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Housing crisis in Italy

Irene di Noto

HOUSING CRISIS IN ITALY

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The neoliberal approaches and tools of real estate finance were introduced in Italy in the second half of the '90s, when, after a period of political instability that brought to the end of the “First Republic” and the beginning of the bipolarism of the “Second Republic”, banks facilitated access to credit, and the law 431 of December 1998 liberalized the rental housing market, both contributing to the increase of rents, prices and the consequent profitability of housing.

Apart from the restructuring of large industrial enterprises, banks and insurance companies, these changes were supported by the introduction of Italy to the Euro and were structured by significant financial policy decisions (such as the sale and securitization processes of public assets) that have placed on the market large real estate players, liberated from regulations and constraints.

On the demand side, these restructurings included the liberalization of the banking sector, the creation of pension funds and, above all, the birth of real estate investment funds. Financial tools, such as the securitization of loans, were also introduced and were purchased by pension funds, hedge funds, insurance companies, large corporations, local governments and states, social security funds and so on. What has happened is a real paradigm shift in the model of wealth production.

As a consequence,² in the last decade rents have increased by 130% for renewed contracts and 150% for new contracts, while the costs of real estate have soared by 50% to more than 100% in large cities. In Italy families on rent are 16.9% (compared to 18,0% in 2011), while among households living in owned dwellings (72,4%), 16,7% (3 million households) pay a mortgage. More than 60.000 families find it difficult to pay the rent, mostly due to the loss of jobs. Evictions for rent arrears have increased by 100% and concern the 87% of evictions issued, for a total of 240.000, over the past 5 years.³ The situation is equally dramatic when looking at mortgages. An outburst of foreclosures and real estate executions of about 22.8% took place in 2012, with more than 46.000 families (8.512 more

compared to 2011) forced to leave their homes because they can no longer pay the loan.

This emergency situation involves people who are suffering from a progressive impoverishment, particularly young people under the age of 35 (21% of evicted households), migrants (26%), elderly people (38%), but also the middle class, in a context where the unemployment rate reached 12,2% (38,3% young people) and the percentage of temporary contracts among young people under 25 reached 52,9% at the end of 2012 (OECD 2013). The growing gap between the housing costs and wages affects 5 million households and nearly 15 million people.

Since the beginning of the current economic crisis, access to credit has become increasingly difficult. Three out of ten banks give a mortgage only to those who have a pay check of at least 2.000 euro per month, while four out of ten families that live in a house with outstanding mortgage are worried about not being able to pay. Furthermore, due to recent increases in property taxes⁴ many have stopped paying the instalments. The “defaulted” owners grew by 36% in less than two years and the Italian Banking Association was forced to launch a “moratorium” allowing those in trouble to suspend their instalment up to 18 months for very serious reasons (i.e. very low income or loss of job) and still 91.000 people have joined.

As regards the housing market, since the beginning of the crisis a lot of households resort to selling their homes, so there is an avalanche of apartments suddenly available in the market, including an 18% increase in auctions of foreclosed homes from banks. Although prices have collapsed, buyers have disappeared, with real estate market activity receding to similar levels as 28 years ago. The general lack of housing policies for the lower-middle classes and of affordable housing for rent, the value enhancement and divestment of public real estate properties, the disposal of social housing assets and the substantial “block” in the construction of low cost rental social housing are some of the most critical fac-

¹ Activist, member of Blocci Precari Metropolitani, Rome, irene.dinoto@email.it.

tors behind the housing problem in Italy and especially in large urban areas like Rome, Milan and Turin. In these cities, infrastructure projects and big events like TAV and Expo 2015 have also contributed to the increase of housing prices by attributing new centrality in targeted areas.

In Italy there are 650.000 pending applications for public housing, with social housing representing about 6% of the housing market against a European average of 20%. In 2008 the Berlusconi government tried to launch a programme of “social housing” to be implemented through a combination of public and private capital with the aim of reviving the economy rather than dealing with the acute housing crisis. For this purpose, local governments are required to contribute more in terms of availability of areas, properties to redevelop, modification of building regulations (ie. to permit more volume) and also money in order to stimulate private investment (mainly Banking Foundations, Pension Funds and Insurance).

From July 2010 to March 2012, the Fondo Investimenti per l'Abitare (FIA)⁵ obtained 2 billion and 28 million euro (of which 1 billion underwritten by Cassa, 140 million by the Ministry of Infrastructure and Transport and 888 million by banking and insurance groups and private pension funds). The FIA operates throughout the country “by investing in local initiatives to build homes at an affordable cost for households unable to afford the market” as mentioned on its website,⁶ and at the moment 18 real estate funds have subscribed. This type of social housing is expected to reduce costs by 30% but it is not clear in the midst of this crisis who will be the potential subjects that can afford this rent (regulated but in any case of about 800 euro per month).

Struggles and alternatives

The Italian network of housing organisations and local movements *Abitare nella crisi* was formed in 2009. Since then it is carrying out campaigns, demonstrations and actions for the reappropriation of public and private empty buildings, and against evictions, foreclosures and the disposal of public assets. Through conflict and confrontational actions, such as coordinated squatting of tens of unoccupied or abandoned buildings with the participation of thousands of people, movements have recently succeeded to enforce a public debate on the housing question. As a result local governments are now considering the necessity of a general block of evictions. At the

same time, metropolitan cities such as Rome and Milan request to be attributed with central government resources in order to develop a special plan for public housing for unemployed or low income people. Of course it is still an announcement and it is not clear if the central government will adopt any measures at all, nor how the powerful lobby of the brick will react. In any case, we need to challenge and refute the illusion that the only way out of the crisis is by cementing more and more, considering there are almost 700.000 apartments built and unsold in Italy, ready to be inhabited.

To keep on the pressure *Abitare nella crisi*, together with movements defending territories against the aggression of big events and big infrastructure like No TAV, students, workers and migrants, has announced a national demonstration for the right to housing and basic income that will take place in Rome next October in order to declare that this model of development has failed and that the only “major projects” we need is basic income. Reclaiming these basic rights against precarity, putting pressure to governments at a local, regional, national and European level and coordinating actions against those who are responsible for the precarious conditions of millions of people, needs to become a struggle with a European perspective against the Troika's austerity, privatisation recipes and the destruction of the Welfare State.

Notes

2. Most data are drawn from the Ministry of Interior and reports of tenants associations.

3. In 2012 eviction notices issued increased by 5,18% and the arrears by 8,27% compared to 2011.

4. Taxes increased on average by 107% in a year, with peaks of more than 204% in Aosta and about 140% in Bologna, Rome, Genoa, Florence and Milan, after the introduction of IMU (Imposta Municipale Unitaria), a municipal tax on real estate, in 2012, which does not take into account the progressivity of taxation in relation to the citizen's ability to pay.

5. Fund for Investment in Housing is a closed-end real estate fund managed by Cassa Depositi e Prestiti - Capital SGR, a joint stock company under public control that is the largest banking group of insurance and private pension funds.

6. http://www.cdpisgr.it/caratteristiche_fondo/index.html.

References

OECD (2013), “Employment Outlook 2013”, available at: <URL: <http://www.oecd.org/els/emp/Country%20Notes-ITALY.pdf>>.