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Wealth | Real Estate

## Why Americans and Britons Are Rushing to Buy Idyllic Homes in Italy

A range of tax incentives, relatively lower prices and the potential for working remotely is driving up demand from house hunters overseas.

By Alice Kantor

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Homes in Italian cities and the countryside have always held an allure for foreign buyers. Now the pandemic is supercharging demand from well-off Americans and Britons.

That's because a range of tax incentives, relatively lower prices and the potential for working remotely has kindled their desire to buy second homes in Italy.

"There's been a dramatic change in demand," said Knight Frank agent Bill Thomson of the real estate market in Italy. His group recorded the highest increase in interest from Britons and Americans in recent times. "As a business, we'll have the best year we've had in the last ten years," he said.



Andy Isikoff, a 52-year-old investment manager in New York, and his wife bought a two-bedroom apartment in Rome during the pandemic without even seeing it in person. Constrained by travel restrictions but attracted by cheap prices, the father of two decided he could finally enjoy Italy – a country in which he'd spent time in his younger years.



The apartment building in which Andy Isikoff bought a two-bedroom. *Source: Beliving*

“I think it will prove to be a good investment,” he said, “I’m a big Italophile, so I’ve always wanted to go back there.”

Italy is now the top location for North Americans and Britons to purchase a second home – outside their own home countries – according to a September 2021 Knight Frank survey. Relatively lower prices at a time when global housing markets are booming are helping Italy beat France and Spain – other countries favored for overseas second homes.

“People overall want to buy sunny, beautiful places around Europe. In Italy, they also get very cheap prices,” said Savills real estate analyst Jelena Cvjetkovic.

The average price of a property around Rieti, a city next to Rome, in September was 96,000 euros, according to data from real estate aggregator Idealista. In Pavia, near Milan, it cost 123,000 euros. By comparison in Santarem, near Lisbon, Portugal, a house costs 147,000 euros on average. In Spain's Guadalajara near Madrid, it's 147,300 euros.

Savills and Sotheby's noted that they've sold more properties in the first eight months of 2021 in Italy than the whole of 2019, with Britons and Americans being their top clients.



Savills oversaw as many contracts in Italy this January-September period than it did for the whole of 2019. Sotheby's sales grew 74% in the first eight months of the year compared to the same period in 2019. Knight Frank recorded an 19% increase in the homes sold between April 2020 and March 2021 versus the same period two years prior, and 108% more than for the same period last year.

### **Tax Advantage**

Tax incentives could be a contributor to the surge in demand, said Gianluca Mattarocci, a lecturer at the University of Rome Tor Vergata. There is no capital gains tax for non residents if they sell their houses more than five years after they bought it.

Transaction costs for buyers are lower in Italy than in Spain or Portugal, although they are higher than in France, according to the 2021 Knight Frank report. A "super-bonus" policy was also introduced this year to support house improvements, the government paying extra for renovations that increase homes' energy efficiency levels.



David Hart on his property in Italy *Photographer: David Hart/Bloomberg*

A flat tax regime caps income tax at 100,000 euros a year, attracting rich expats looking to invest a lot of money in Italy, Knight Frank's Bill Thomson said.

Knight Frank estimates that 683 people with more than \$30 million in net worth have applied for residency under this tax policy between 2017 and 2019, most of them coming from the U.K., with a rising number of people applying from the U.S.

While traditionally Tuscany and Umbria are the most popular regions, real estate agents say they've seen an uptick in interest in the Lombardy region around Milan and also around Rome.

"During the pandemic Italian families were eager to sell off their secondary or third homes to get some extra cash," said Mattarocci. "A lot of beautiful – if slightly neglected – properties came on the market all of a sudden," he said.

### **La Dolce Vita**

Washington DC-based Suzanne McDonnell has been looking to buy a house in Italy for the past year. Influenced by a friend who moved to Rome 35 years ago, the 65-year-old former teacher decided to move now that she can afford a spot in the sunny Roman countryside.

"I see how my friend's lifestyle has changed since she started living in Italy. I want that too," she said.

With a budget ranging from \$40,000 to \$100,000, she's confident she can find a house about 25 minutes away from Rome, once she's able to travel there in the coming months.

"I've got a few places lined up in November and December. The goal is to buy," she said.

McDonnell says she's investing more than her money – she wants the Italian life. She's learning the language and studying Italian history. "It's about more than buying a place, it's about making a commitment," she said.

For 64-year-old Briton David Hart, buying a house in the region simply was a good investment.

The former marketing executive of a gaming company owns an apartment in Rome, a house by the beach and a pied-a-terre in London. He said he decided to buy this last house in the Sabine hills, an hour away from Rome, "for storage."

"Italy is a really good place to invest in. There's effectively no capital gains tax after five years and inheritance tax is very low," he said.

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