

Under the Italian Sun

BUYING ITALIAN REAL ESTATE
IN TODAY'S MARKET

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Ah, a villa under the Tuscan sun. Who among us hasn't dreamed of living *la dolce vita* amidst rolling hills, olive trees, and sprawling vineyards? The dream is possible, but it doesn't come cheap....or easy.

The conditions for buying property in Italy aren't the same as in the United States. It's a complicated process. Moreover, at the current time, real estate isn't the bargain it can be in parts of the United States.

According to Maurizio Carolillo, General Manager of Puglia Real Estate Management, an affiliate of Pirelli Real Estate, "When talking about the market situation in Italy, there are two important points to underline. Italian people have a strong affection to own their homes. This normally means that the first investment for the Italian family is ALWAYS the house. Eighty percent of Italian families

own their homes. This attitude keeps the market stronger than in the rest of Europe. Moreover, the Italian bank system is less involved in toxic stocks/shares and this has saved a lot of the country's middle-class people from the financial disaster that has registered all over the Anglo-Saxon market." So, if you are looking for a great deal, this is not a particularly beneficial time to buy in Italy. That said, if you do invest in the market, given its stability, it is likely that a property will not decrease in value.

The Path to Purchasing

Where does one begin to search for property? The Internet is a good starting point. However, to get the best deal, it's important to go to Italy to check things out in person and to find the appropriate professionals to guide you through the system.

Jeffrey Burch is a 34-year-old American who is currently living in London with his family. Since his wife's family has an Italian heritage, the Burches have always been interested in the culture of the country. When it came time to ponder a property purchase, Burch says, "I tried to read a lot on the Internet and bought a few books about buying property in Italy. But at the end of the day, they weren't that useful in terms of the real practicalities. Having a good real estate agent and, most importantly, a good local lawyer, is far more useful than anything you can read or do on your own. The best advice I can give is to hire a local lawyer as early in the process as you can. We waited until near the end to hire someone, as I was trying to do everything on my own. As a result, I spent months feeling like I was going to be ripped off. But as soon as I found an agent and hired a lawyer, I very quickly got comfortable with the situation. I do think we were lucky that we didn't hit too many problems with the whole process, but having the right professionals involved made the difference."

Like many other European countries, Italy has no multiple listings system. Each agent has a little cache of properties, so a lot of legwork is involved to find a person who represents a particular place. But it's worth the trouble. Carolillo points out that the buying process in Italy is not difficult if you know the right people. "A good real estate agent and a good law office keeps the troubles away," he says. "The real estate agent normally knows exactly the house situation (building permissions, utility connections, eventual mortgages on the property, etc.), so that the buyer can drive into a trouble-free experience."

Meanwhile, given the differences between buying property in the United States and Italy, it is prudent to hire legal help. A good lawyer will guide you through all the steps of the process, starting with the *compromesso*, the preliminary purchase agreement, through to concluding the *rogito*, the actual contract for the final sale of the property.

Before the search can get serious, a foreign citizen who wants to purchase property in Italy must obtain a tax identification number or a *codice fiscale*.



A *codice fiscale* is needed for bank financing, contracts, and arranging for public utilities. It can be requested at any government financial office or at an Italian Consulate or Embassy. This request should be submitted on the relevant forms along with a photocopy of a passport. (Married women, by the way, should only use their maiden names for the request).

Next comes the mortgage. According to Edoardo Pucci, First Secretary for Economic and Financial Affairs at the Italian Embassy in Washington, D.C., "Italian banks are extremely conservative and to get a loan requires a great deal of documentation." Proof of employment or necessary funds is required. Even then, banks will finance only 80 percent of the purchase price.

Giandomenico DeTullio, a property attorney based in Puglia, says Americans have a few options in terms of obtaining financing. "You can either take a mortgage in Italy. Or you can get financing with your local bank back at home. Another option would be to get a home equity loan in the U.S. and then wire the money to Italy." When working with an Italian bank, he says, "Do not be surprised when you see a different number of years mentioned under the mortgage (for example, loans to be repaid in 10 or 15 years). Some loans may have stipulations requiring repayment by your 65th or 70th birthday."

When weighing the total cost of a purchase, consider that transaction fees on Italian real estate can run quite high. In addition to the real agent commission (normally three percent of the purchase price), legal fees typically amount to two percent of the purchase price. A notary's fees are approximately two and a half to four percent of the declared value. Fees for professionals are calculated, by the way, in accordance with the value of property. Lower fees will apply on cheaper properties.

Once an offer has been made on a property, a *geometra* must be hired to find structural faults, leaks and other shortcomings. If no renovation work is planned for the property, the *geometra*'s fee will be approximately \$600. However, if there is an intention to add on, a survey will run around \$2,400.

Of course, the biggest cost is the purchase price itself. If the plan is to buy in Tuscany or Umbria, expect to pay top dollar. Lesser-known regions (to foreigners, that is) like Puglia or non-seaside sites in Sicily provide the greatest value for the money. ▲

