or easier these days for your household to obtain credit or loans?". This question refers to both mortgage loans and consumer credit, student loans and other forms of retail credit.

Credit access conditions perceived by Italian consumers over the previous 12 months (% of responses)



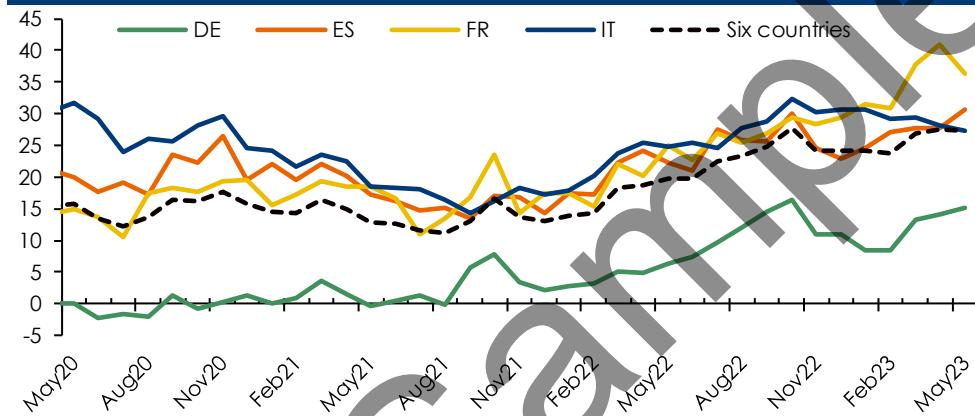
Note: net percentages are obtained by subtracting the percentage of respondents indicating that access to credit is easier from the percentage of respondents indicating that access to credit is harder.
Source: calculations based on ECB figures

Credit access conditions perceived by consumers in the six countries examined over the previous 12 months (% of responses)



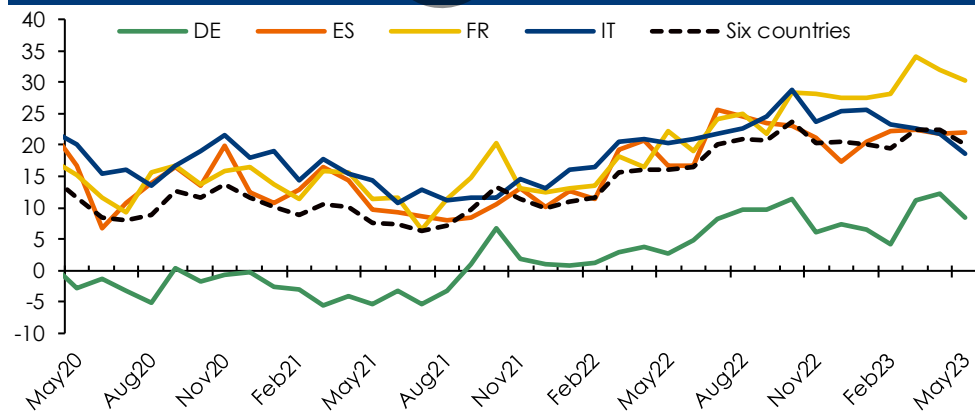
Note: net percentages are obtained by subtracting the percentage of respondents indicating that access to credit is easier from the percentage of respondents indicating that access to credit is harder.
Source: calculations based on ECB figures

Credit access conditions perceived by consumers in the main Euro area countries over the previous 12 months (net % = % of responses of harder access to credit - % responses of easier access to credit)



Source: calculations based on ECB figures

Credit access conditions expected by consumers in the main Euro area countries over the next 12 months (net % = % of responses of harder access to credit - % of responses of easier access to credit)



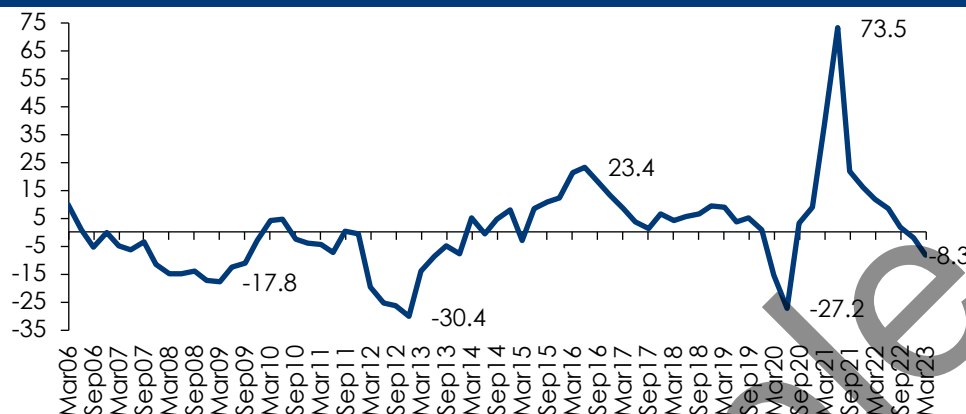
Source: calculations based on ECB figures

Decline in residential property transactions

Since the latter part of 2022, residential transactions have started to decline. In 4Q22 they fell by 2.1% yoy and in 1Q23 the decline strengthened to -8.3% yoy, confirming the outlook of analysts and sector operators. Trade in the last three months of 2022 amounted to EUR 208K, 4K less than the previous year, and in the first three months of 2023 to around EUR 167K, 15K less in a yoy comparison. Already in the quarters prior to those analysed, although the changes were still positive, the trend was characterised by a clear slowdown and headed towards the decline.

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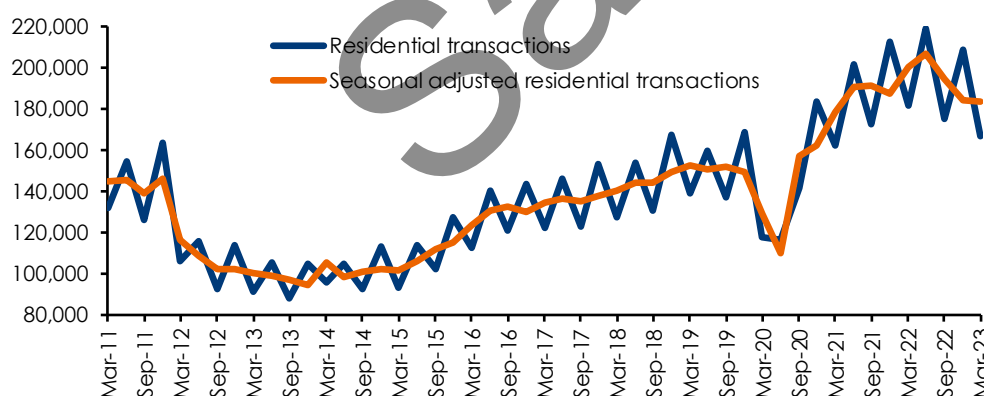
Yoy % change in transactions of residential properties



Source: OMI and Intesa Sanpaolo Research Department calculations

Indications of a downturn also emerge from the seasonally adjusted data, where we note that, after the strong growth in 2021, which was in part a natural consequence following the collapse during the Covid-19 crisis, the increase continued with less dynamism, until the fourth quarter when a trend reversal was observed, along with a subsequent acceleration of the decline in early 2023.

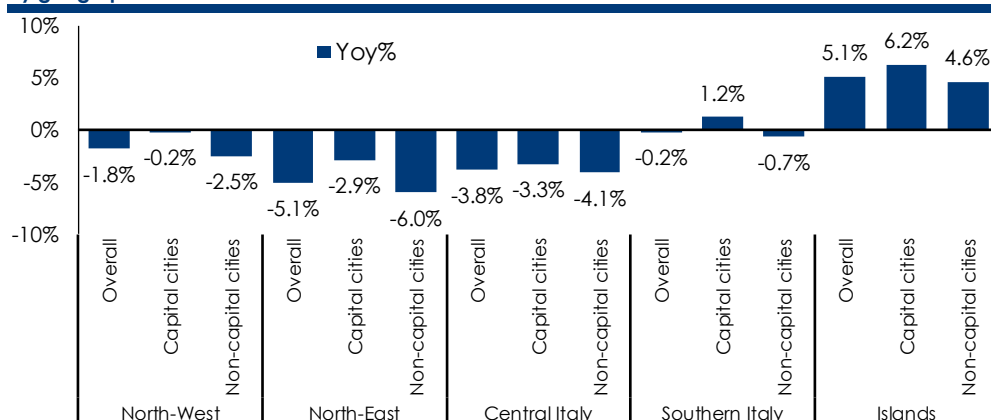
Transactions of residential property - seasonally adjusted and non-seasonally adjusted data



Source: OMI and Intesa Sanpaolo Research Department calculations

In 4Q22, transactions declined more sharply in smaller municipalities (-2.6% yoy) than in capital cities (-0.9%). The provincial areas of the North-East recorded the most negative figure, with a drop by 6%. At a level of territorial macro-areas, only the Islands maintained a 5.1% yoy growth in purchases and sales driven by the capital cities (+6.2%). The North-East and the Centre reported sharp declines, by 5.1% and 3.8% respectively, while the North-West stood at -1.8%, with small municipalities (-2.5%) showing the most negative figure. The South remained substantially stable, at -0.2% yoy, supported by capital cities (+1.2%), while the other municipalities showed a decline (-0.7%).

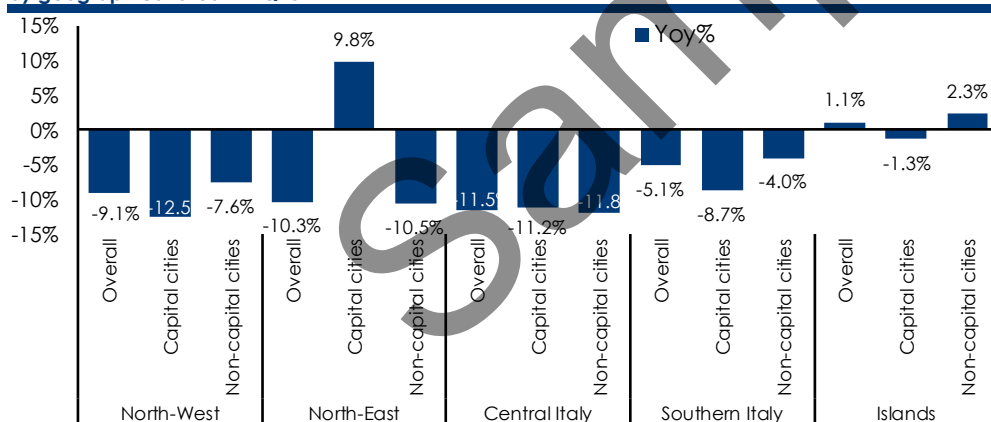
Yoy % change in transactions of residential properties, provincial capitals and provincial non-capitals by geographical area in 4Q22



Source: OMI and Intesa Sanpaolo Research Department calculations

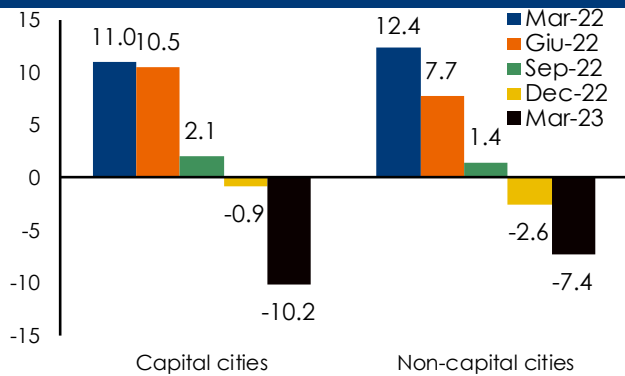
On the contrary, **in 1Q23, transactions fell most sharply in capital cities** (-10.2% yoy), but **also confirmed a marked decline in smaller municipalities** (-7.4%). The decline impacted all macro-areas except the Islands (+1.1%), on the strength of the performance of capital cities (+2.3%). These are followed, in ascending order by result, by the Centre (-11.5%), the North-East (-10.3%) and the North-West (-9.1%), where, however, the capital cities recorded the worst performance (-12.5%). Southern Italy saw a smaller decline at the aggregate level (-5.1%), also driven down by the capital cities (-8.7%).

Yoy % change in transactions of residential properties, provincial capitals and provincial non-capitals by geographical area in 1Q23



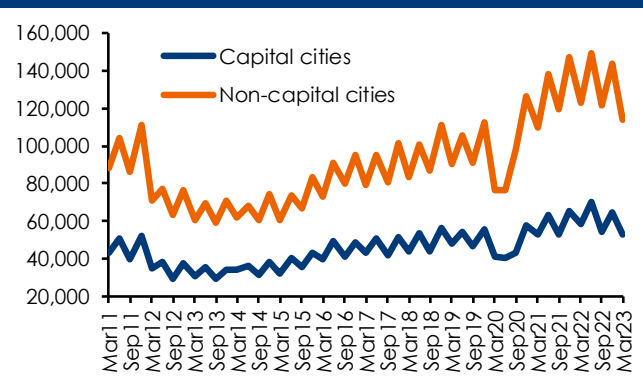
Source: OMI and Intesa Sanpaolo Research Department calculations

Yoy % change in transactions of residential properties, provincial capitals and provincial non-capitals



Source: OMI and Intesa Sanpaolo Research Department calculations

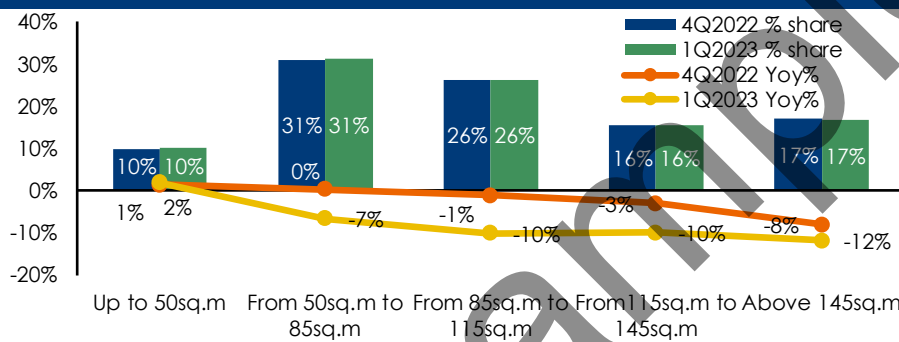
Number of transactions of residential properties, provincial capitals and provincial non-capitals



Source: OMI and Intesa Sanpaolo Research Department calculations

The slowdown in the segment is also reflected in the size of the traded properties, as already recorded in the third quarter, with an average traded area further down yoy in 4Q22 and 1Q23 (-2.1 m² and -1.6 m², respectively), which is reduced especially in Northern Italy and in the Centre.

% share of residential property transactions by size class and yoy changes in 4Q22 and 1Q23

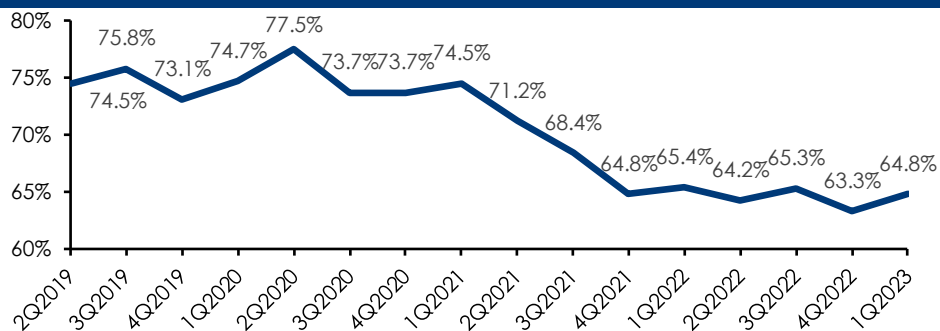


Source: OMI and Intesa Research Department calculations

In 4Q22 and 1Q23, more than 95% of total transactions involved natural persons, with overall percentages only slightly lower than in the previous year. Of this figure, 63.3% at the end of 2022 and 64.8% at the beginning of the year involved use of the "first home" tax benefit, which can be considered as a proxy of properties purchased as main residences⁴. We note that this percentage had fallen significantly in 2021.

⁴ First home and main residence are different concepts: the two can, but do not necessarily coincide. From an empirical point of view, however, the two aggregates do mostly overlap, thus the use of the term "proxy". Finally, we reiterate here that the purchase of a main residence is not a concept that refers only to those buyers who purchase a residential property for the first time, but also to those who purchase a new property to replace their main residence.

% of purchases by natural persons with first home tax benefit*



Source: OMI and Intesa Sanpaolo Research Department calculations

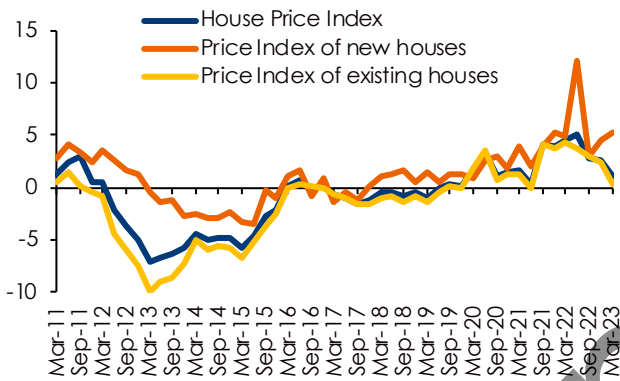
Sample

House prices slow down

In 1Q23, prices on the residential property market increased by 1.1% yoy, with a higher increase in prices of new homes (up by 5.4%) and a modest increase in those of existing homes (up by 0.4%). House prices have confirmed, with the exception of new homes that are moderately volatile, the slowdown in progress, including in light of monetary policy measures. Indeed, the figure is lower than in 4Q22, which recorded an increase in prices by 2.7% yoy (new homes +4.5%, existing homes +2.3%) which already confirmed the deceleration, reflected in the dynamics of existing homes (+2.9% yoy in the third quarter, for example). Conversely, in the fourth quarter new homes also recorded a yoy acceleration compared to the previous 2.9%, as in 1Q23 compared to 4Q22. On a quarterly basis, house prices in 1Q23 stood still overall (+0.1% qoq) as at the end of 2022, with existing homes down by 0.4 qoq and new house prices up by 2.4% qoq, in line with the year-on-year performance. These results reflect the weakening trend in purchases and sales volumes.

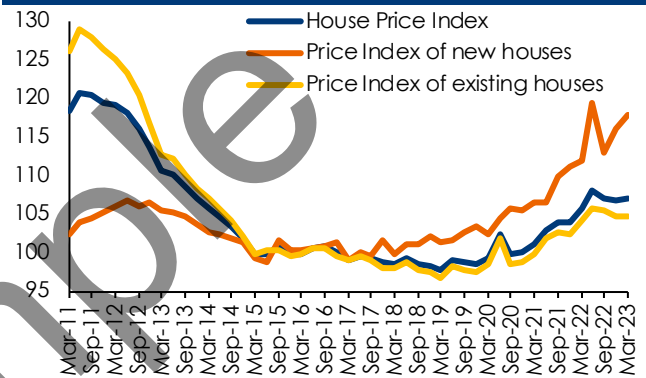
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Yoy % change in housing prices



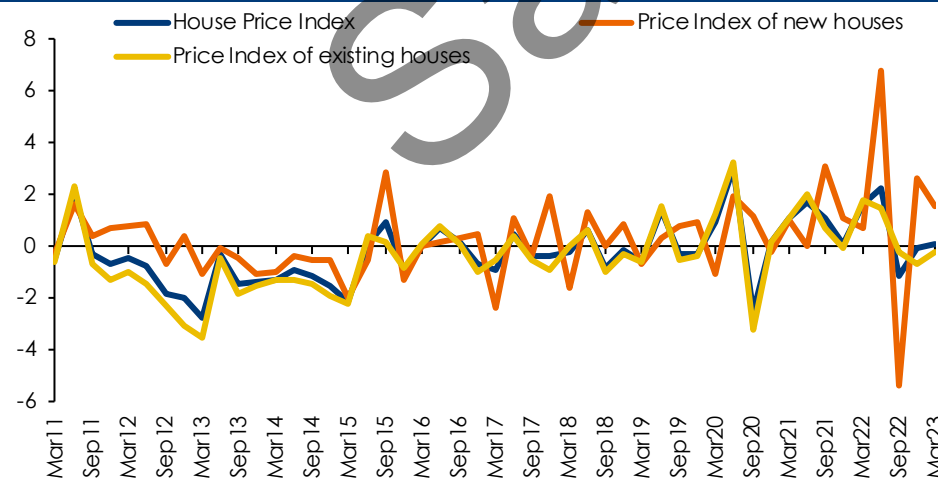
Source: Istat and Intesa Sanpaolo Research Department calculations

Index of housing prices (annual average, base 2015=100)



Source: Istat and Intesa Sanpaolo Research Department calculations

Quarterly % change in housing prices

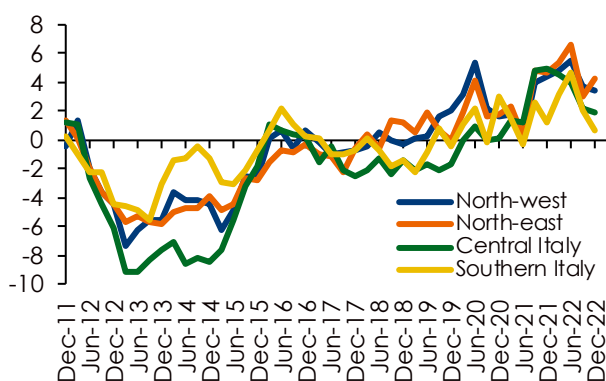


Source: Istat and Intesa Sanpaolo Research Department calculations

The ISTAT territorial analysis of prices is published every six months, therefore the latest available data are those of the end of 2022.

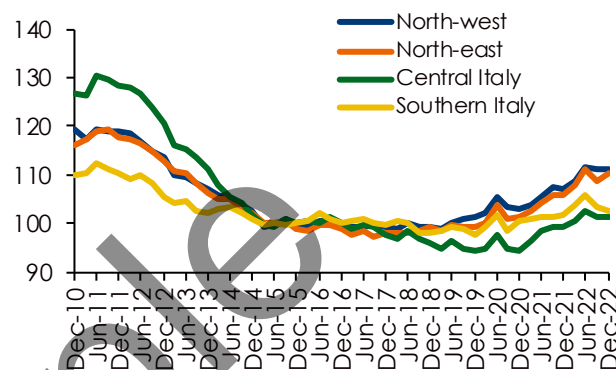
In 4Q22, all **geographical areas** confirmed the year-on-year growth in house prices. The performance was very strong in Northern Italy (in particular +3.4% in the North-West, with a slight deceleration linked to the trend of existing homes, and +4.2% in the North-East where the greater dynamism is supported by both components) and more modest in the Centre and the South (+1.9% and +0.6%, respectively). In Central Italy, growth slowed down due to the decline in the prices of new homes (-0.6%), while the prices of existing homes increased slightly (from +2.1% to +2.3%). In the South, growth weakened to +0.6% (from +2.0%) especially for existing homes, whose prices remained essentially stable, while new homes continued to grow albeit at a slower pace.

YoY % change in housing prices by geographical area



Source: Istat and Intesa Sanpaolo Research Department calculations

Index of housing prices by geographical area (annual average, base 2015=100)



Source: Istat and Intesa Sanpaolo Research Department calculations

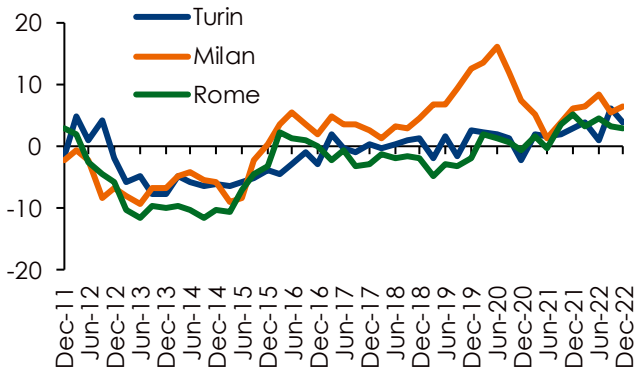
In 2022 the prices of both new and existing homes increased in all areas, especially in the North-East (+4.8%, where new homes accelerated from +4.7% in 2021 to +7.3%) and in the North-West (+4.3%), followed the Centre, with a growth of +3.1%, and the South (+2.6%, an increase supported to a large extent by new homes, which recorded the greatest annual change in the country in 2022, +7.8%).

With reference to the **three large cities** within the scope of the ISTAT price analysis, in 4Q22 Turin saw a slowdown in yoy growth (from +6.1% to +3.9%), mainly linked to prices of new homes (from +10.1% to +4.3%). In Milan, growth remained very strong and accelerated compared to the previous quarter (from +5.6% to +6.4%), confirming the uninterrupted strengthening trend since the 4Q15. In Rome, on the other hand, a deceleration was reported (from +3.4% to +2.8%), linked exclusively to the prices of new homes (from +6.4% to +1.1%, while for existing homes prices increased from +2.9% to +3.1%).

With regard to the annual performance of the three large cities in 2022, Turin reported an acceleration in prices (from +2.1% in the previous year to +3.7%), mainly supported by existing homes (from +1.2% to +4.0%), while new homes slowed down significantly (from +7.9% in the previous year to +1.2%). Milan was confirmed as the most dynamic city, with an average annual growth of +6.7% in 2022, accelerating compared to the previous year (it was +4.1%). 2022 was therefore the seventh consecutive year of price increases in Milan. This further growth is accounted for by the performance of both prices of existing homes (from +5.4% to +7.5%) and those of new homes which, after a decline in 2021, began to rise again (from -1.4% to +2.9%). An increase in prices was also recorded in Rome, +3.5% in 2022 (+2.5% in 2021), with existing homes contributing to this result (from +2.0% to +3.3%). New homes, albeit less dynamic, continued to report a strong performance in 2021 (from +6.5% to +5.3%). On the strength of these annual results, Turin and Rome narrowed the real estate price gap compared to 2010, although the levels remain much lower (for Rome by 23.0%, mainly for existing homes (-26.1%); for Turin by 15.6%, where the decrease in the prices of existing homes (18.5%) is offset only partially by the prices of

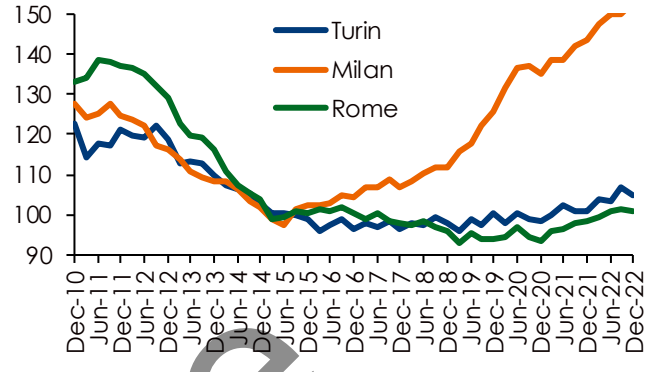
new ones (+3.5%)). On the contrary, in Milan, house prices – that already in 2020 had exceeded the levels of 2010 – continued the same trend, hence above this benchmark for both types of housing (overall, 2022 prices were +17.4% higher than in 2010, of which +12.6% for new homes, +18.3% for existing homes).

YoY % change in housing prices



Source: Istat and Intesa Sanpaolo Research Department calculations

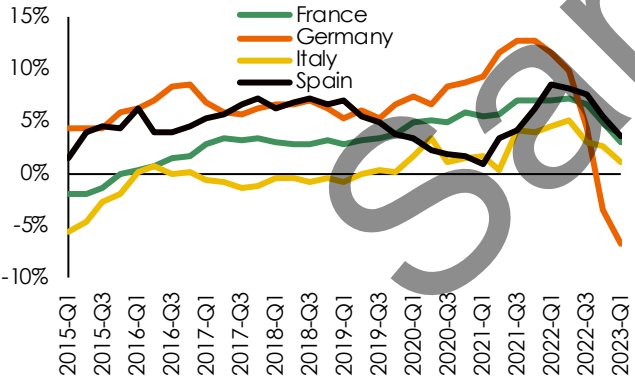
Index of housing prices (annual average, base 2015=100)



Source: Istat and Intesa Sanpaolo Research Department calculations

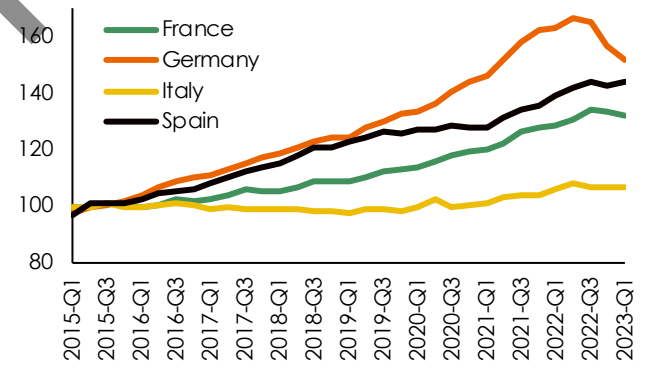
In terms of price dynamics, the Italian market also continued to experience a downward trend, with a higher degree of stickiness than other European markets. In the **main European Union countries**, therefore, prices reported a more abrupt reversal, particularly in Germany, which, according to several sources, is deemed to be at the end of its residential boom, where the decrease in 1Q23 was very sharp.

YoY % change in housing prices



Source: Eurostat and Intesa Sanpaolo Research Department calculations

Index of housing prices (annual average, base 2015=100)



Source: Eurostat and Intesa Sanpaolo Research Department calculations

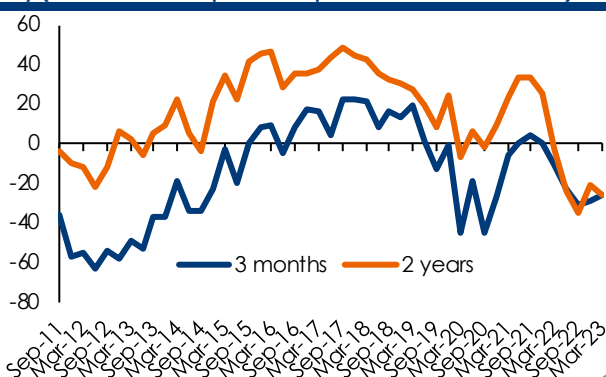
Unfavourable real estate agents' expectations

The latest survey by the Bank of Italy, Tecnoborsa and Agenzia del Territorio⁵, conducted between 3 April and 4 May 2023, pertaining to 1Q23, confirmed **the deterioration of real estate agents' prospects regarding the real estate market scenario**, net of a slight improvement in expectations for the second quarter, which remained negative nonetheless. More specifically, 2-year expectations worsened compared to the end of 2022 with a net balance of -25.9% from the previous -20.8%, while 3-month expectations improved slightly, with a net balance of -25.8% from -28.3%.

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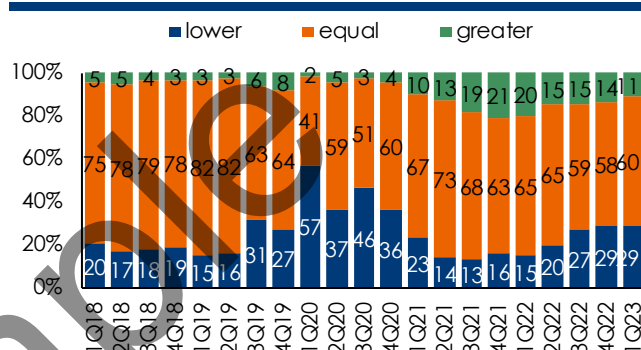
Over 60% of operators continue to indicate stable prices for the second quarter as well; however, this share has been decreasing progressively in recent periods, together with the indication of rising prices, in favour of falling prices.

Short and medium term expectations for the real estate market in Italy (balance % of responses: improvement - deterioration)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

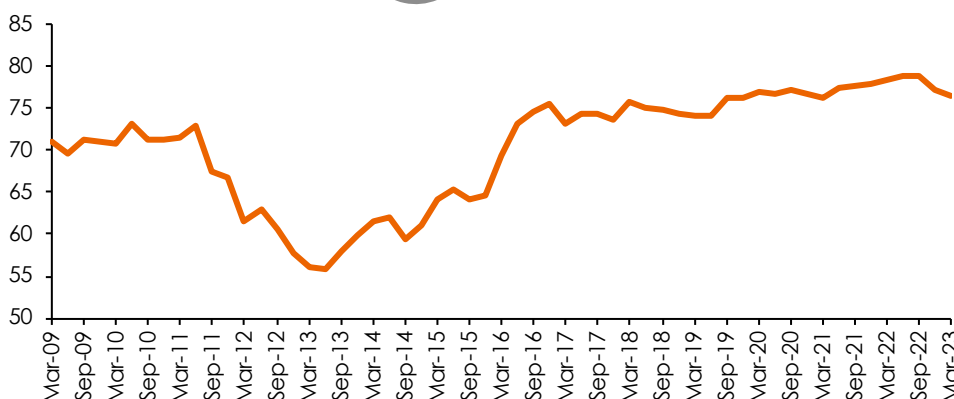
Expectations for the next quarter on sales prices (% of responses)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

The proportion of agents who attributed the termination of the sale mandate to the difficulty in finding a mortgage increased to 30.1% from 23.9% on average in 2022 (and in particular from 18.7% in 1Q22), with a worsening in both urban and non-urban areas (25.5% in the larger population centres which generally showed a greater stability of the figure, 33.2% in the smaller towns with a gradual qoq increase). The **loan-to-value ratio declined further but remained historically high** (76.6%, averaging 74.6% for urban areas and 77.9% for non-urban areas).

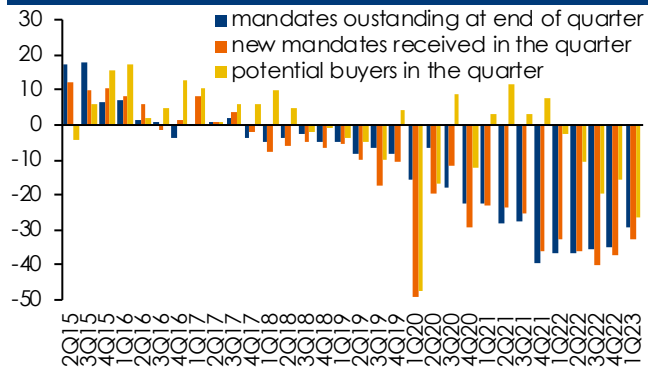
Loan-to-value ratio - LTV (%)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

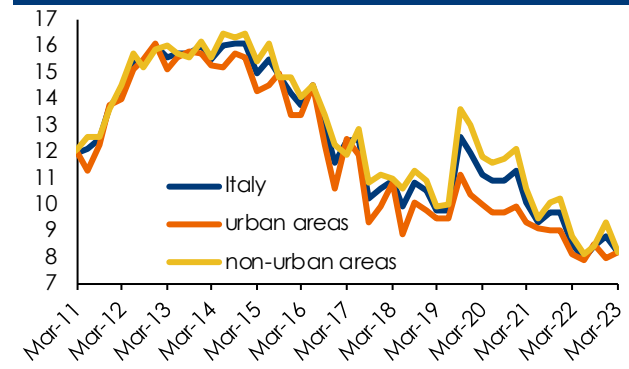
⁵ The survey for 1Q23 was conducted between 3 April and 4 May 2023 and involved a sample of 1,458 agencies operating in real estate brokerage, representing 4.4% of all agencies in Italy.

Market liquidity: number of sales mandates received or to process and number of potential buyers in the quarter (net balance (*))



Note: (*) Balance of the opinions expressed by real estate agents: number of potential buyers higher - lower than in the previous quarter.
Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

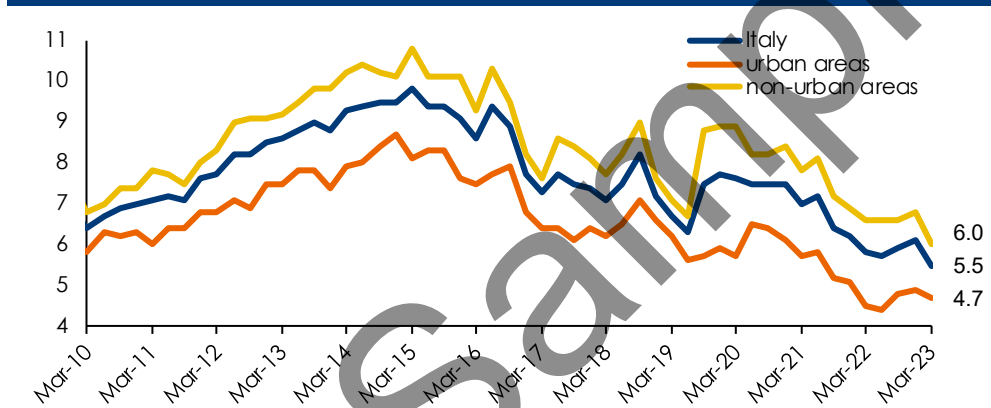
Average discount applied (%): comparison between urban and non-urban areas



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

With reference to **sales times**, at the turn of the year these fell back after a slight rise in 2H22.

Time between sale mandate and sale (in months)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

Statistical appendix

Loans to households for house purchase

	Outstanding amounts		Monthly operations (gross flows)		
	EUR M	yoy % change	yoy % change	floating-rate % of total	fixed-rate % of total
May-21	399,176	3.5	9.1	16.2	83.8
Jun-21	401,152	3.9	9.9	15.6	84.4
Jul-21	404,254	4.3	4.8	15.6	84.4
Aug-21	403,362	4.3	-11.2	20.6	79.4
Sep-21	405,305	4.4	-0.2	16.0	84.0
Oct-21	407,428	4.5	-10.6	17.2	82.8
Nov-21	408,399	4.4	-11.4	17.4	82.6
Dec-21	409,868	4.7	-6.6	16.8	83.2
Jan-22	410,379	4.6	-17.1	17.9	82.1
Feb-22	412,110	4.7	-12.7	15.8	84.2
Mar-22	414,455	4.8	-14.1	16.5	83.5
Apr-22	415,770	4.6	-21.7	20.2	79.8
May-22	417,951	4.7	-12.2	23.9	76.1
Jun-22	419,846	4.7	-10.7	31.9	68.1
Jul-22	422,363	4.5	-20.2	45.5	54.5
Aug-22	422,065	4.6	1.0	48.1	51.9
Sep-22	424,169	4.7	-10.6	60.9	39.1
Oct-22	425,243	4.4	-14.5	65.3	34.7
Nov-22	425,988	4.3	-12.1	64.6	35.4
Dec-22	426,960	4.2	8.9	69.5	30.5
Jan-23	426,291	3.9	3.7	59.3	40.7
Feb-23	426,033	3.4	-13.7	45.9	54.1
Mar-23	425,908	2.8	-5.3	36.6	63.4
Apr-23	425,528	2.3	6.7	41.4	58.6
May-23	425,337	1.8	-6.2	n.a.	n.a.

Source: Bank of Italy and Intesa Sanpaolo calculations

Rates on new loans to households for house purchase (%)

	Total	of which:		APRC (*)
		floating-rate	fixed-rate	
May-21	1.40	1.39	1.40	1.76
Jun-21	1.42	1.39	1.41	1.77
Jul-21	1.40	1.39	1.40	1.75
Aug-21	1.46	1.43	1.44	1.85
Sep-21	1.39	1.36	1.37	1.74
Oct-21	1.43	1.33	1.43	1.79
Nov-21	1.44	1.34	1.44	1.81
Dec-21	1.40	1.32	1.38	1.74
Jan-22	1.45	1.33	1.45	1.78
Feb-22	1.49	1.32	1.50	1.85
Mar-22	1.66	1.33	1.71	2.01
Apr-22	1.81	1.33	1.92	2.15
May-22	1.92	1.33	2.11	2.27
Jun-22	2.05	1.44	2.33	2.37
Jul-22	2.15	1.61	2.61	2.45
Aug-22	2.07	1.72	2.39	2.45
Sep-22	2.26	1.88	2.86	2.65
Oct-22	2.75	2.45	3.32	3.23
Nov-22	3.06	2.76	3.64	3.55
Dec-22	3.01	2.77	3.57	3.36
Jan-23	3.59	3.46	3.78	3.95
Feb-23	3.76	3.66	3.84	4.12
Mar-23	4.00	3.81	4.11	4.36
Apr-23	4.17	4.33	4.05	4.52
May-23	4.22	4.40	4.14	4.58

(*) annual percentage rate of charge
Source: Bank of Italy ECB

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