



THE ALLIANCE OF INTERNATIONAL PROPERTY OWNERS'
GUIDE TO PROPERTY BUYING IN

Italy



YOUR GUIDE TO PROPERTY BUYING IN ITALY

Guide to Buying Property in Italy in Association with AIPP

Buying a property overseas is a big decision which involves several steps and, of course, some thorough research. AIPO asked supporting partner and independent overseas property experts, AIPP (Association of International Property Professionals) to bring you answers to the most asked questions – and to share their top tips about buying a home abroad.



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Who is AIPP?

AIPP (Association of International Property Professionals) is the trade association offering voluntary regulation of the international property industry, focused on the UK buyer. AIPP members adhere to a strict code of conduct in how they treat customers and are bound by **The Property Ombudsman**. AIPP offers all UK buyers & owners of a foreign property free legal advice from their Legal Working Group. **Search for an AIPP member here.**



WHERE DO I START?

Fancy a pad in Italy? Whether you are planning a permanent move or you want to buy as an investment, the land of history and romance is one of the top choices for Brits looking to buy abroad.

With a good supply of affordable property, excellent long-term fixed mortgage deals and convenient travel, conditions are optimal. Nevertheless, before you go any further, ask yourself these three simple questions:

1. What are you primarily buying this property for?

Is it a holiday home, a financial investment, or somewhere to eventually retire to?

2. What do you see yourself doing while there?

This might be spending relaxing time with your partner, hosting family and friends, indulging in sport and leisure or even working.

3. Which of these are most important to you?

Is it budget, location, type of property or facilities? Once you have these answers you'll be clearer about what you are looking for and can move onto specifics.



AIPP's Top 5 tips for buying in Italy

1. Do your homework thoroughly
2. Get an independent lawyer
3. Use a reputable foreign exchange company
4. Stay in regular contact with your team
5. Have a plan for future eventualities



WHERE IN ITALY SHOULD I BUY?

The British love of central Italy's **Tuscany** reached such feverish popularity in the late 1990s, certain areas of its lush countryside – such as **Chianti** and **Siena** – were coined 'Chiantishire' by the British media. Since then, the Russians have joined the stampede helping to push prices even higher.

If your budget doesn't stretch that far, the regions of **Le Marche** and **Lazio** are very worthwhile alternatives. They might not be as fashionable as **Tuscany** or **Umbria** but the landscape is just as beautiful and property there much less expensive.

Many Brits have now opted to move further south to **Puglia**, in the 'heel' of the boot. Newer developing markets here include the city of **Brindisi** with its bustling harbour, and the town of **Alberobello** which is chock-full of traditional trulli cottages (more on these later). The very far south region of **Calabria** provides a plethora of inexpensive seaside apartments, rural properties and restoration finds.



Head north and you'll find the lakes of Italy's **Lombardy** region. Some of the most spectacular shores here include **Lake Como**, **Garda** and **Maggiore**. At one time, these areas conjured up dreamy visions of poets and writers although you're now more likely to spot George Clooney and Kim Kardashian. While you won't need celebrity status, owning a villa here – as you'd imagine – requires a large budget.

Prices fall off as you go further up the mountain and hillsides with some of the biggest bargains being found around the smaller lakes. **Bergamo** or **Brescia** near the less-visited **Lake Iseo** are both beautiful towns to consider, as is the very pretty **Orta San Giulio** nestled the shores on tiny **Lake Orta**.

In the very far north of Italy lay the elegant ski resorts and alpine villages that border Switzerland and the well-known regions of **Piedmont** and **Valle d'Aosta**. Rental opportunity is at its strongest here, but head just a few minutes further out by car and property prices drop significantly. Renovation projects can offer great value.

Rentals are similarly strong in the affluent area of The Veneto which is full of historic cities, mountain resorts and – of course – the country's watery capital, **Venice**. **Dorsoduro** and **Castello**, within **Venice** itself, are popular tourist areas but you will be paying for excellent rental prospects with high prices.



WHERE IN ITALY SHOULD I BUY?

Head away from the canals and to areas such as **Padua** and **Verona** and your money will go further without compromising too much on 'tourist traffic'.

The island of **Sicily** offers much in the way of property for foreign buyers. Although less popular in the past with Brits than mainland Italy, this was probably related to a lack of regular cheap flights. But these have improved significantly in recent years.

For coastal property, try **Trabia**. Or **Cerda** is slightly further inland but still has dramatic sea views. For a truly undiscovered **Sicily**, consider **Marsala** in the northwest which is unspoilt but still easily accessible.

Sardinia, the second biggest island in the Mediterranean after **Sicily**, has many stunning beaches, lakes and mountains of its own. Property in the south and middle of the island is cheaper due to limited facilities and infrastructure but, it's also for these reasons that rental prospects are scarcer. If this doesn't worry you or isn't relevant, look at the area around the enchanting **Lake Omodeo** which offers particular impressive lake views.

Property in the north of Sardinia can fetch some extremely high prices particularly in the famous resorts of **Costa Smeralda** and **Porto Cervo**. However, the villages of **Valledoria** and **Lu Bagnu** are far less expensive and still offer good rental opportunity.

Sicily



Verona



Porto Cervo



WHAT TYPE OF ITALIAN PROPERTY IS AVAILABLE – AND AT WHAT COST?



Part of the joy of buying in Italy is the opportunity to purchase totally different property styles than you'd find in the UK – and often much bigger homes than you might afford here too.

Throughout the country, you'll find beautiful, rustic properties known as **rustici** (singular, **rustico**). Usually constructed from local materials and traditional stone these homes typically have a farming connection and are located in idyllic countryside.



From olive mills to cow sheds, many rustici have been left to ruin and represent substantial renovation projects. You can pick up bargains for under €20,000 in Calabria but beware – they are likely to be uninhabitable. For a finished project, budget for between €150,000 and €200,000.

A characteristic, often L-shaped, **farmhouse** is another popular choice in Italy – a ruined site will cost in the region of €70,000 in the south, although you can expect to pay a minimum of €300,000 in Tuscany. For a fully finished four-bedroom farmhouse in Puglia, €300,000 to €450,000 is a fair guide. If you're on the lookout for something more stately, look for the term **masseria**, which refers to a larger fortified farmhouse, country house or even estate.

Casa di campagna is another term applied to more prestigious properties, which are usually located on the edge of a town or village. Often built on three levels, country or village houses come with large rooms and often stunning architectural features. A four-bedroom restored

WHAT TYPE OF ITALIAN PROPERTY IS AVAILABLE – AND AT WHAT COST?

country house in Piedmont would ring in at around €700,000 while a five-bedroom village house needing full restoration in **Lucca** can be snapped up €150,000.

Extremely popular with Brits and unique to Italy are the quirky dwellings known as **trulli** (singular, **trullo**). Traditional Apulian dry stone huts with conical roofs these homes – which can be found mainly in the Puglia region – were originally constructed as field shelters but were turned into permanent residences by the agricultural workers who farmed the land.

Restoration costs are almost inevitable but trulli make popular rentals because of their fairytale appearance. A decent sized, three-cone version ready for rental, will cost in the region of €300,000, while smaller one and two-cone houses will cost much less.

If a renovation project is not on your to-do list, **modern designed villas** and **detached houses** are also plentiful in Italy. Whereas houses tend to be stand-alone, villas are often built within small developments. A new-build villa with a swimming pool and lake view in Lombardy can be bought for around €350,000 but in sought-after locations you should expect to pay a lot more. A five-bedroom villa in Forte Dei Marmi on the Tuscan coast for example could set you back €5m!

Apartments are popular in coastal and leisure areas and – so long as you don't mind neighbours close by – provide a good 'lock-up-and-leave' option if you are not planning to live full time in your Italian property.

Apartments are available both as new-build and as part of renovated historical buildings which can be with some spectacular period features. A one-bedroom apartment in one of Italy's less fashionable ski resorts can be found for under €100,000, while a three-bedroom apartment in a renovated villa on Lake Como will cost nearer to €400,000.

For something truly special (although you'll need deep pockets) a **Liberty Villa**, built in the decorative Italian art nouveau style of the early 19th century, is an enviable lakeside retreat. Or perhaps a pink **palazzo** full of frescoes with sweeping vineyard or even a Florentine **castle** complete with medieval chapel. With the right budget, we could go on!



HOW CAN I FINANCE A HOME IN ITALY?

If you have cash to buy your Italian home, either from existing funds or by releasing money from your UK property, move right on to our section on currency exchange.

If not, you will need to consider your borrowing options. It's important to note that very few banks will offer a UK based mortgage product for a home that sits on foreign soil. All of the main UK high street banks have an international service but you'll need to check which countries they operate in. While the mortgage may be set up in the UK you would be dealing with the foreign branch of the bank once it is arranged. Italian mortgage providers will lend to non-residents and an overseas mortgage broker can help you search for the best deals from Italian banks.

The Italian mortgage market is conservative and more restrictive than the UK. Maximum terms are typically 15-years and lenders will usually require deposits of between 20% and 40% of the property value. Fixed rate mortgages are the norm in Italy and long-term interest rates are usually quite competitive.

In Italy, the location and type of property you are purchasing will also have a bearing on the loan size you can take. If the dwelling is deemed uninhabitable, no lender will offer to fund all the work necessary to make it so. That said restoration mortgages are available if you have ready cash of your own to contribute.

If there is an existing mortgage outstanding against the property, in Italy it is sometimes possible for you to take it over at no cost. But of course you'll need to be happy with the existing terms.

In any case, it is good practice to borrow in the same currency you intend to repay the loan in. This avoids currency fluctuations moving against you. For example, if you are paying your mortgage with a UK salary, borrow in sterling. If you are funding your purchase through renting out your Italian home, you may be better off borrowing in euros.



Get the most for your money

- When moving large amounts of cash a small difference in rate can equal a huge loss or saving – a 1% change when exchanging £500,000 can mean £5,000 either way!
- FX (Foreign Exchange): Banks generally offer poorer rates than specialist FX providers
- Fix your rate with an FX company so you know exactly what your money is worth
- Find out what your money is worth today with our currency partner **Clear Currency**



WHAT OTHER COSTS ARE INVOLVED?



Home buying charges vary in Italy according to whether you are purchasing a new build or a resale property – and also whether the house will be your permanent residence or holiday home. But as a rule of thumb, you should allow up to 15% of the purchase price. These charges are broken down as follows:

→ **Tax**

→ **New-build homes:** VAT on new-builds is 4% if the property will be your main residence and between 10 and 20% for non-residents. The exact percentage here will depend on whether the property is considered 'luxury'

OR

→ **Resale property:** Purchase Tax on resale homes is 3% if the property will be your main residence and between 7% and 10% for non-residents

Note: this tax is payable on the declared value of the property on the land registry rather than the price you have paid.

- Bank charges
- Agency fees (divided equally between the buyer and seller and typically between 3% and 8%)
- Notary fees
- Surveyor fees
- Legal Fees
- Land registry tax
- Stamp Duty or **bolli** (levied at 1% for both resident and non-resident)



WHO DO I NEED TO HELP ME WITH MY PURCHASE?



An independent lawyer: Due to our conveyancing process, using a solicitor in the UK is the norm. But this is not always the case in Italy, so the one appointment that's highly recommended is a good independent lawyer who will work only for you and protect your interests.

Ensure they have no connection with the agent or developer. Even if your agent recommends a brilliant one to you that 'they always work with' be wary. One way around this is to engage your lawyer first. Check the AIPP website where you will find a list of Italian-specialist property lawyers based both in the UK or Italy.

An agent: In Italy, you'll need an estate agent to buy (not just sell) a property. You may well have already found one at a property exhibition or online but it's essential to do your research. For example, are they members of the CCIAA (Italian Association of Estate Agents)? Are they members of a trade association such as the AIPP with recourse to a property ombudsman and financial compensation? Check also if they are registered with their local Chamber of Commerce and have an Agent ID.

Notary or notaio: A notaio is a public official and it's his or her job to ensure legal affairs are conducted properly and the correct taxes are paid. Notaries should not be confused with lawyers – they do not act for either the vendor or the buyer – and are usually local to the

area in which you are making your property purchase. Notaries are often recommended by your agent or vendor. This will suffice although you are free to choose your own.

Surveyor or geometra: You will also need a surveyor or to help manage the purchase. It's worth paying for a good one, especially if you are buying a period building that needs work. Ask for references – word of mouth is critical – as well as evidence they know the local area well, including all the bureaucrats and builders.

Specialist Foreign Exchange Service: You may need to buy your foreign currency to complete on the property and it is important to select a company that can provide an alternative to your bank. An FCA regulated currency specialist can guide you through the process delivering safe, fast and expert transfer of funds saving you time and money.

A removal firm: Finally, the move itself may require a removal firm. As with the UK, it is wise to choose an insured company which are members of an association. Specialist overseas removal experts will lead you through the process and advise you on storage, sea transit and regulations you may be unaware of when transferring your goods to Italy.

Selling up your Italian property? Things to consider!

1. Choose your agent depending on your market – local or international?
2. In Italy the agent's fee is shared equally between the buyer and the vendor
3. Get together all necessary reports and energy certificates etc. before putting your house on the market – it could save time
4. Be realistic about the time it may take to sell your property – the more isolated or unique, the longer it could be



WHAT CAN I EXPECT FROM THE LEGAL PROCESS?

The Italian legal process takes an average of three months and is generally less complicated than in other European countries or the UK. This is because Italians tend to carry out fewer checks and searches. Don't worry about this as your trusted lawyer will ensure that all the correct measures have been put in place. Here is a seven-step plan of what to expect:

Step one: Once you have had an offer accepted your agent might ask you to sign a reservation contract or a **Proposta irrevocabile d'acquisto**. This is an 'agreement in kind' and demonstrates your commitment. The vendor's agent then takes the property off the market.

A down payment of 10% of the purchase price is also required at this point, although this amount can vary. Budget for around €3,000 to €5,000. If there is a genuine issue with the sale and you have to pull out you will get this money back. If you simply change your mind however you will lose it.

Step two: You'll need to arrange for a survey of the property with your **geometra** (surveyor). Your lawyer will complete searches to ensure there are no restrictive clauses on the property, outstanding debt or boundary disputes.

Step three: If you are happy to proceed after these checks, you can move on to the Preliminary contract or the **Compromesso**. This contract sets out the terms and conditions of the sale, price details, completion date and any necessary guarantees or legal clauses.

Step four: This is where you pay a deposit or **Caparra** of up to 30% of the purchase price. You, and the vendor, are now fully committed to the purchase. If you pull out after signing

the **Compromesso**, for any reason at all, you will lose this money. If your vendor pulls out, you are entitled to twice the amount you have paid so far. When paying the deposit ensure you are speaking to your currency specialist about the exchange rate - the exchange rate is constantly moving thus although the contract may be fixed in Euros the price you pay in Sterling isn't - this could cause problems further down the track.

Step five: Funds to purchase the property will now need to be put in place. If you are paying using a mortgage the lender will arrange for the funds to be sent to the notary or vendor. If you are paying with your own cash, your currency exchange firm or bank will organise the transfer.

Step six: Between one and three months after you have signed the **Compromesso**, you will be invited to the notary's office along with your lawyer for the completion or **il rogito notarile (Rogito)**.

This is where the deeds of sale or **Scrittura Private Autentica** are signed.

If you are unable to travel to Italy, you'll have to appoint power of attorney to your chosen representative to sign on your behalf.

Step seven: Once the deeds are signed, funds will be transferred to the vendor and the notary will register you as the new owner with the local land registry. You will also need to pay all associated fees and taxes relating to the purchase.

Note: if you are buying a new property you may be asked to pay the purchase price in key stages through the property development rather than on completion. Ensure you receive bank guarantees for each payment in case there are difficulties with the completion of the build.



WHAT POTENTIAL PITFALLS SHOULD I BE WARY OF?

If you use an independent lawyer your home-buying process in Italy should run smoothly. However, it's still worth reading these common pitfalls:

1. Failing to calculate the exchange rate correctly when working out the final purchase price

Currency prices fluctuate all the time. While this might be manageable when buying your holiday money, when the final price of your home varies significantly from the time you made your offer, it can prove a big problem. It's a good idea to fix your rate via a specialist foreign exchange company.

2. Assuming there's only one vendor

In Italy, property is often owned by the whole family, especially if it has been inherited. And unless every owner's signature features on the Compromesso, the sale could be abandoned. Find out early exactly who – and how many people – own the property you are buying.

3. Being led a merry dance


Some Italians speculate by putting property on sale just to see what the market is doing and are not serious about selling. You can waste a lot of time chasing after what seems like a bargain only for it to disappear as soon as you make an offer.


4. Overlooking getting jobs and estimates in writing


It can be nigh-on impossible to get Italian builders to put anything down in writing but don't let this put you off insisting on it. You may also need a translation to understand exactly what they are quoting for.





IS THERE ANYTHING ELSE I SHOULD CONSIDER?

 **Healthcare** – In Italy, all EU nationals are entitled to the same treatment as Italian nationals but the standard of care and facilities is generally better in the north. Depending upon your location, you may wish to purchase additional private health insurance.

 **Cost of Living** – Again this fluctuates depending on whether you are north or south. Living in the more rural south will cost far less each month than in the northern cities. Check out expat websites for up-to-date guides.

 **Fix your finances** - Being able to forecast your living expenses, especially in the 'honeymoon period' immediately following your purchase can be difficult! Once your costs are easier to predict, you can also look to exchange your monthly budgets with a Specialist Foreign Exchange Service via a fixed contract to avoid any irregularities owing to market movements.

 **Planning for the unexpected** – Circumstances change sometimes in ways which we simply can't foresee. Are you able to get back to the UK if you are needed urgently? Or could you cope if you were left on your own? It's imperative to see beyond the initial property purchase and have a plan for sudden and future eventualities.

 **Home Insurance** – Consider how you will use your home in Italy (for example, sole occupancy or rental) and get adequate home cover. Properties left unoccupied for long periods need special insurance.

Follow these steps and you should soon be enjoying your new life in Italy.

Buona Fortuna!



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As part of your Alliance membership you will receive a monthly email newsletter, tailored to your interests
Alliance members benefit from support in the 4 key areas:



Knowledge & Support
Free guides, advice & legal support



Savings & Offers
Lower your cost of ownership



Representation
Put your views to governments



Community
Your hub for sharing information

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The Chandlery,
50 Westminster Bridge Road,
London, SE1 7QY

Email: info@aipo.org.uk

Web: www.aipo.org.uk

