Technical Assistance – Market Studies of Pipeline and Stakeholders

Final report (Phases I and II) - Italy

October 2024

Disclaimer

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Funded by
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A **comprehensive analysis of social infrastructure investment** in nine EU countries is a key objective of the project

Introduction – Project in focus

The project is initiated by the **Council of Europe Development Bank** who has hired **PricewaterhouseCoopers**, through the support of InvestEU Advisory hub, to identify market gaps and potential investment opportunities, with stakeholder engagement playing a crucial role in enriching the study's findings.

Project overview and goals

- The project, led by the **Council of Europe Development Bank (CEB)** and executed by **PricewaterhouseCoopers (PwC)**, is financed by the **European Commission under the InvestEU Advisory Hub**. This signifies a strong commitment from the EU to enhance social infrastructure.
- The aim is to **map the current state of social infrastructure investments** in nine EU countries, notably including Belgium and Finland. This involves a comprehensive assessment of market conditions, funding availability, and potential investment opportunities.
- **The study aligns with InvestEU's broader goals to stimulate investment across the EU**, specifically targeting the development and enhancement of social infrastructure.

Methodology and phased approach

1. **Phase One - Desk Research**: In the initial phase, PwC conducts extensive desk research to collate and analyse existing market data and studies. This phase establishes a foundational understanding of the investment landscape in the targeted countries and identifies key stakeholders.
2. **Phase Two - Direct Market Interviews**: Following the desk research, the second phase involves conducting interviews to gather firsthand market insights from identified stakeholders. This step is crucial to enrich the analysis with real-world perspectives and data.
3. **Comprehensive Evaluation**: The combination of desk research and direct interviews ensures a thorough and multi-dimensional analysis, providing a detailed picture of the current market and identifying key areas for potential investment.

Stakeholder engagement

- **The CEB and PwC are actively engaging with principal stakeholders to gather insights and respond to specific inquiries**. This collaborative approach is essential for validating the study's initial findings and enriching the overall analysis with diverse perspectives.
- Through this engagement, the **CEB seeks to build a network of informed and interested parties**, fostering a collaborative environment for future projects and investments.
- Post-study, stakeholders will have opportunities to remain involved in ongoing dialogues and initiatives led by the CEB. This continued involvement is aimed at translating the study's findings into tangible investment actions and partnerships.

Limitations

The main project limitations consisted of reduced data availability, which was mitigated through involvement of local experts who provided estimates, and in some cases, additional data access. As well as, access to stakeholders for the phase 2 interviews, which resulted in some segments being covered by only one interview.

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Introduction

Despite economic challenges from high inflation and a stringent credit environment, Italy displays positive trends in GDP growth

Introduction – Overview of Italy's Economy

Italy's economic forecast

The economic landscape in Italy, mirroring trends in other European Union member states, is currently experiencing challenges exacerbated by pronounced inflation, particularly in fundamental sectors, coupled with heightened prices for commodities. The full extent of the repercussions from increased interest rates on credit availability remains unclear, presenting potential hazards for both the private financial sector and national debt obligations. Elevated employment rates and rising wages in Western economies may exert additional strain, potentially resulting in a wage-inflation spiral. The Bank of Italy has adjusted its projection for the nation's GDP growth in 2023, elevating it to 1,3% (a rise from the prior estimate of 0,6%) while reducing the forecast for 2024 to 0,9% (down from 1,2%). Italy's public debt remains substantial, a situation compounded by significant fiscal outlays for emergency measures during the COVID-19 crisis. The debt-to-GDP ratio of Italy is anticipated to decrease from 149,9% in 2022 to 141,4% in 2024, supported by economic expansion and beneficial fiscal adjustments.

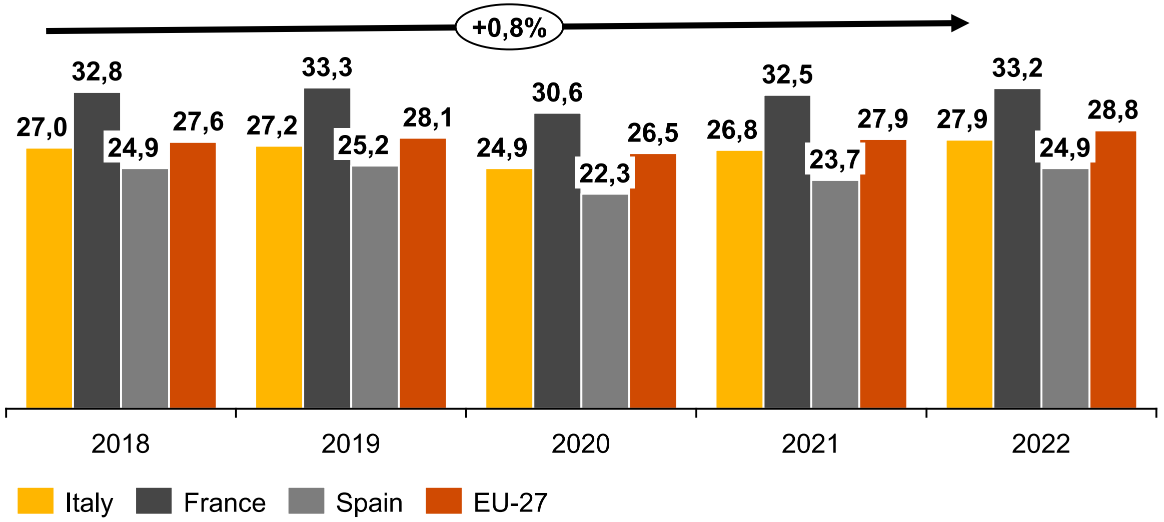
Italy	2018	2019	2020	2021	2022	CAGR
Population (mil.)	60,48	59,82	59,64	59,24	59,03	**-0,61%**
GDP bn (current EUR)	1.771,39	1.796,65	1.661,02	1.787,68	1.909,15	**1,89%**
GDP growth (%)	2,00	1,43	-7,55	7,63	6,80	**n/a**
GDP per capita (EUR)	27.030	27.230	24.910	26.780	27.860	**0,76%**
Unemployment (%)	6,10	5,70	5,20	5,30	4,60	**n/a**
HICP (annual % change)	1,2	0,6	-0,1	1,9	8,7	**n/a**

GDP per capita and inflation

Over the past five years, Italy's GDP per capita experienced fluctuations. After a marginal increase from 27.030 in 2018 to 27.230 in 2019, there was a significant drop to 24.910 in 2020, reflecting an 8,5% decrease due to the COVID-19 pandemic-induced economic slowdown. This trend aligns with the average decline observed in EU-27 countries.

Following this downturn, Italy began to show signs of economic recovery. In 2021, the GDP per capita increased to 26.780, and the upward trajectory continued into 2022, reaching 27.860. This recovery suggests a resilient rebound in the Italian economy, as it gradually overcame the challenges posed by the pandemic.

GDP per capita of Italy and a basket of countries (EUR ths.) 2018–2022

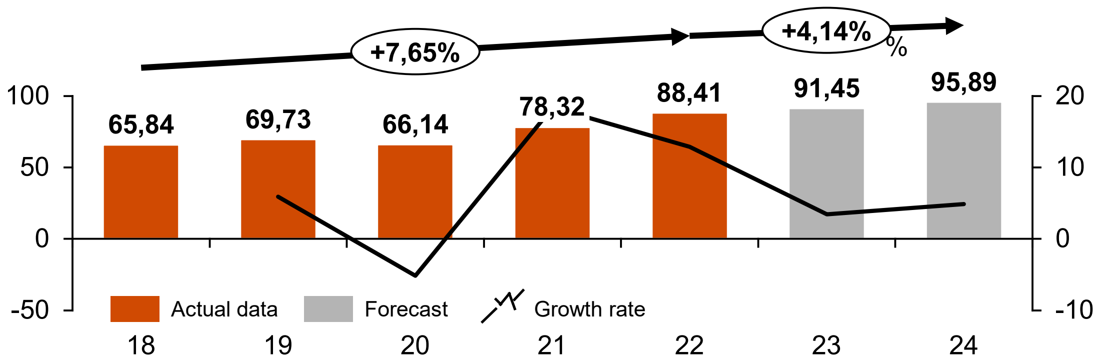


Sources: Eurostat, European Commission, OECD, IMF, Central Bank of Italy, PwC analysis

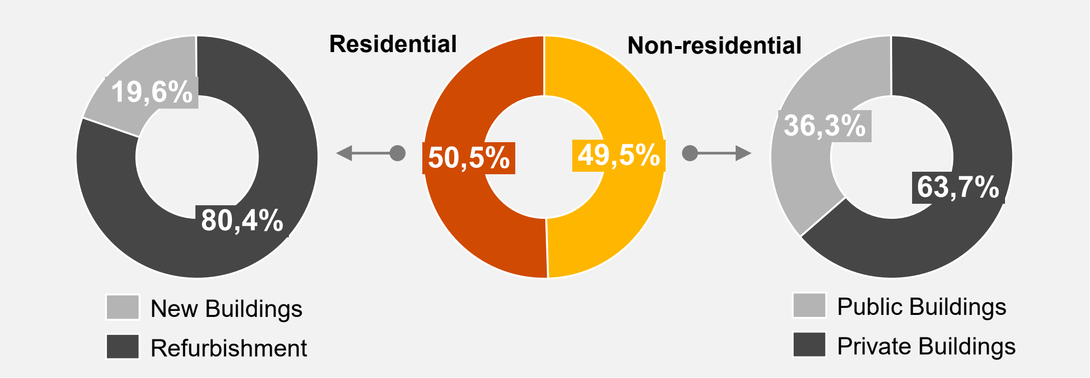
In four years, construction of buildings added ~34% to its gross output, however, the growth is projected to slowdown

Introduction – Overview of the Construction Sector

Buildings construction industry value, in EUR bn



Breakdown of total investments in constructions in 2022



Sources: Eurostat, EMIS, OECD, Istat, Oxford economics, PwC analysis

Since 2018, over a span of four years, the construction industry has witnessed a CAGR of approximately 7,65%, translating to an increase of roughly EUR 22,5 billion in gross output. The sector experienced a downturn in 2020 due to the impact of the COVID-19 pandemic, leading to a decline in gross output by about EUR 3,6 billion. Nonetheless, the sector demonstrated resilience and a robust recovery in the subsequent years. In 2021, there was a remarkable surge in the construction sector's growth, exceeding 20%, followed by a 12,8% increase in 2022. This rebound has been instrumental in steering the sector towards a recovery, aligning closely with pre-pandemic levels.

Investment in the construction sector has been a pivotal driver of growth in the Italian economy over the previous two years. An estimated one-third of the GDP expansion in the observed periods can be credited to the construction industry. Forecasts from Oxford Economics suggest a deceleration in the growth pace of this sector in the upcoming period. However, it is anticipated to maintain a steady expansion, with a projected growth rate of around 4% in 2024.

Residential / Non-residential construction

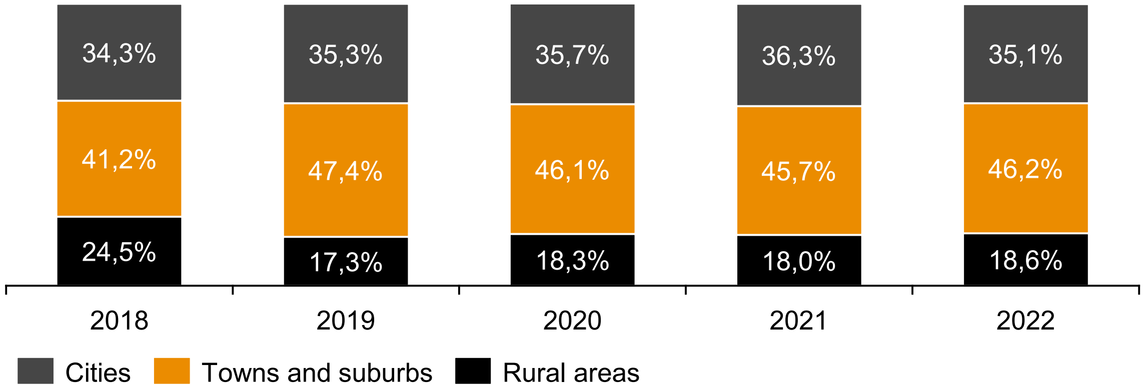
Delving into the specifics of residential construction investments, the primary emphasis is placed on renovations within this sector. Notably, these renovations account for a substantial 80,4% of total residential construction investments, substantially exceeding the 19,6% designated for new construction projects. This disparity underscores a marked inclination towards enhancing and modernizing existing properties rather than initiating new construction developments.

In the realm of non-residential construction, private projects dominate the landscape, accounting for 63,7% of the total investments. This is in contrast to the 36,3% investment share in public construction projects. The skew towards private ventures indicates a robust market demand and investor confidence in this sector.

The trend of urbanization has remained steady over the past 4 years, as well as the share of population at risk of poverty

Introduction – Overview of Italy's population

Share of population, by degree of urbanisation, in %



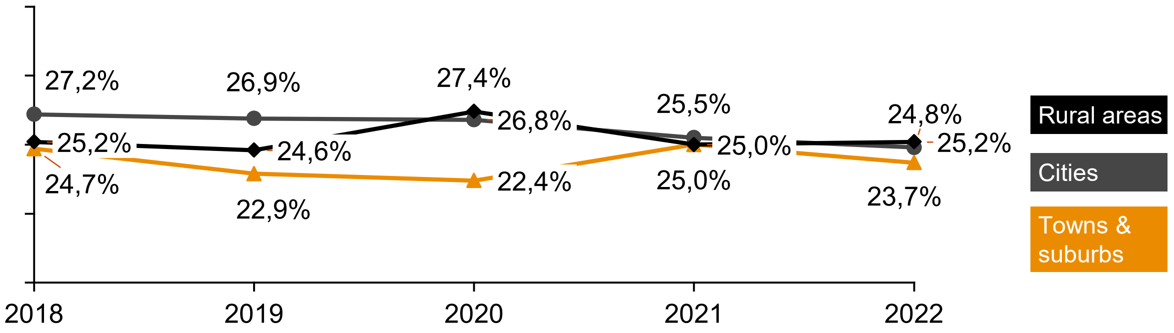
In 2023, population in Italy reached ~59,0M people, however, projections show that it will decline to ~58,1M people until 2030, and further to ~54,4M people until 2050.

Eurostat data shows that in the past 5 years the urbanisation segmentation of the population has not significantly changed. In 2018, the majority of the population (or around 41,2%) lived in towns and cities, and ~34,3% of the population lived in cities, with the rest (24,5%) of the population living in rural areas. By 2022, the population residing in rural areas decreased to 18,6%, while those living in towns and suburbs, and in cities increased by 5 percentage points and 0,8 percentage points, respectively.

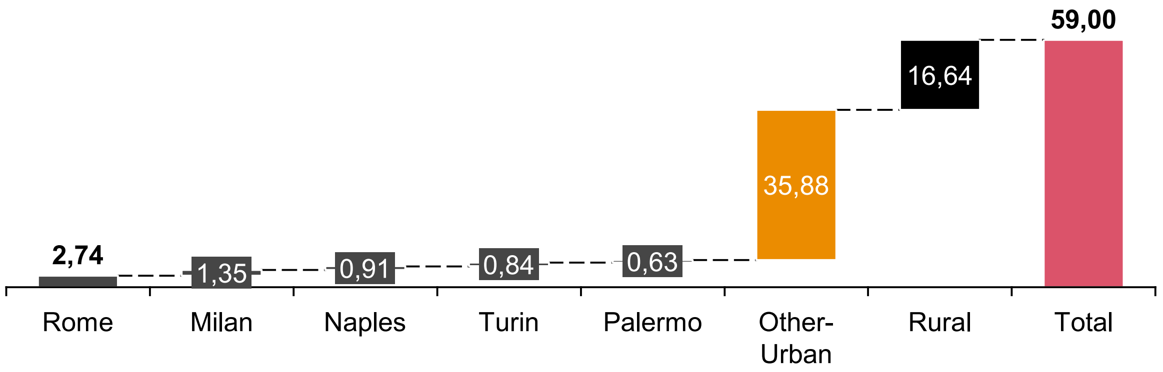
In the beginning of 2023, the combined population living in the five biggest cities in Italy amounted to around 6,48M people or about 11% of the total population of Italy, with almost half of those (or ~42%) living in the capital city of Rome.

Share of people at risk of poverty and social exclusion was the largest among the rural population (~25,2%) and the lowest among the population living in towns and suburbs (~23,7%).

People at risk of poverty or social exclusion by degree of urbanisation, in %



Population split by largest 5 cities, in M (2023)



Sources: Eurostat, Istat, PwC analysis

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Affordable social housing

A large gap and a need for diverse financing across various regions has been identified in social housing

Social and affordable housing

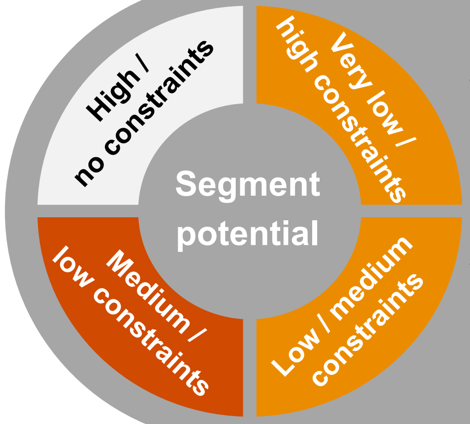
Key conclusions – Phase 1

- There are two types of low-income housing in Italy, social housing i.e. affordable dwellings for rental and sale, targeted towards specific low-income groups. While the other type is public housing, primarily taking care of socially endangered groups.
- Responsibilities are shared between the central government, regional and municipal bodies, as well as the public-private partnerships managed by the Cassa Depositi e Prestiti (CDP).
- Italy's homeownership rate is 74,3%, higher than the EU-27 average of 69,1%. About 60% of these homes are owned outright, with no mortgages or loans.
- Rental price growth in Italy was consistently low from 2018 to 2022.

Key conclusions – Phase 2

- Social housing demand is substantial across various regions, with significant unmet needs, highlighting the critical need for increased investment.
- High regional debt levels, particularly in regions like Lazio, limit the capacity for new public financing initiatives, necessitating alternative financing solutions.
- Significant obstacles include bureaucratic challenges and lack of strong political prioritization, particularly in southern regions where administrative delays are common.
- There is a necessity for a diverse range of financing options, including equity investments and multilateral development bank support.

PwC Assessment



There is a notable need for affordable housing in Italy due to significant unmet demand across regions and the necessity for diverse financing options.

High regional debt levels and significant bureaucratic obstacles, with significant delays, presents a challenges in this segment.

Key Segment Data

3,8% of total used as social housing

74,3% share of home ownership

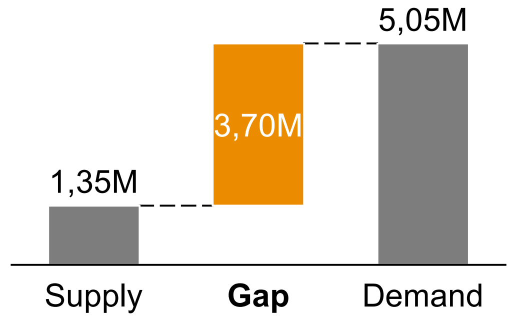
15% dwellings owned with a loan

9% rented at reduced price/free

+33% overcrowding rate vs. EU average

20% cannot afford a home loan

Gap analysis



Social housing in Italy is characterised by persistent underinvestment, as reflected in the low proportion of GDP allocated to this segment

Social Housing – General Overview (1/2)

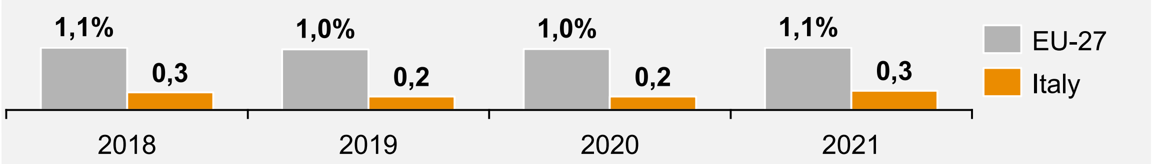
Social Housing definition

In Italy, social housing has been defined in 2008 and it includes dwellings rented on a permanent basis, built or renovated through public and private contribution, rented for at least eight years, or sold at affordable prices. Main categories entitled to access social housing are low-income households, young couples, elderly people in disadvantaged economic conditions, and off-campus students. It encompasses 3 types:

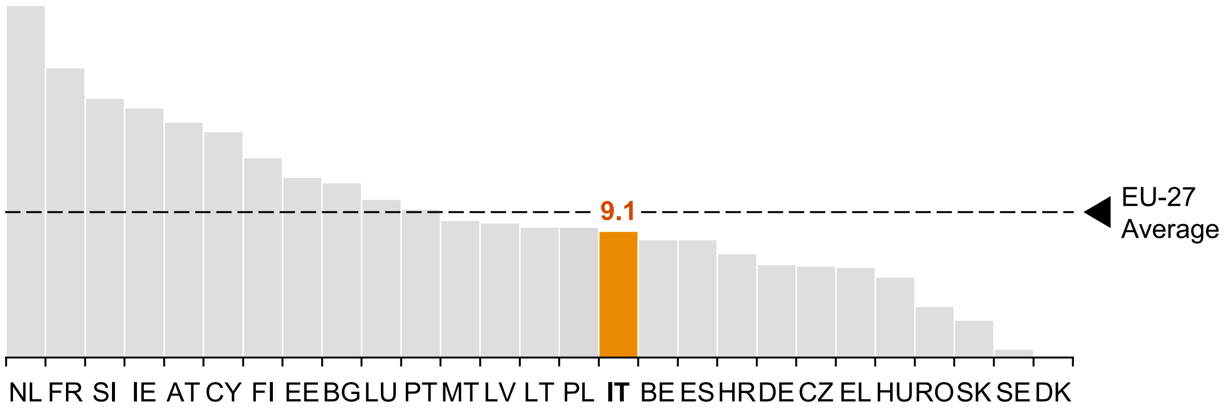
- **Subsidised housing** – rental housing for lower-income groups, with subsidies covering 60–100% of costs.
- **Assisted housing** – housing for middle-income households, with rental subsidies ranging between 20–60% and sale subsidies between 10–30%.
- **Agreed housing** – private housing for rent or sale, with regulated costs/rents through agreements between the Municipality and the provider.

The Italian government has scaled back its involvement in housing, focusing more on policy oversight while delegating implementation to regional and municipal bodies, leading to fragmented land-use planning and local resistance to new development. Compared to the EU-27 average of ~1,07%, Italy's expenditure on social housing as a % of GDP is markedly lower (~0,3%), highlighting a significant disparity in funding housing policy.

Government spending on social housing (housing development and housing social protection), in % of GDP



Tenants, rent with reduced prices or for free in Europe (2022, %)



Responsibility for social housing

The central government oversees macro-programming and co-finances projects, while Municipalities and Regions co-finance rent subsidies and allocate land to providers. The National Housing Plan introduced an integrated system of real estate funds for public-private partnerships, consisting of a national fund – FIA, and a network of 29 local/regional funds, who directly invest into development of social housing. The system is administered by the „Cassa Depositi e Prestiti“ (CDP), a public development bank.

To improve access to housing, the Italian government has initiated a range of supporting initiatives. These include the Fund for assistance to defaults, solidarity funds for purchase of first home, guarantee funds for the first home and tax discounts for investments in rented housing.

Sources: Eurostat, OECD, Fondazione Housing Sociale, PwC analysis

High ownership rate and stagnating rents are defining the housing market in Italy

Social Housing – General Overview (2/2)

Tenure Breakdown

Italy's homeownership rate stands at approximately 74,3%, surpassing the EU-27 average of about 69,1%. This figure is significantly higher when compared to benchmark economies like France and Germany, which have homeownership rates of 64,7% and 49,1%, respectively.

Approximately 60% of owned homes are not burdened with mortgage or loan, meaning, there is around 21,3M homes owned with no outstanding liabilities to the asset, as opposed to 5,33M homes with mortgage or housing loan (or around 20,2% of the total owned homes).

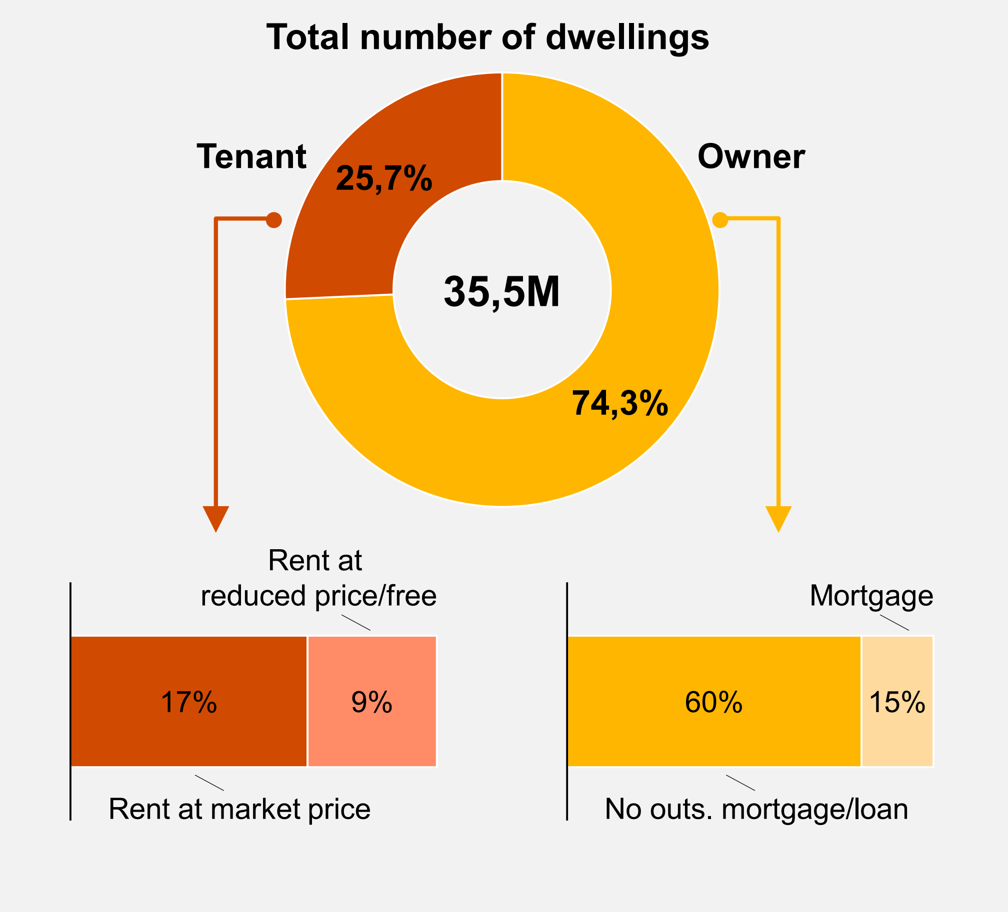
Rental market

Between 2018 and 2022, the growth rate of rental prices for apartments in Italy remained low, with most years witnessing increases below 0,5%. The year 2021 was particularly notable for recording no growth at all, while the highest increase occurred in 2022, at just 1,2%. This trend reflects a very subdued dynamic in the rental market during this period.

Private renting is unattractive for Italian landlords. There are low returns on rental properties because of rent controls and other restrictions.

The standard rental contract in Italy permits initial rent negotiation but mandates a four-year term with a possible four-year extension for the tenant. Annual rent increases are capped at 75% of the cost of living index. To counter these restrictions, as well as anticipate future inflation and value appreciation, landlords often 'frontload' long-term contracts, leading to higher rents for new agreements. Despite this approach, average rents have not kept pace with inflation, dropping by 1,2% cumulatively (2,3% when adjusted for inflation) between 2011 and 2021.

Monthly rents for 50m² apartment, EUR	Avg.	Median	Min.	Max.
Urban areas	224,6	192,5	35	1660
Rural areas	150,3	405	42,5	785



Source: Eurostat, Istat, CPD, PwC analysis

Sources: Analysis of Idealista data, PwC analysis

Note: Definition of "rural" comes from OECD, which establishes that a community is to be defined as rural if its population density is below 150 inhabitants per km².

Italy's housing market is marked by a predominantly owner-occupied system, overcrowding, and interregional asymmetries

Social Housing – Key Drivers & Issues

Structural limitations and pronounced interregional disparities

In Italy, a significant portion of middle-income families relies on familial support for owner-occupied housing, with limited reliance on mortgage financing due to a borrower-biased foreclosure regime. The country's homeownership rate, above the EU average, reflects a small and diminishing social housing sector and a notable amount of informal occupation. Currently, around 75% of households are owner-occupiers, a figure that has steadily risen from 59% in 1980, driven by improved living standards, favourable tax policies, and a housing supply largely aimed at ownership. The shift away from renting is further influenced by standardized leases and ongoing rent controls.

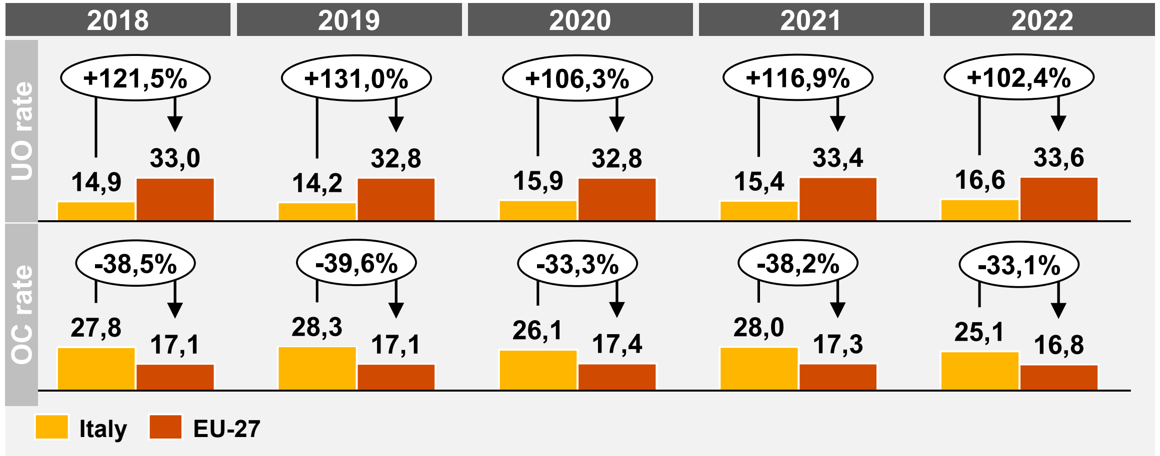
Throughout the period 2018–2022, Italy's overcrowding rate has consistently been higher than the EU-27 average. Despite fluctuations, there is a general trend of reduction in overcrowding in Italy, especially notable in 2022 (25,1%), which is indicative of improving housing conditions.

Severe housing deprivation, which encompasses conditions of overcrowding coupled with additional factors like a leaking roof or lack of basic bathroom facilities, affected one in 20 Italian households in 2021, a rate more pronounced among low-income groups at one in 14. In comparison, the average EU country reported this issue in one in 26 households overall.

Milan, now Italy's priciest city with average house prices of EUR 4.828 per sq. m., has outstripped Venice, where prices fell to EUR 4.419 per sq. m. This contrasts sharply with cities like Turin, Genoa and Palermo, where the average house price stands at EUR 1.781, EUR 1.358, and EUR 1.239, respectively, illustrating a pronounced asymmetry in housing costs between Italy's economic centres and other urban areas.

Nevertheless, Southern Italy is witnessing a surge in real estate demand, largely driven by the rise of work-from-home arrangements. Key trends, identified by the real estate company Idealista, include a preference for multifunctional homes suitable for remote work, properties with outdoor spaces, and condominiums with amenities like gyms and garages.

Under-occupancy/overcrowding rate (2018–2022, in %)



Prima casa home ownership mechanism for young people

The Italian government's Prima Casa program, launched in 2013, is designed to bolster home ownership among the youth, addressing the country's demographic challenges such as an aging population and high youth unemployment, which stood at 17,8% among those aged 15–29 in 2022. This initiative is also part of a strategy to attract young expatriates back to Italy. Managed by the Ministry of Economy and Finance, Prima Casa provides a 50% guarantee on mortgage loans up to EUR 250.000, focusing on specific groups including young couples, single-parent families with minors, social housing tenants, and young people under 36 with an ISEE under EUR 40.000. The scheme ensures that the interest rates from associated banks do not exceed the Bank of Italy's quarterly published average annual percentage rate, aiming to make mortgages more accessible.

Sources: Eurostat, Istat, Idealista, Global Property Guide, PwC analysis

Italy's housing market exhibits stable demand and robust growth, yet is marked by a notably scarce supply of social housing

Social Housing – Market Demand & Supply

High ownership as key characteristic

Italy's population shows a strong inclination towards homeownership, with an above-average rate of 74,3%. This translates to over 19 million households, the majority of which own their homes outright, without any outstanding mortgages or housing loans.

Italy's housing market is stable with a robust demand, but the outlook is uncertain due to rising inflation, a slowing economy, political instability, and external factors like Russia's invasion of Ukraine. The National Institute of Statistics reports a 4,65% rise in the house price index year-on-year to Q1 2022, but a near 1% decrease when adjusted for inflation. New house prices rose by 4,98% (0,66% inflation-adjusted), while existing house prices increased by 4,51% (-1,1% inflation-adjusted).

Property transactions surged, with a 14,1% increase in Q4 2021 to 263.795 units year-on-year. All regions reported sales growth, contributing to a 30% annual increase in transactions for 2021, a recovery from a 10% decline in 2020.

Calculation on the right considers the ability to purchase a home with a mortgage loan for a first home, at a commercial bank, for a 50m^2 dwelling. It is assumed 30% of the household income is spent on repayment. The calculation for the terms of the loan is done for a person aged 35, with a repayment period of 20 years, and 20% down-payment (commercial terms of the bank). According to the national statistics office, the average price for a dwelling in a multi-dwelling building in 2022 in Italy, was EUR 1,827k per m^2, therefore a 50m^2 dwelling costs around EUR 91,3k. After a 20% down-payment, required by the bank's commercial terms, the loan amounts to EUR 73,0k, resulting in a monthly instalment of EUR 489.

From the available official statistical data, on average rent for a 50m^2 dwelling was in 2022 estimated to be EUR 584 per month. However, discrepancies among regions are high, ranging from EUR 355 in Basilicata and Umbria to EUR 1.060 per month in Valle d'Aosta regions. Therefore, at set conditions, the bottom two deciles are candidates for social housing, as the cost of housing is higher than 30% of their HH income.

Lack of social housing supply

In 2021, Italy's social housing sector demonstrated significant complexities, with approximately 1,35 million units dedicated to social housing, accounting for 3,8% of the national housing stock. This statistic, however, conceals pronounced regional disparities in social housing distribution. For instance, Milan stands out with social housing comprising 10% of its total housing stock, significantly surpassing the national average.

This discrepancy between Milan and other regions highlights the uneven allocation and availability of social housing across Italy, pointing to a need for more nuanced and region-specific policy approaches. Addressing these disparities is imperative for developing a balanced and equitable social housing framework that meets the diverse needs of the Italian population. The current situation underscores the necessity for strategic policy initiatives aimed at harmonizing the social housing distribution and improving overall access to affordable housing throughout the country.

Average total income per household (2022, deciles)

Decile	EUR	30% HH income, EUR
D 1	740,0	222
D 2	1.309,0	392,7
D 3	1.705,0	511,5
D 4	2.035,6	610,68
D 5	2.331,3	699,39
D 6	2.784,5	835,35
D 7	3.050,5	915,15
D 8	3.477,3	1.043,19
D 9	4.271,2	1.281,36
D 10	6.657,6	1.997,28

Source EUROMOD 2023, Eurostat, Istat

3

Student housing

There is high demand for student housing, despite rising costs and regulatory challenges

Student housing

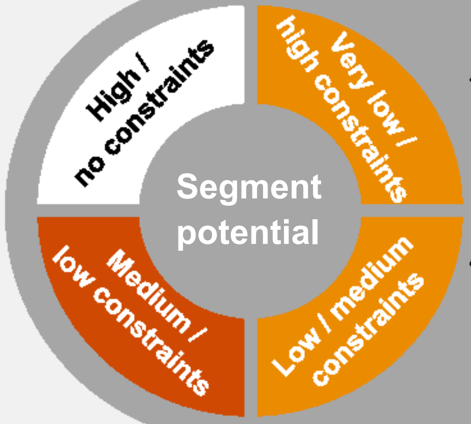
Key conclusions – Phase 1

- In Italy, about 68% of students live with their parents, 27% in private flats, and only 5% in student accommodation (PBSA).
- Dropout rates in higher education decreased from 14,0% to 11,5%, while foreign student enrolment has been increasing by CAGR of 5,1% in the past 5 years.
- About 80% of Italy's student housing is publicly owned, with Milan and Rome as key hubs.
- Significant growth in student housing is expected, especially in urban areas, with 18.000 new beds planned in the next four years.

Key conclusions – Phase 2 (Student housing & universities)

- Stakeholders have confirmed persistent high demand for student housing, with institutions and governments actively seeking to increase capacity to accommodate growing student populations.
- Rising construction and acquisition costs (almost double in the past 5 years), along with complex urban and building authorization procedures, pose challenges to project execution
- Stakeholders emphasize the necessity for ongoing development of student housing facilities to meet the rising demand for affordable and accessible student accommodations, with projected investment requirements of €30 million to €50 million annually.

PwC Assessment



There is significant investment potential in student housing due to high demand driven by increasing university admissions and international students..

Stakeholders confirm the high demand for student housing, with several successful projects repurposing existing buildings into student housing complexes.

Key Segment Data

5% students living in dorms

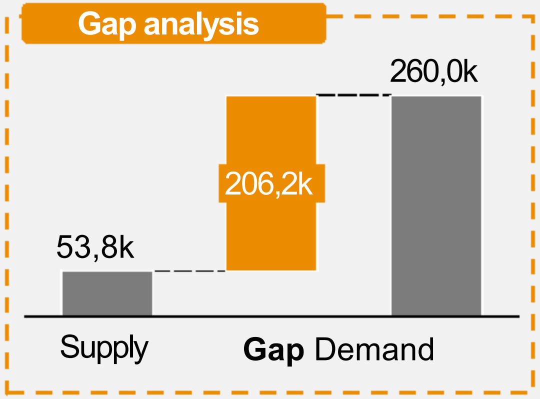
27% renting a private flat

68% students living with parents

72k foreign students

5.1% CAGR – Foreign students

~53,7k estimated total supply of beds



Designated student accommodation can accommodate less than 5% of the student body

Student Housing – General Overview

Student housing options

Students in Italy have several options available for accommodation. According to our research, only ~5% are living in designated student accommodation, ~68% are living with their parents, and around 27% are living in private flats.

Students that live in purpose-built student accommodation (PBSA), can choose between private and public providers.

1 **Accommodation in regional residences under the DSU (Right to University Study)** Supported by the Italian Ministry of Education, University and Research, the programme provides economically disadvantaged students with free enrollment and support for higher education.

2 **Public universities** PBSA offered by public universities typically situated in proximity to academic facilities, with the quality of these student residences varying significantly across different dormitories.

3 **Privately owned student dorms** In the last years private student accommodations are increasingly available in main university cities. Quality of living in such PBSA is often higher, however, consequently more expensive.

Students that choose not to live in PBSA, are either living at home or are renting flats or rooms from the private real estate market.

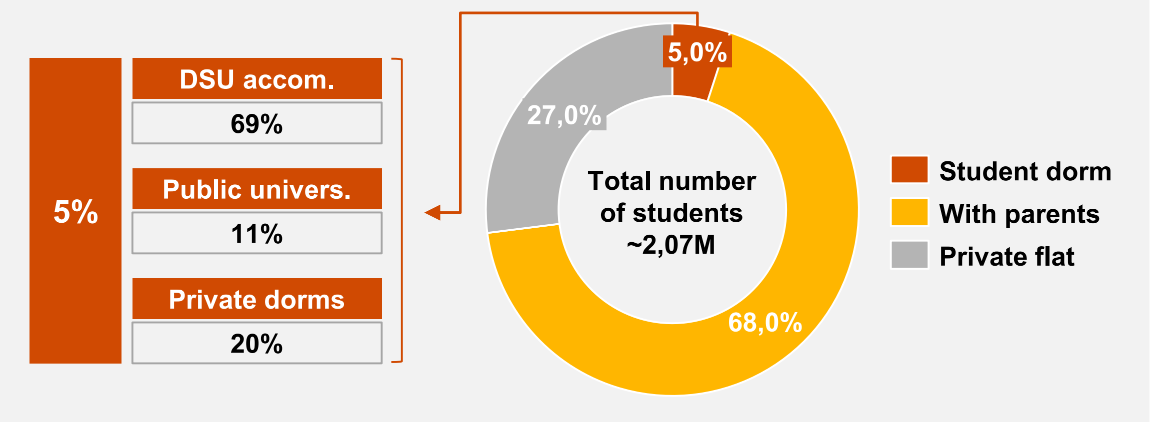
4 **Living at home and commuting**

Higher percentage of students live with their parents than in PBSA. This option is more common among younger students, allowing them to keep the costs low.

5 **Private rooms or flats**

Renting from the private market is on average more expensive than choosing to live in PBSA provided by public university, however, it allows more freedom and flexibility.

Split of students per type of accommodation, %



Key facts and figures

Num. of universities	% of mobile studen.	% of intern. studen.
98	41%	3,5%

- Italy counts a total of 257 schools for tertiary education; the city with the highest number of schools is Rome (32), followed by Milan (21)
- Total structured bed supply for students in Italy stands at more than ~53.750 beds. Approximately half of the total supply is concentrated in 5 main cities (Milan, Rome, Firenze, Torino, Bologna)
- As far as regards the pipeline, a total of around 18.000 beds are expected to be added in the market by 2025

Sources: Eurostat, Eurostudent database, PwC analysis

In the majority of uni. cities, students find it more cost-effective to reside in private apartments than in privately-operated PBSA

Student Housing – Key Drivers

Significant differences in pricing of private and public PBSA

Our research shows that for students in major Italian cities, public student accommodation remains the most affordable housing option. The average monthly costs for these accommodations vary significantly, with Milan being the most expensive at EUR ~580, followed by Firenze at EUR ~470, and Bologna and Torino both at EUR ~400. Rome offers the least expensive option at EUR ~370 per month.

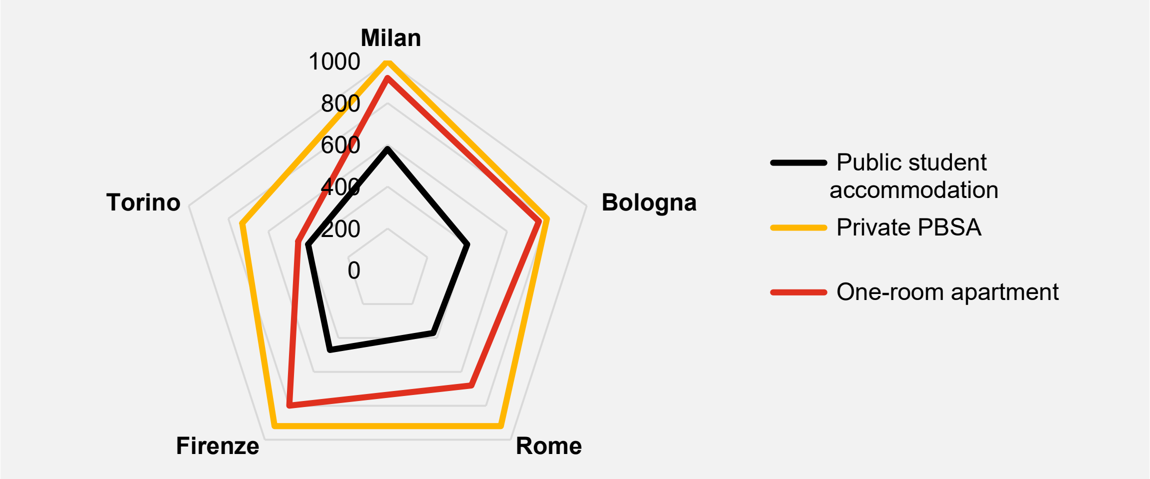
Private PBSA, on the other hand, is notably more expensive than public options, and in some cases, it can even surpass the cost of renting a one-room apartment or a room in the housing market. The average prices for private PBSA range from the highest in Milan at EUR ~1000, to EUR ~920 in Rome and Firenze, EUR ~800 in Bologna, and the lowest in Torino at around EUR ~730.

Regarding one-room apartments, Milan again tops the list with an average monthly rent of EUR ~920, followed by Firenze at EUR ~800, Bologna at EUR ~760, Rome at EUR 680, and Torino offering the most affordable rate at EUR ~450.

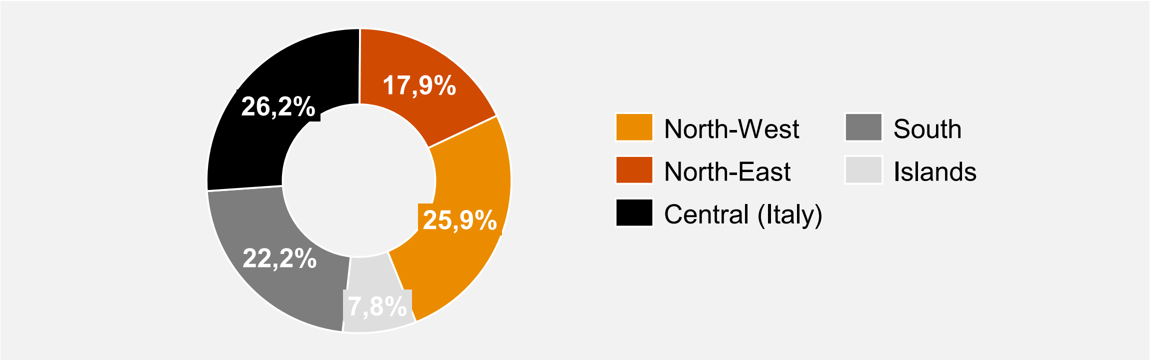
Private PBSA generally provides a higher standard of living compared to university-managed accommodations. These privately managed facilities are known for their modernity, inclusive amenities, and flexible housing options. For students looking for alternatives to private PBSA, renting from private landlords in the housing market can be a more budget-friendly choice.

The majority of students in Italy are distributed fairly evenly between the North-West and North-East regions, with each hosting around a quarter of the country's student population. Central Italy accounts for just over a fifth, while the South holds under a fifth. The Islands have the smallest proportion of students, constituting less than a tenth of the total.

Monthly cost of student accommodation, in EUR



Distribution of students by regions, 2021, in %

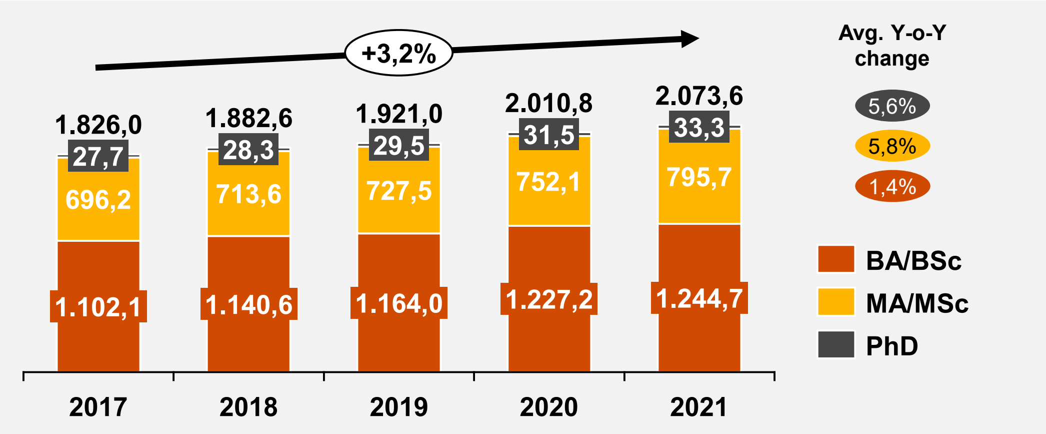


Sources: PBSAs' websites, JLL, PwC analysis

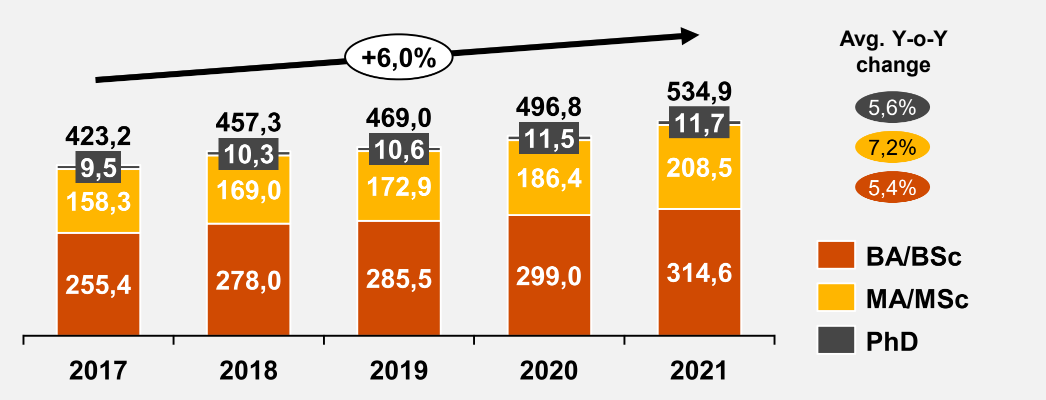
Student enrolment is on an upward trajectory, with a notable increase in the number of international students

Student Housing – Market Demand

Number of tertiary education students, in ths.



Number of newly enrolled student per year, in ths.



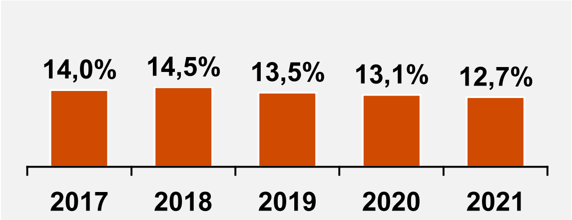
Increasing total and newly enrolled students

The total number of students in higher education has been increasing by 3,2% on a yearly basis in the period of the past five years. The increase is mostly due to an average 1,4% y-o-y increase of students attending bachelors' programmes and an average 5,8% y-o-y increase of master's students, amounting for ~247,6k more students in 2021, as compared to 2017.

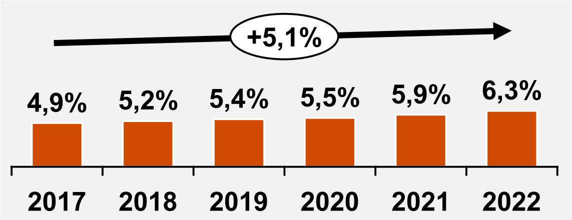
The data shows a rising trend in student enrolments across all degrees from 2017 to 2021, with an overall annual increase of 6,0%. However, demographic projections indicate that by 2040, the number of students could significantly decline due to a reduction in the younger population, which will impact primary, secondary, and university education enrolments (-20%). The working-age population is also expected to decrease by 12,3%, which may affect the number of mature students.

The data shows a steady decline in the dropout rate from 14,0% to 11,5%, which is slightly above the EU average. From 2017 to 2022, foreign student enrolment in academic institutions exhibited a pattern of steady and significant growth. Beginning with a 4,96% increase in 2017, there was a consistent annual rise in foreign student numbers, illustrating the resilience of international education despite global challenges. The growth continued with 5,9% in 2021 and reached a peak of 6,35% in 2022. This trend not only signifies a sustained demand for international education but also highlights the evolving and increasingly global nature of academic environments.

Number of early leavers (%)



Share of foreign students



Sources: Eurostat, OECD, Istat, PwC analysis

The majority of student accommodation is publicly owned, with a significant concentration in the cities of Milan and Rome

Student Housing – Market Supply

Concentration of student housing supply in Italy's two largest cities

In Italy, approximately 80% of student housing institutions are in public ownership, indicating a predominant role of public providers in the student accommodation sector.

The majority of student accommodation is located in the city of Milan, where around 8,5k places were available in 2021, or more than 15% of the total stock. The rest of the stock, amounting to ~45,2k places, is located across other cities, with majority of those being in Rome, where ~8,8% (or ~4,7k places) is located. Hence, we can deduce that the two biggest cities amount to ~23,5% of the total stock.

Strategic investments and expansion pipeline

In the realm of student housing, significant investment and capacity-building plans are underway in Italy, particularly in its major urban centers. The current pipeline indicates a robust addition of approximately 18.000 beds to the student housing market within the next four years. A substantial portion of these developments, predominantly anticipated to materialise in 2023, is already in progress. Notably, 46% of these planned beds are under construction, with a concentration in Italy's five principal cities.

Milan emerges as a leading city in this expansion effort, both in terms of existing supply and future prospects. It is projected that around 4.800 beds will augment Milan's current stock, reinforcing its position as a pivotal hub for student accommodation. Bologna, known for its high concentration of PBSA, is another significant city in this landscape. It boasts the highest density of PBSA, accounting for 54% of its bed supply, underscoring the city's commitment to catering to the accommodation needs of its student population. This targeted expansion in student housing infrastructure signifies Italy's proactive response to the challenges posed by its notably low student housing supply and reflects a deliberate effort to address the escalating demand and to strengthen the support framework for academic communities in urban settings.

Sources: Istat, PBSAs' websites, Savils, PwC analysis

Split of places in student accommodation institutions

City	Total	%
Italy	**53.750**	
Milan	8.460	15,7%
Rome	4.718	8,8%
Turin	364	0,7%
Padua	350	0,7%
Bologna	338	0,6%
Florence	255	0,5%
Naples	152	0,3%

Main operators and additional capacity

Non-exhaustive

aparto	beyoo	camplus	The Student Hotel
Milan	Bologna	Torino	Firenze
+ 700 beds	**+ 500 beds**	**+ 400 beds**	**+ 550 beds**
Developer Hines	Developer Stonehill	Developer SGR	Developer Aermont

In Italy's student housing market, transaction volumes are limited due to prevalent forward funding and purchase transactions, yet the sector's appeal is rising, particularly in Milan. This trend is reducing prime net yields to 4,25%, with further compression expected for strategically located, ESG compliant Grade A assets managed by experienced operators.

4

Universities

Although the student population has been growing, **demographic changes pose a risk for future growth**

Universities

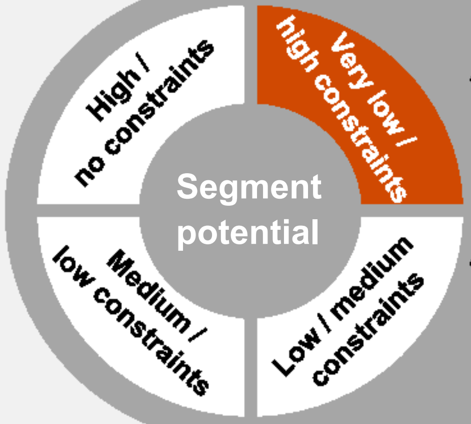
Key conclusions – Phase 1

- Italy has 198 tertiary education institutions (153 public, 45 private), with Lombardia region hosting the most universities and the highest concentration of students.
- The demographic decline of 17,5% in the 18-24 age group by 2050 in Italy is likely to reduce university demand.
- Total student population increased by 3,2% annually since 2017 (6% annual growth of newly enrolled students), reaching approximately 2,07 million in 2021 (up by 247,6k from 2017).
- The student-to-teacher ratio in Italy, stable at around 20:1 (significantly higher than the Western Europe standard of 14,7:1) from 2017 to 2021.

Key conclusions – Phase 2

This segment has not been shortlisted for phase 2.

PwC Assessment



The student to teacher ration has been higher than the EU averages since 2017, indicating no significant improvement in education quality metrics.

There is a significant gap of 588k, hence indicating a high need for infrastructure development, also justified by increasing number of newly enrolled students.

Key Segment Data

1,7M students in public institutions

366k students in private institutions

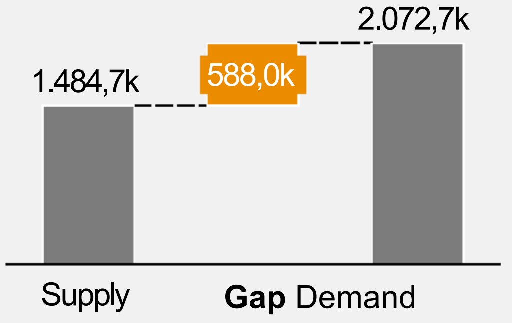
198 number of tertiary institutions

5,1% CAGR - of foreign students

3,2% CAGR – of total students

6,0% CAGR – of newly enrolled

Oversupply analysis



Italy has a below average share of population with a university degree, mostly obtained at public institutions

Universities and vocational training centres – General Overview

Organisation of tertiary education in Italy

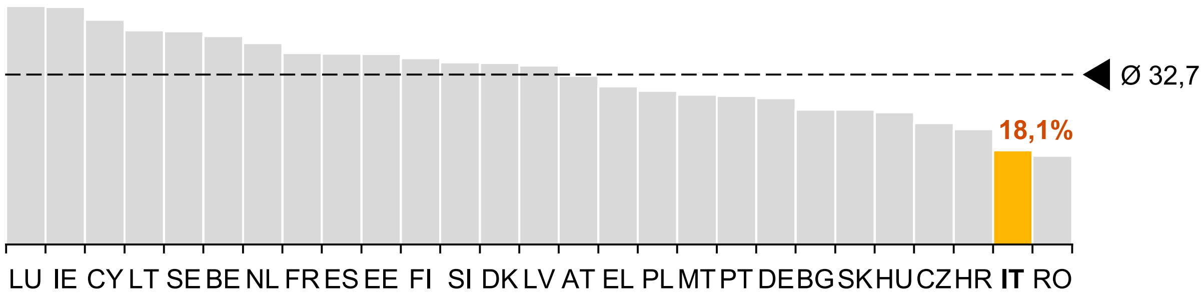
The tertiary education system in Italy is multifaceted, providing a range of opportunities for students seeking higher education. At its core are the traditional university studies, which are broadly categorized into three cycles. The first cycle leads to a Laurea (Bachelor's Degree), the second to a Laurea Magistrale (Master's Degree), and the third includes specialized masters and PhD programs. These universities come in various forms, including state-run public institutions, private universities, and distance learning options, all offering degrees recognized under the Italian law. Additionally, the credit system in Italian universities is based on CFUs (Crediti Formativi Universitari), analogous to the ECTS credits used across Europe, reflecting the workload and effort required for each course.

Beyond the standard university framework, Italy's education landscape is enriched by specialized institutions catering to a range of creative and technical fields. The AFAM sector (Higher Education for Fine Arts, Music, and Dance) is particularly noteworthy, comprising academies, conservatories, and design schools. These institutions, though distinct from traditional universities in their focus and teaching methods, offer academic diplomas and qualifications.

Moreover, Italy recognizes the importance of vocational and technical education through its Higher Technical Institutes (ITS). These institutes are geared towards providing practical, industry-focused training, especially beneficial for students aiming to enter the workforce promptly. They offer programs that blend academic learning with hands-on experience, addressing the needs of small and medium-sized businesses and aligning with market demands.

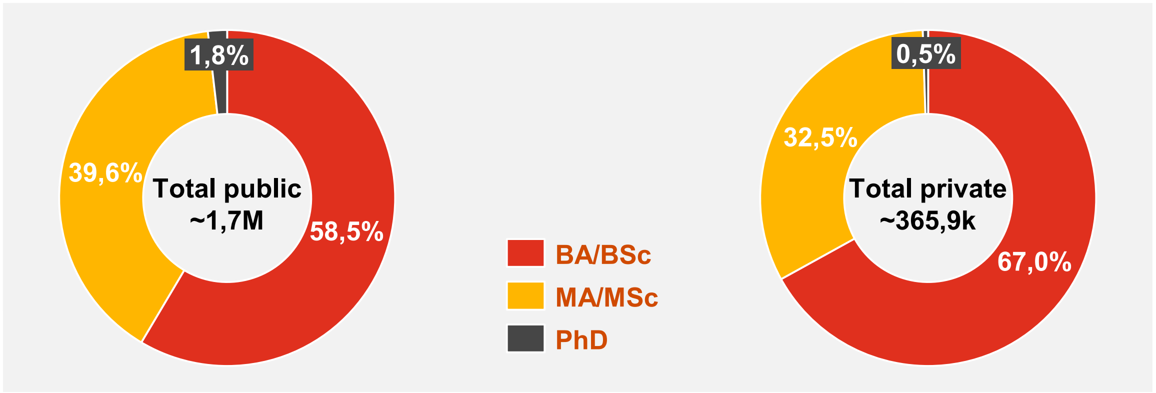
In Italy, students are mostly pursuing higher education in public institutions. In 2021, around 82,3% or 1,7M students attended public institutions, while the rest ~17,7% or 365,9k students attended private institutions. The share of population with a tertiary educational qualification remains below the EU average for both Italian and foreign-born young people.

Share of population with a university degree, 2022, in %



Split of students by public institutions, 2022

Split of students by private institutions, 2022



Sources Eurostat, UniversItaly, European Commission, PwC analysis

Declining 18–24 age group presents challenges for the student population, marked by low % of STEM graduates and constrained employment prospects

Universities – Key Drivers

Below average proportion of young adults with a tertiary educational qualification

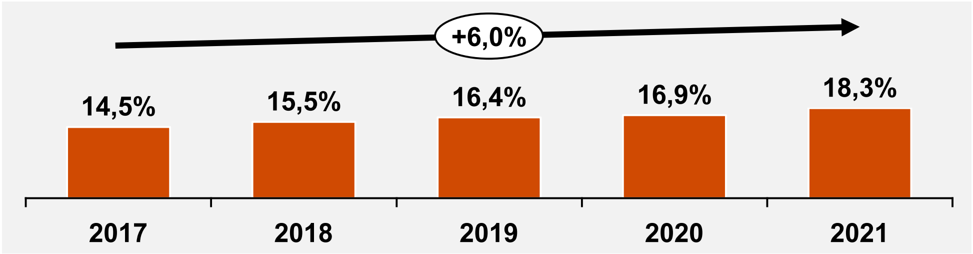
The projected demographic trends indicate a notable contraction in the population segment aged 18–24, with an anticipated decline of 17,5% by the year 2050. This significant reduction in the younger demographic is expected to adversely impact the demand for university education, presenting potential challenges for the higher education sector in terms of student recruitment and enrolment.

The proportion of young adults with a tertiary educational qualification remains below the EU average for both Italian - and foreign-born young people. In 2021, 28,3% of 25–34-year-olds had a tertiary educational qualification, well below both the EU average of 41,2% and the EU-level target of 45% by 2030. The tertiary educational attainment rate is particularly low among the foreign population, whether EU-born (13,2%) or born outside the EU (12,6%), reflecting a substantial difficulty in attracting highly qualified foreigners.

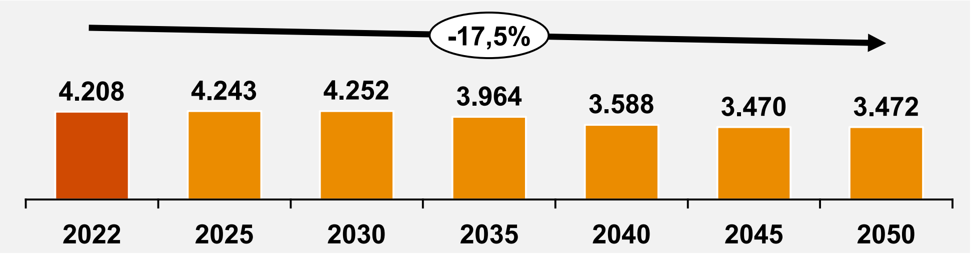
The share of STEM graduates remains comparatively low. Italy ranks 25th out of 27 EU countries for human capital in the 2022 Digital Economy and Society Index (DESI). In 2021, 18,3% of all graduates had a STEM qualification, which is below the EU average of 22%. While a tertiary degree constitutes an advantage on the labour market, transition into employment remains difficult. The employment rate of recent tertiary graduates has risen steadily over the past years, reaching 57,9% in 2021. But while it is considerably higher than the employment rates for VET and general upper school graduates, it remains well below the EU average of 82,4%. Low demand from a productive sector characterised by small and medium-sized firms contributes to graduates' poor employment prospects.

The Italian government plans to invest significantly in research through its Recovery and Resilience Plan (funded through the RRF framework – EU funds). Launched on 2 February 2022 by MUR, the "PRIN 2022" initiative, with a €740 million budget, aims to boost Italy's research by funding university and research center collaborations, emphasizing support for southern regions and young researchers. It received 7.817 project proposals. A subsequent call, "NRRP PRIN 2022," announced on 14 September 2022 with a €420 million budget, targets EU strategic research areas, offering up to €300.000 per project over two years, attracting 4.475 proposals nationally.

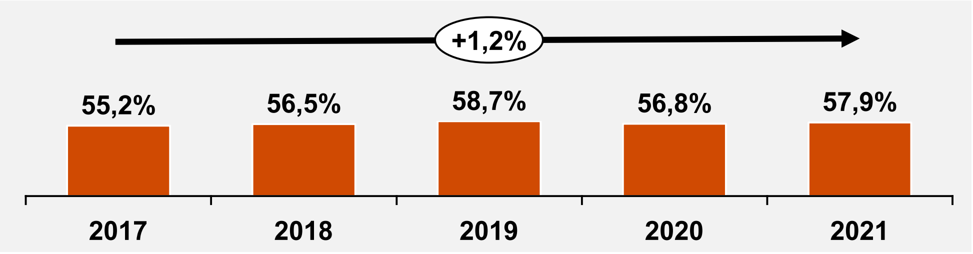
Share of STEM graduates, %



Projected population, 18–24-year-old, in ths.



Employment rate of recent graduates, %



Sources: Eurostat, Istat, University websites, PwC analysis

The number of total and newly enrolled students has been steadily increasing, diverging from demographic trends

Universities – Demand

Increasing number of students

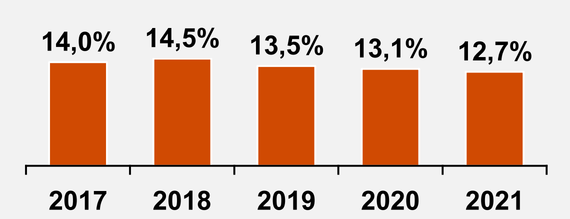
The total number of students in Italy has been increasing by 3,2% on a yearly basis since 2017. In 2021, it has reached ~2,07M students enrolled in BAs, MAs and PhD programmes, representing an increase of 247,6k students from 2017.

The majority of students are enrolled into Bachelor programmes (60%), followed by students enrolled into Masters studies (38%), and PhD students (2%). All three cycles are experiencing an increase in the number of students, where BA students are increasing with 3,0%, MA with 3,4%, and PhD with 4,7%.

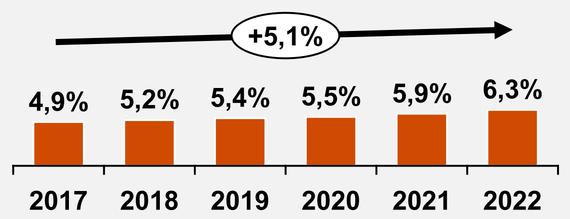
The number of newly enrolled students has been increasing at the rate of 6,0% on a yearly basis, since 2017. The largest decrease happened from 2017 to 2019, when it decreased for ~9,2%, or for about 3,1k students, since then the number has stabilised at around ~30k newly enrolled students. However, the share of foreign students has been steadily increasing, reaching ~7,3% in 2021.

Number of early leavers from education has been reducing, reaching 12,7% in 2022. This can be mostly attributed to the effects of the COVID-19 pandemic and the associated lockdown, as we can see a decline in the subsequent years, however, this is still significantly higher than the EU average of 9,9%.

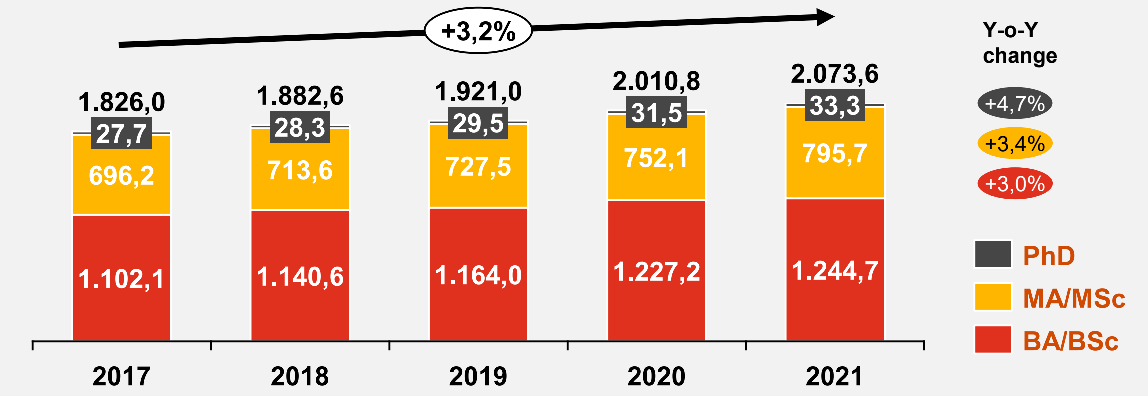
Number of early leavers from education, (% of total population)



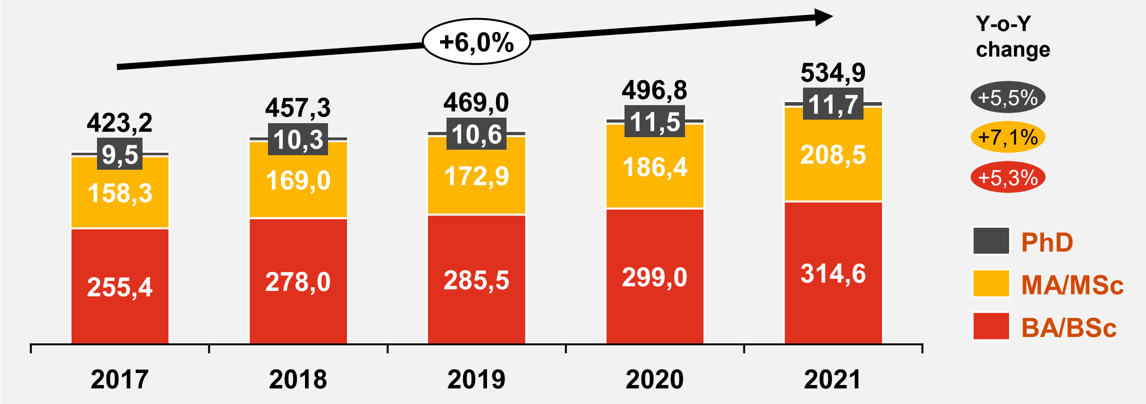
Share of foreign students



Number of tertiary education students, in ths.



Number of newly enrolled student per year, in ths.

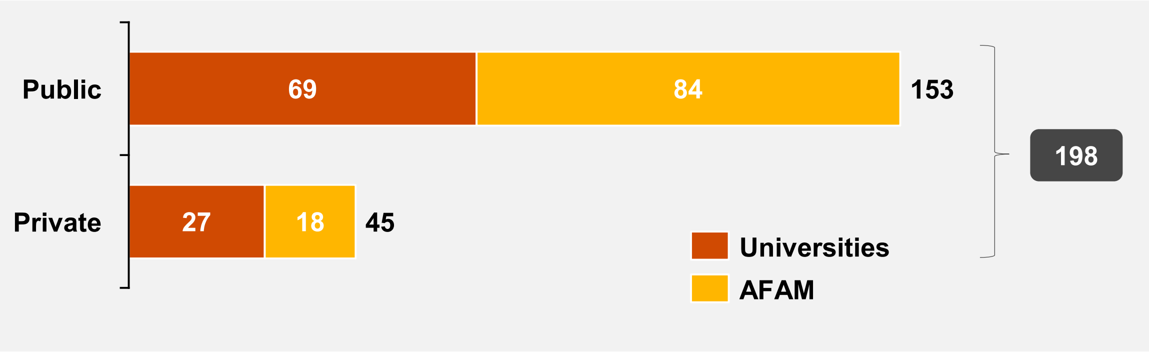


Sources: Eurostat, Istat, PwC analysis

The growth in student enrolment has been commensurate with the expansion in academic staff,…

Universities – Supply

Number of tertiary education institutions

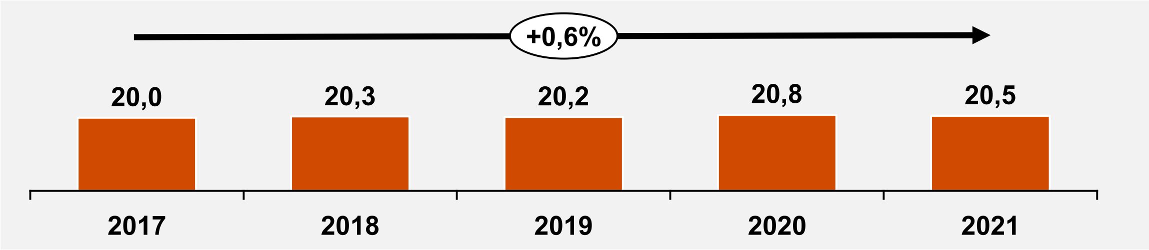


In Italy, there are 198 tertiary education institutions, out of those 153 are public, while 45 are private. Latest data available shows that there were about 2,07M tertiary education students. Majority or ~82,1% (about 1,7M students) of those are attending public institutions, while the rest or ~17,9% (about 366k students) are attending private ones.

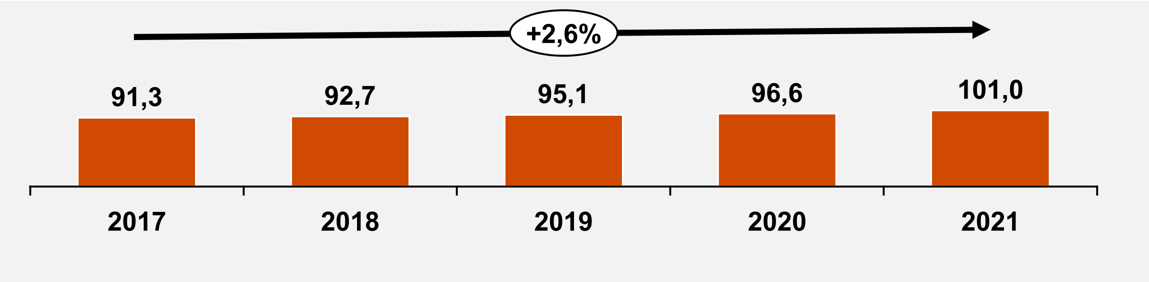
In total, there are 96 universities, with 69 of those being public and 27 being private. On top of that there are 102 institutions of high education in the arts and music (AFAM), 84 public and 18 private. The most universities are located in the region of Lombardia where also the most students are concentrated.

In Italy, there has not been an improvement in the student-teacher ratio as an indicator of education quality. The data shows that the student-to-teacher ratio has remained relatively stable over the recent years. In 2017, the ratio was approximately 20, and it fluctuated slightly in the subsequent years, reaching 20,51 by 2021. This stability suggests that the increase in student numbers has been proportionate to the increase in academic staff, which saw a compound annual growth rate (CAGR) of 2,6% over the last four years.

Student-teacher ratio



Number of academic staff in tertiary education, in ths.



University students by region in which their university is located (Top 8)

1.	Lombardia	272.903	5.	Piemonte	122.156
2.	Lazio	208.815	6.	Veneto	111.834
3.	Emilia Romagna	165.924	7.	Toscana	110.175
4.	Campania	161.452	8.	Sicilia	107.232

Sources Eurostat, Istat, PwC analysis

5

Pre-school facilities

Institutions in Italy nationally **are facing both an oversupply and a declining number of children**

Pre-school facilities

Key conclusions – Phase 1

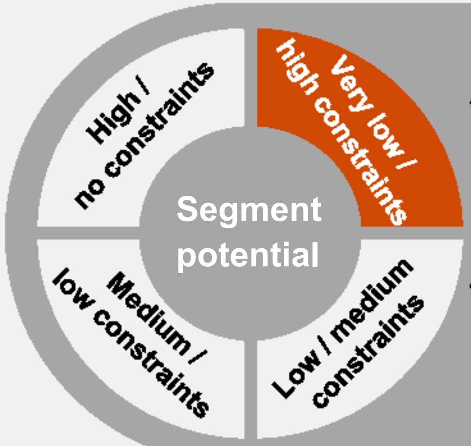
- Early childhood education in Italy follows a "0-6 system" managed by local authorities, offering various services such as nurseries, micro-nurseries, spring sections, kindergartens (both state and private), and Childhood Hubs.
- In 2021, Italy had 23.085 early childhood education institutions with approximately 273.000 places.
- The number of children aged 0-6 in Italy has been declining at a CAGR of ~3% since 2018, reaching ~2,6 million in 2022.
- In Italy, the kindergarten sector for ages 3-6 has a well-balanced supply, due to national legislation making the access a right for every child. However, there is an oversupply of approximately ~99,6k for ages 0-2.

Key conclusions – Phase 2

This segment has not been shortlisted for phase 2.

However, some stakeholders who cover multiple segments, including early childhood education have indicated that there are areas (mainly large cities such as Rome) who have localised shortages of availability. This is the case since more and more younger families decide to send their kids to pre-school, especially during 0-2 year old segment, causing demand pressures.

PwC Assessment

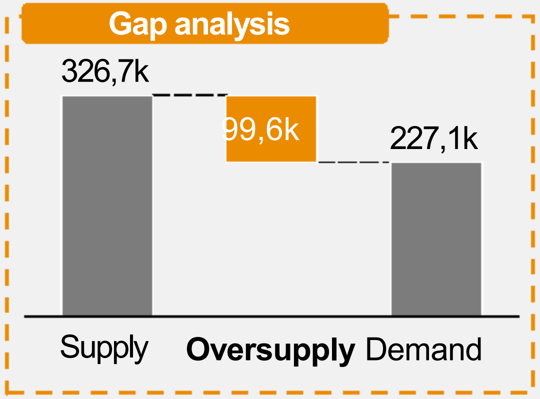


From 2018 to 2021, the children-to-caretaker ratio has improved from 11.4 to 10.4 due to a greater decline in enrolled children.

This segment faces a significant oversupply mainly due to the large presence of private players in the 0-2 age group.

Key Segment Data

- **23** children/ 1000 enrolled
- **13%** up to 2 y.o. enrolled
- **83%** of children aged 3 y. o. enrolled
- **27%** children in private institutions
- **73%** children in public institutions
- **10,4** Children-to-caretaker ratio



The number of children enrolled in pre-schools in Italy is among the lowest in the European Union

Pre-Schools – General Overview

Two types of early childhood education

Early childhood education in Italy is structured into a “0–6 system”, which encompasses a range of early childhood education services. These services are managed by local authorities, either directly or through agreements with other public entities or private parties. The system is divided into various components.

Nurseries and micro-nurseries cater to children between 3 and 36 months, with varying opening hours, capacity, operational modes, and fee costs differing from one municipality to another. They typically provide meals and rest.

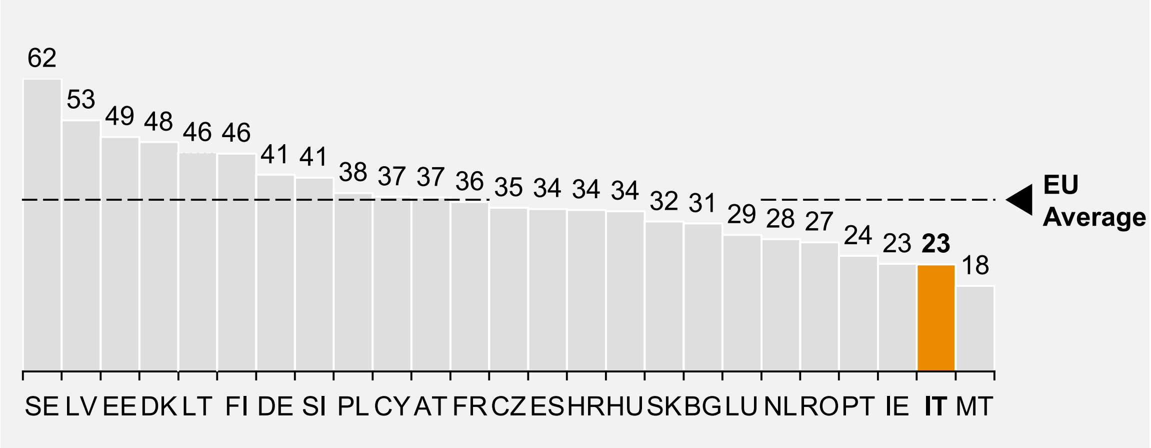
Spring sections are designed for children between 24 and 36 months and are affiliated with state or equivalent kindergartens or nurseries. Supplementary services offer a very flexible organization and diversified operating methods. This includes play spaces for children from 12 to 36 months without a meal service, centres for children and families welcoming children from the earliest months of life along with an accompanying adult, and home-based educational services for a small number of children from 3 to 36 months.

Kindergartens, both state-run and private, form another crucial component of the system. Attendance at state kindergartens is free, with families bearing the cost of meals and any individual demand services such as school buses, pre-school, and extended hours.

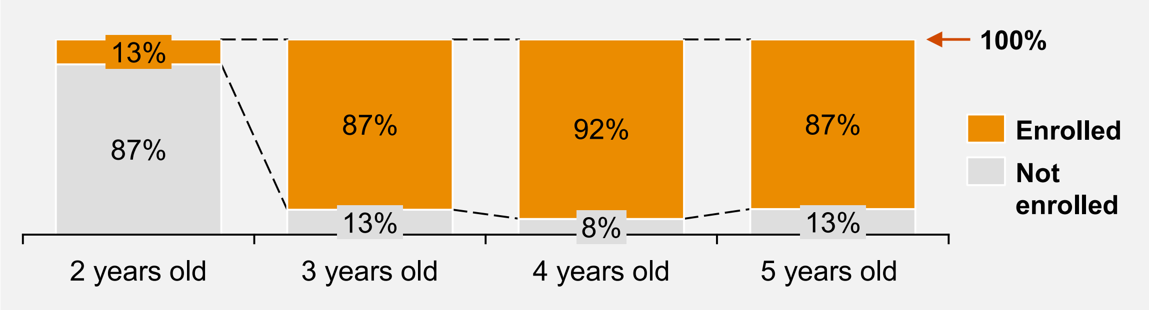
The Childhood Hubs, introduced by the Legislative Decree 65 of 2017, represent an innovative form of pre-school education in Italy. They accommodate facilities for children aged 0–3 and 3–6 within a single or adjacent buildings, optimizing resource utilization by sharing services, spaces, and resources.

In Italy, the provision of pre-school education is overseen by the Ministry of Education and Merit and the Ministry of University and Research at the national level, with decentralised regional offices ensuring compliance with standards. Additionally, regional and local authorities share responsibilities, including the organization of early childhood education and care services, school infrastructure, and student transportation.

Number of children enrolled to pre-school facilities, per 1000 citizens, 2021



Share of children enrolled in pre-schools, 2021



Source Eurostat, OECD, European Commission, Istat, PwC analysis

Italy's pre-school education faces challenges due to declining birth rates influenced by the economic costs of child-rearing

Pre-Schools – Key Issues

Higher enrolment in groups of older children

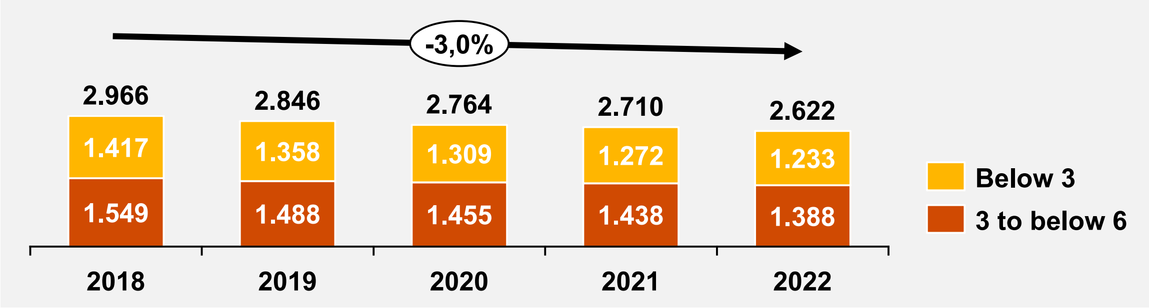
The number of children aged 0–6 has been declining with a CAGR of ~3% in a five-year period since 2018, when it was ~2,9M, reaching ~2,6M in 2022. In the same period, the number of children in the group aged below 3 years old was decreasing with a CAGR of ~3,4%, while the number of children in the group aged 3 to below 6 was decreasing with by a CAGR ~2,7%.

The number of new-born children has been in decline, resulting in a negative CAGR of ~3,3% for a five-year period since 2017, or around 58k less children being born in 2021 as compared to 2017.

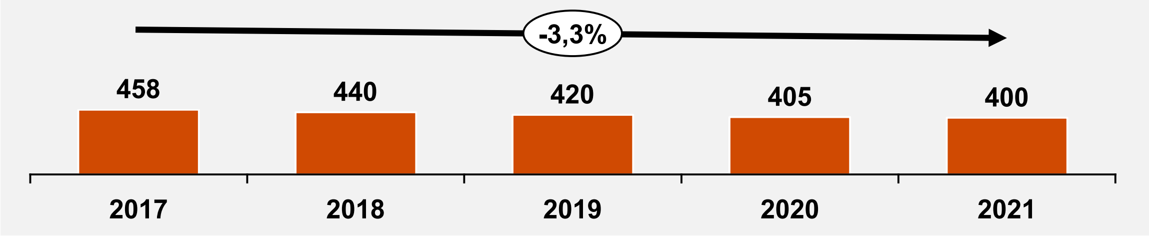
Italy faces a significant demographic crisis, with 2022 marking a historic low in birth rates. The number of births dropped below 400.000, averaging 1,25 babies per woman, the lowest since 1861. This decline has resulted in a negative replacement rate, where deaths outnumber births, signaling a critical shift in the country's demographic structure. The decrease in birth rates, attributed to economic insecurity since the 2008 crisis, has been exacerbated by the COVID-19 pandemic. The financial strain is evident in the housing costs consuming a substantial portion of the average monthly income and the national savings rate plummeting to just over 5% as of January 2023. Government incentives to encourage childbirth, such as monthly child payments and economic stimulus packages, have yet to significantly alter this trend.

According to a survey by Istat and the University of Venice Ca' Foscari, COVID-19 pandemic had a significant impact on childcare services, leading to decreased fee income. Facilities encountered high extraordinary (88%) and management costs (85%). To adapt, the 2020/2021 school year saw various measures: space reorganization (93%), educator training (92%), staggered schedules (79%), establishing new family communication channels (72%), and hiring additional staff (51%). Some facilities adjusted operating hours (27%) or expanded spaces (18%), while fewer than 10% reduced services.

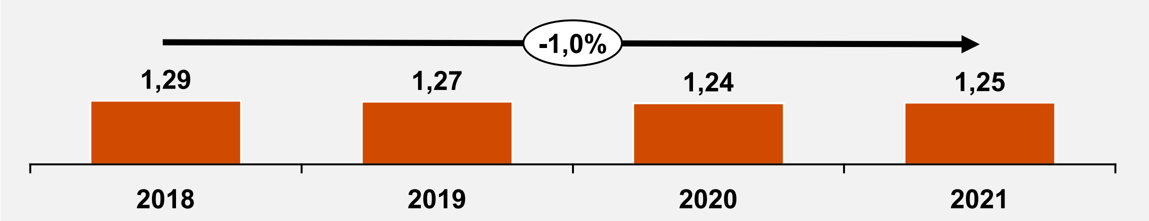
Number of children aged 0–6, in ths.



Number of new-born children, in ths.



Fertility rate



Sources Eurostat, Istat, European Commission, PwC analysis

Disparities exist between enrolment figures in public versus private pre-school institutions in Italy

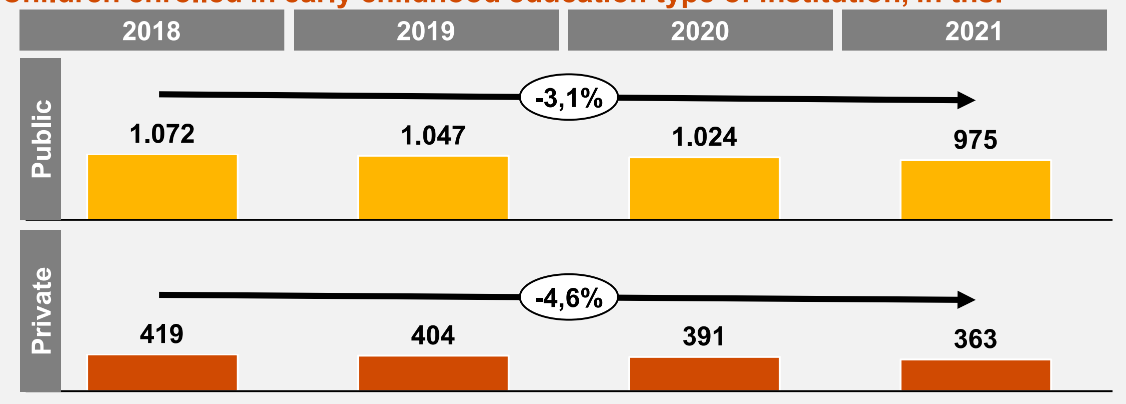
Pre-Schools – Demand

Socio-economic factors and population distribution are key demand drivers

In Italy, Lombardy leads in pre-school education enrolments, with approximately 257.000 children. This is followed by Campania with 148.000 and Lazio with 141.000, exhibiting a trend of decreasing enrolments through regions such as Sicily and Veneto, down to Calabria, which ranks tenth with only 47.000 children. This distribution underscores a significant disparity in pre-school education demand, reflecting variations in regional populations and economic conditions.

National statistics reveal key differences between public and private pre-school sectors in Italy. Public institutions have an average of 19,7 children per class, slightly higher than the 19,1 in private ones. Gender parity is consistent in enrolments, with a 48,01 women-to-total children ratio in public pre-schools and 48,2 in private ones, indicating balanced gender representation. What is also observed is the fact that enrolment rates of children aged 0–2 have a strong negative correlation (~-0,8) to the female unemployment rate. This would suggest that the higher the unemployment rate, the lower the enrolment rate of children. This is significantly observed in regions in southern Italy such as (Campagnia and Calabria).

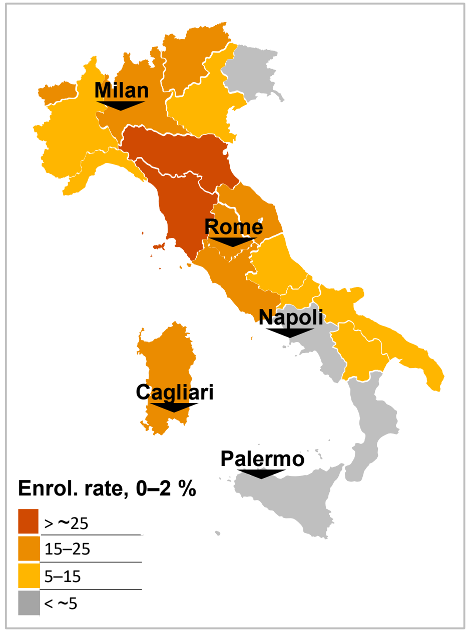
Children enrolled in early childhood education type of institution, in ths.



Key pre-primary education indicators, 2021

Region	Enrolled/class		Foreign/100 enr.		Female/100 enr.	
Pub./Priv.	Public	Private	Public	Private	Public	Private
Northwest	21	20	22	8	48	48
Northeast	21	20	23	10	48	49
Center	20	19	14	5	48	49
South	19	17	4	2	48	47
Islands	18	17	4	2	48	48

Enrolment rate in early childhood education by region (2021, top 10)



Region	Total	ER (0–2) %	ER (3–6) %	Female unemp. rate
Italy	*1,46M*	*0,18M*	*1,27M*	
Lombardia	257.646	15,7%	88,9%	6,2%
Campania	148.810	3,8%	94,5%	20,0%
Lazio	141.126	18,9%	83,0%	9,1%
Sicilia	118.500	5,5%	89,0%	19,0%
Veneto	118.851	12,6%	91,5%	5,3%
Emilia-Romagna	122.842	29,0%	89,6%	6,2%
Piemonte	101.240	14,2%	91,8%	7,2%
Puglia	96.153	8,8%	95,4%	15,6%
Toscana	92.167	24,7%	90,6%	7,1%
Calabria	46.895	4,0%	94,4%	16,6%

Sources Eurostat, Istat, PwC analysis

The quantity of early childhood education institutions, particularly those privately operated, has been declining

Pre-Schools – Supply

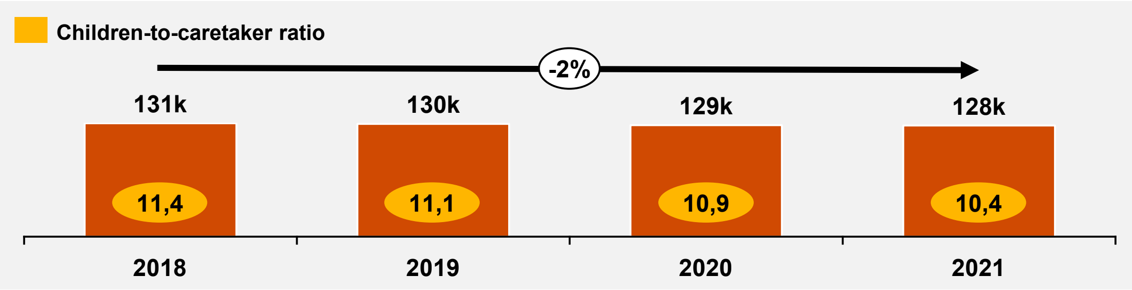
Supply of early childhood education in Italy

In 2021, there were 22.476 institutions offering early childhood education in Italy. Approximately one third (or 7.229) of all early childhood education institutions were privately owned, while the majority of institutions, or 15.247, were publicly owned. The most places are available in the Lombardia region, where 3.035 institutions are located, while the least places are located in the Valle d'Aosta region, where around 80 institutions are offering early childhood education.

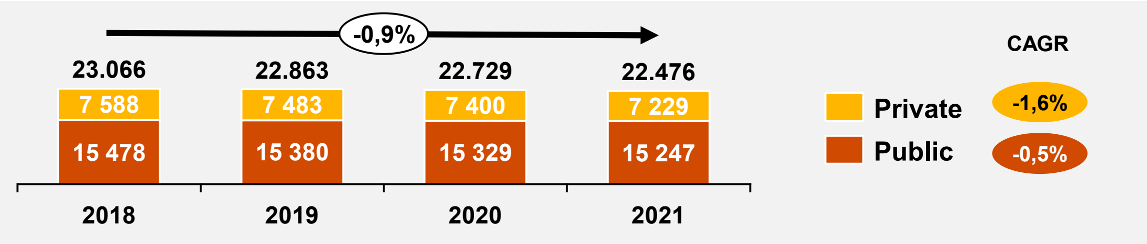
Data from 2018 to 2021 shows a slight but consistent decline in both the number of caretakers, decreasing from 131 to 128, and the children-to-caretaker ratio, which fell from 11,4 to 10,4. This trend indicates not only a reduction in caretaker numbers but also an improvement in the level of individual attention available to each child.

The government is channelling a €3 billion investment into the enhancement and renovation of early childhood education infrastructure as part of the RRP, targeting 2.190 initiatives, which include 1.857 projects dedicated to childcare and ECEC poles, and 333 for pre-primary schools. Notably, over half of this investment is allocated to the southern regions. However, challenges like high fees and socio-economic factors, affect attendance rates, especially within the pre-school segment.

Number of caretakers in pre-school facilities (children-to-caretaker ratio)



Number of early childhood education institutions



Supply institutions in Italy by region (2021, top 10)

Region	Institutions	%
Italy	*22.476*	*100%*
Lombardia	3.035	13,5%
Campania	2.484	11,1%
Sicilia	2.135	9,5%
Lazio	1.807	8,0%
Veneto	1.710	7,6%
Piemonte	1.623	7,2%
Emilia-Romagna	1.517	6,7%
Puglia	1.360	6,1%
Toscana	1.318	5,9%
Marche	580	2,6%

Sources Eurostat, European Commission, Istat, PwC analysis

6

Hospitals


PISO 1
ASCENSOR
SANITARIO
BANCO DE SANGRE
TERAPIA NEONATAL

Despite the oversupply, there is still **notable interest in financing of modernization and medical equipment**

Hospitals

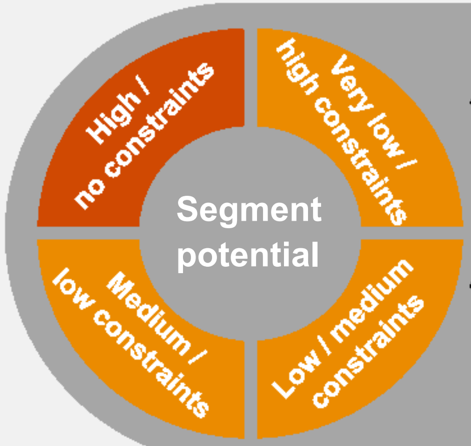
Key conclusions – Phase 1

- Italy's National Health Service (NHS) is managed by the Ministry of Health and supported by regional bodies, oversees public healthcare.
- The healthcare system has more private hospitals (629), while public hospitals held a majority of hospital beds (64%).
- Italy's hospital bed count decreased by 0,9% annually since 2017, reflecting the healthcare system's adaptation to more efficient treatments and shorter hospital stays.
- Italy's hospital bed utilisation has declined annually by 3,5% since 2017, hitting a low of 65,1% in 2020, which rebounded slightly reaching 69% in 2021.

Key conclusions – Phase 2

- There is a substantial need for investments in hospital infrastructure, including modernization of facilities and acquisition of advanced medical equipment.
- Key investment opportunities include compliance with safety regulations, modernization of facilities, and integration of digital healthcare and also AI technologies
- Both centralized financing structures and special purpose vehicles (SPVs) are considered suitable for hospital project financing, allowing flexibility in financial structuring.
- There is an interest in exploring innovative financing models, such as blended finance and social impact bonds.

PwC Assessment



The hospital segment offers substantial investment opportunities due to the high demand for modern healthcare facilities and advanced medical technology.

The segment's potential is reinforced by significant planned investments and the strategic importance of healthcare infrastructure.

Key Segment Data

1.051 number of hospitals

184,7k number of hospital beds

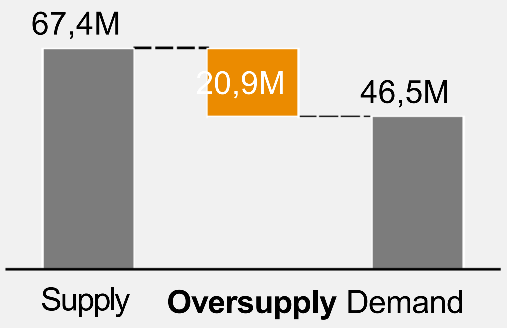
59,8% share of private hospitals

36% of hospital beds are private

7,3 average length of stay days

69& utilisation rate of h. beds

Oversupply analysis



Healthcare is mostly provided by public operators and financed by the government, with significant out-of-pocket spending

Hospitals – General overview

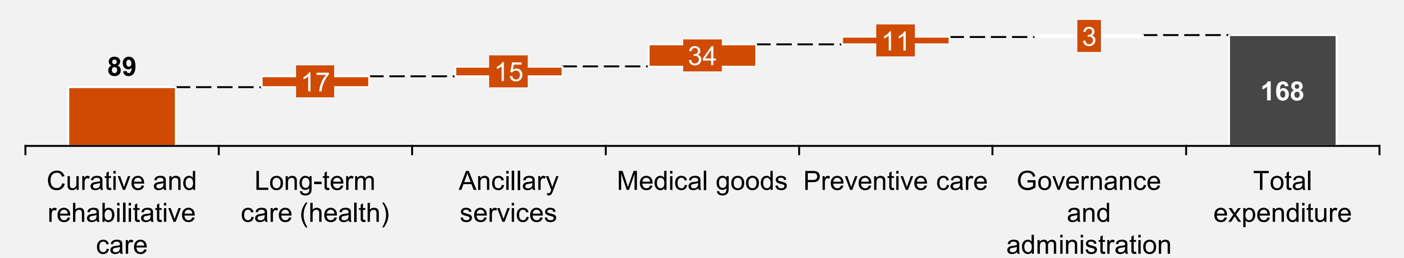
Definition of the segment and ownership

Italy's National Health Service (NHS; Servizio Sanitario Nazionale, SSN) is a tax-funded entity that ensures comprehensive health services for the entire population. The Ministry of Health at the national level orchestrates public health initiatives in collaboration with various agencies. As the principal authority for public health, the ministry oversees and directs the NHS, encompassing specialized directorates for different public health sectors. It works in tandem with the National Health Council (CSS) and the National Institute of Health (ISS) for expert advice and guidance. Implementation of public health policies at regional and local levels is the responsibility of regional health departments. They are tasked with formulating three-year health plans in accordance with the National Prevention Plan, managing the accreditation of healthcare providers, ensuring care quality, coordinating health and social care, and governing public hospital trusts.

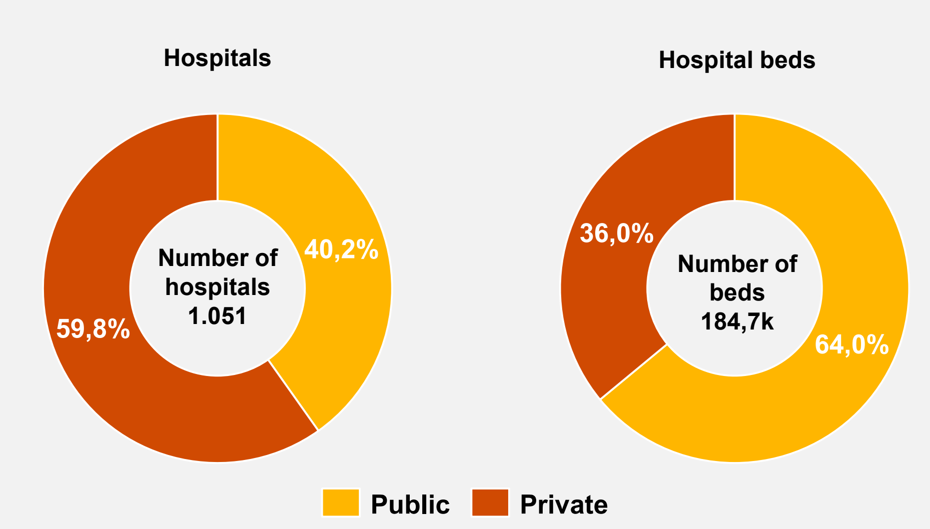
In 2021, total expenditures for health care in Italy amounted for around EUR 168B, which was around 9,4% of the GDP. About half, or EUR ~89B, of the total healthcare expenditures was intended for curative and rehabilitative care, which amounted for ~4,9% of the GDP. More than 3/4 (about EUR 127B) of total health care expenditures in 2021 were by government schemes and compulsory health care financing schemes. Household out-of-pocket payments amounted to a bit more than 22% of the total expenditures.

In 2021, the healthcare system had more private hospitals, but a larger share of hospital beds was in the public sector. Specifically, there were 1.051 hospitals with a private majority of 59,8%, while public hospitals accounted for 40,2%. On the other hand, of the total 184,7k hospital beds available, 64% were in public hospitals and 36% in private ones.

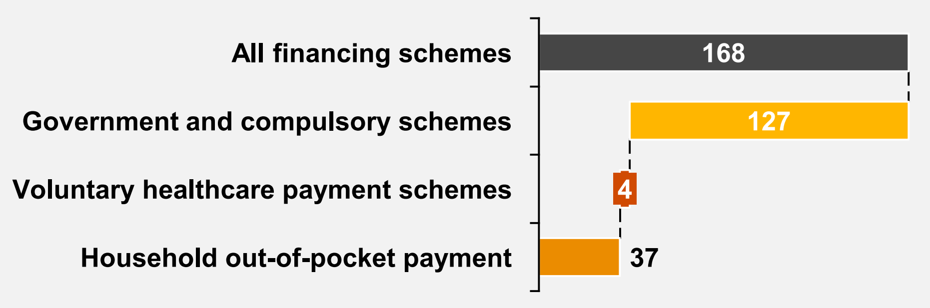
Expenditure on healthcare, 2021 EUR M



Healthcare ownership, 2021



Expenditure by financing scheme, 2021, EUR M

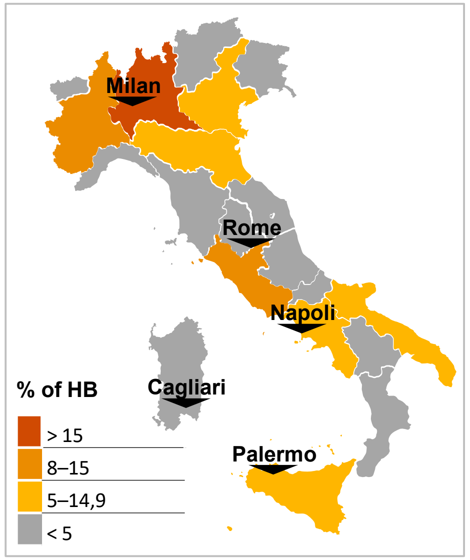


Sources: Eurostat, Istat, PwC analysis

In Italy, the primary healthcare challenge is extensive waiting lists, compounded by a declining number of generalist practitioners

Hospitals – Key Drivers & issues (1/2)

Regional split of hospital beds (HB) and population (POP), 2021, top 10



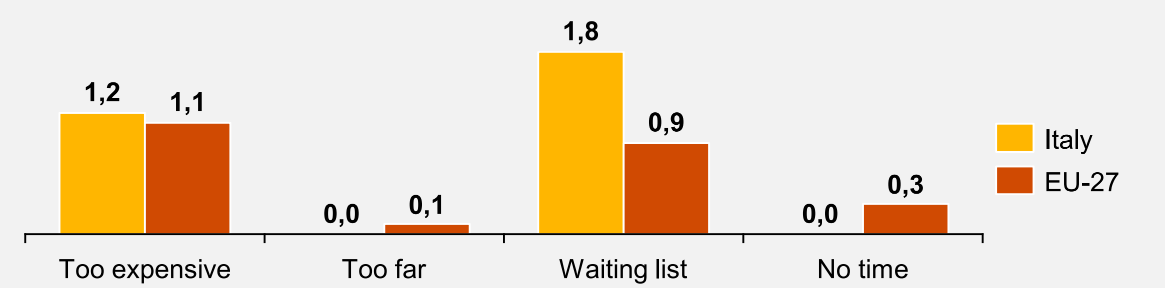
Region	% HB	% POP
Italy	*~214k*	
Lombardia	**19,6%**	16,9%
Lazio	**9,8%**	9,7%
Piemonte	**9,0%**	7,2%
Campania	**7,7%**	9,5%
Emilia-Romagna	**7,7%**	7,5%
Veneto	**7,5%**	8,2%
Sicilia	**7,1%**	8,2%
Puglia	**6,5%**	6,6%
Toscana	**4,9%**	6,2%
Marche	**2,6%**	3,2%

In 2022, provision of hospital beds in Italy amounted for one bed for 277 persons. In absolute terms the most beds were available in Lombardia region, where ~19,6% of total beds were available to ~16,9% of total population, meaning there were ~ 238 persons per hospital bed in that county. The lowest provision of hospital beds, as indicated by the highest ratio of persons per hospital bed of 363, was in Calabria region, where ~2,4% of total beds were available to ~3,1% of the total population. While the highest provision of hospital beds was with 133 persons per hospital bed, in Trentino Alto Adige region, where ~2% of total beds were available to ~0,9% of the total population.

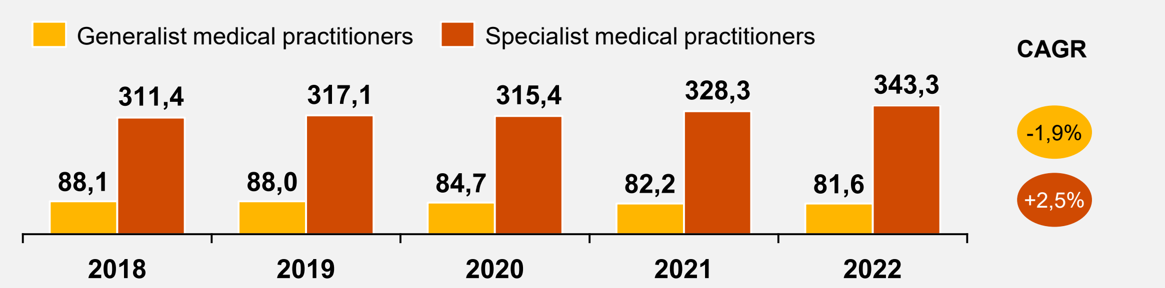
The perceived expensiveness of healthcare in Italy is in line with the EU-27 average - at ~1,2% of total population aged 16 or above (EU-27 average was ~1,1%). The biggest gap in reported unmet need is seen in waiting lists, as they were declared as the main reason by ~1,8% of total population, which is significantly higher than the EU-27 average of ~0,9%.

From 2018 to 2022, Italy experienced a divergent trend in the growth of generalist and specialist medical practitioners. The number of generalist medical practitioners saw a compound annual growth rate (CAGR) of +2,5%, while the number of specialist medical practitioners exhibited a decline with a CAGR of -1,9.

Self reported unmet demands of population by reason (% of population 16+)



Medical practitioners, per thousand population

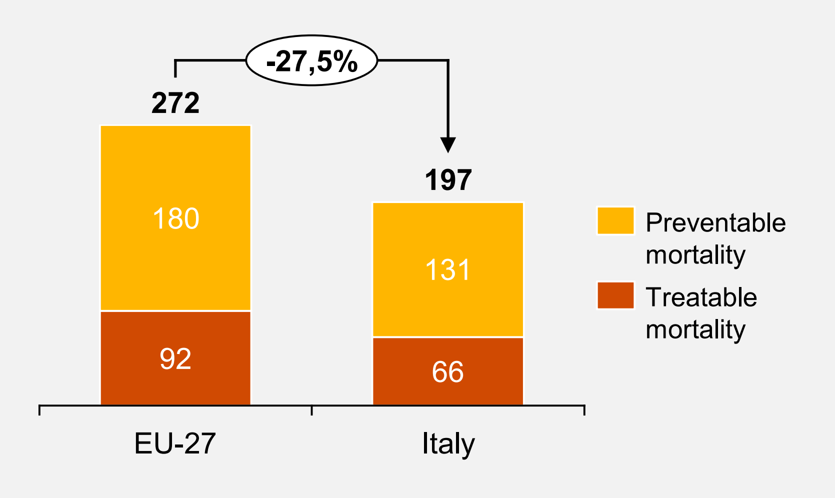


Sources: Eurostat, Statistics Lithuania, PwC analysis

Both, preventable and treatable, mortality rates are below the EU average and more people perceive themselves in good health

Hospitals – Key Drivers & issues (2/2)

Mortality rate compared to EU average

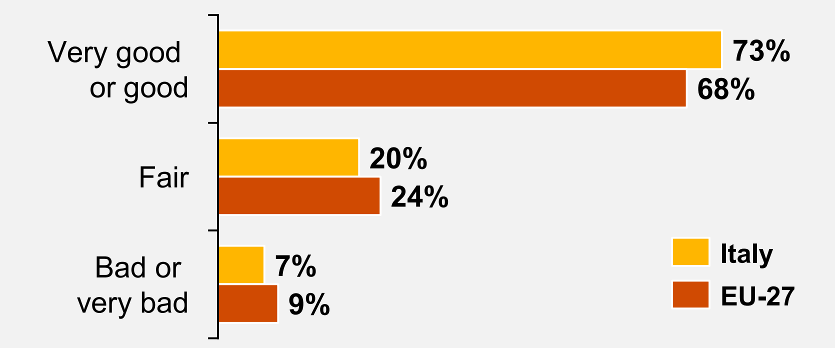


Italy below the average of 27 EU member states, both for rate of preventable mortality (131 to the EU-27 average of 180), and for the rate of treatable mortality (66 to the EU-27 average of 92). Combined treatable and preventable mortality rate in Italy is almost 30% below the EU-27 average (197 to the EU-27 average of 272).

The most commonly used indicator for analysing mortality is life expectancy at birth, i.e., the mean number of years that a person can expect to live at birth if subjected to current mortality conditions throughout the rest of their life. Life expectancy at birth in Italy was estimated at 83 years (0,7 years higher than in 2020), reaching 85 years for women (0,5 higher than in 2020) and 80,9 years for men (0,9 year higher than in 2020). This above the EU-27 average which stands at 80,7, 83,4, and 78 years, respectively.

In 2021, there were ~713k total deaths (excluding injury, poisoning and certain other consequences of external causes) in Italy. Diseases of the circulatory system contributed to the largest share of deaths, amounting for 281 deaths per 100k inhabitants, out of which ~29% (or ~80 deaths/100k inhabitants) were due to the ischaemic heart diseases. The second largest cause of death were neoplasms, which contributed for 239 deaths/100k inhabitants, with 95% of that being malignant (cancerous) neoplasms. Deaths related to COVID-19 were the third largest group, accounting for ~10,6% of total deaths or 101 deaths/100k inhabitants.

Self-perceived health and risk factors



In 2022, ~73% of the population aged 16 and above perceived themselves as either in "good" or "very good health", which is ~5% higher than the EU-27 average. Moreover, on average ~2% less people perceived themselves as in "bad" or "very bad" health (~7%) than in the EU (~9%). Share of people perceiving themselves as in "fair health" was at ~20%, which is lower that the EU-27 average of ~24%.

In Italy, the biggest health risks, in comparison to the EU-27 average, are alcohol consumption, bad nutritional habits, and insufficient physical activity.

Health determinants of lifestyle*

Health determinant	Italy	EU-27
Overweight & obesity	46%	53%
Tobacco consumption	4,7%	5,9%
Alcohol consumption	12,1%	8,4%
Nutritional habits	10,5%	12,4%
Physical activity	8,2%	13,6%

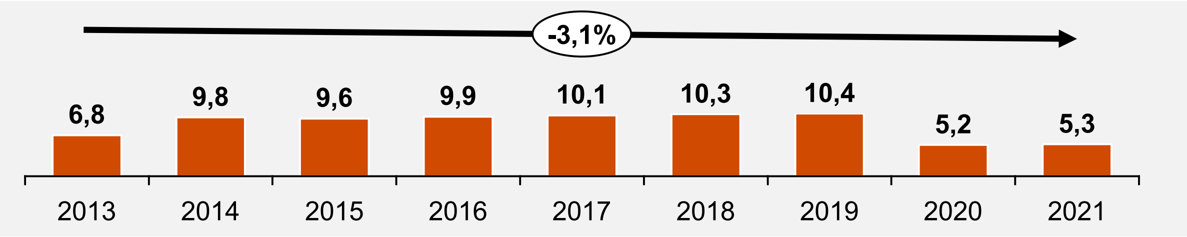
**__Overweight & obesity__ – BMI index > 25; __Tobacco consumption__ – 20 or more cigarettes per day (%); __Alcohol consumption__ – alc. consumption every day (%); __Nutritional habits__ – 5 or more portions of fruit/vegetables per day (%); __Physical activity__ – Performing health-enhancing physical activity (%)*

Sources: Eurostat, Istat, WHO, European Commission, PwC analysis

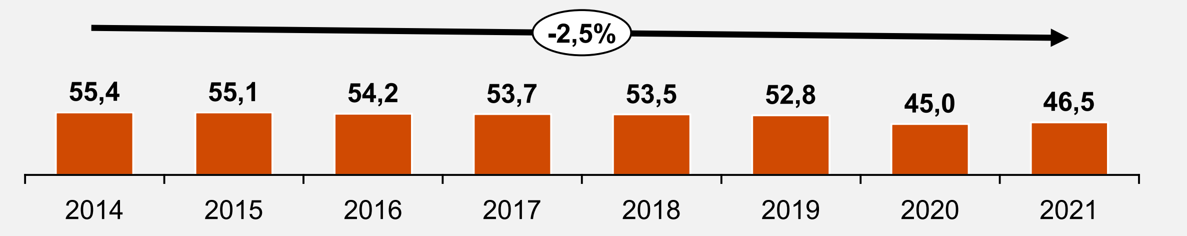
In 2021, demand was primarily shaped by COVID-19 impacts, with Italy recording the longest average in-patient stay in the EU

Hospitals – Market Demand

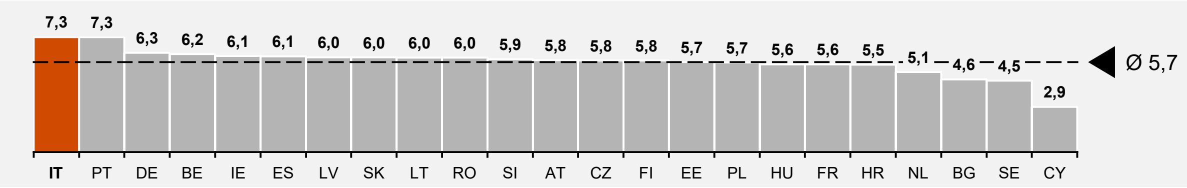
Average number of visits to physicians, per capita



Number of hospital days for inpatient cases in Italy, in M



Average in-patient length of stay across EU in days in 2021 (curative care)



Sources: Eurostat, Istat, PwC analysis

In the last decade in Italy, the number of hospital days for inpatient cases has been steadily declining with a CAGR of about 2,5% since 2014. The largest decline, of about 15%, as compared to the previous year, can be seen in 2020, when the COVID-19 pandemic started.

Regarding the regional breakdown of the average hospitalization duration, it is observed that Abruzzo has the highest average length of stay, amounting to 9,9 days. Conversely, Lazio registers the shortest average duration at 5,1 days. It is imperative to acknowledge the influence of regional healthcare policies, resource availability, and demographic variables in shaping these statistics, as they are pivotal factors contributing to the disparities.

The number of medical doctor consultations per inhabitant were steadily increasing up to 2019, reaching 10,4 consultations. Due to effects of the COVID-19 pandemic the number of consultations dropped sharply to 5,2 and is slowly starting to rebound.

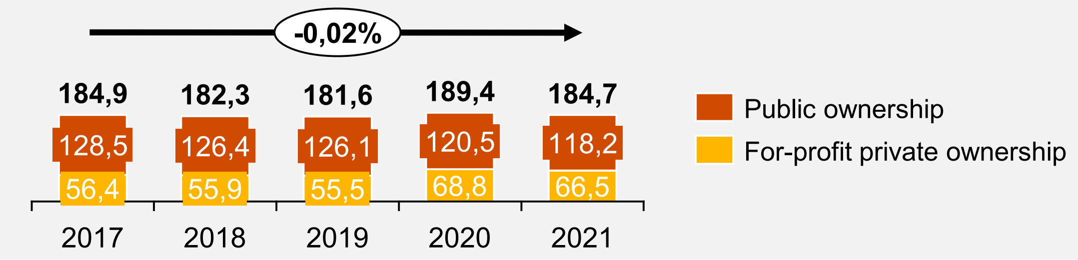
In 2022, the most hospitalisations were due to diseases of the circulatory system, which amounted for about 14% (or about 932k). Hospitalisations due to neoplasms (the second largest cause of deaths) amounted for about 12% (or about 797k), while diseases of the respiratory system amounted for just above 9,5% hospitalisations (or about 636k).

According to the Eurostat data, average in-patient length of stay for patients of curative care in 2021 in Italy was 7,3 days, which is the highest number in the basket of selected EU countries for which the data is available. The longest average of in-patient length of stay in 2021 was due to COVID-19 related conditions, averaging at around 15,3 days. Patients hospitalised due to nervous system conditions spent on average 14,5 days in curative care, while patients with respiratory conditions 10,8 days. The data indicating that individuals hospitalized as a result of COVID-19 experienced the longest average duration of in-patient stays, coupled with the fact that they accounted for over 10% of the total deaths in 2021, underscores the profound impact the pandemic had in Italy, a nation among the most severely affected by COVID-19. On the other hand, the patients hospitalised due to circulatory system diseases – a leading factor of deaths in Italy – spent on average only 9,3 days hospitalised.

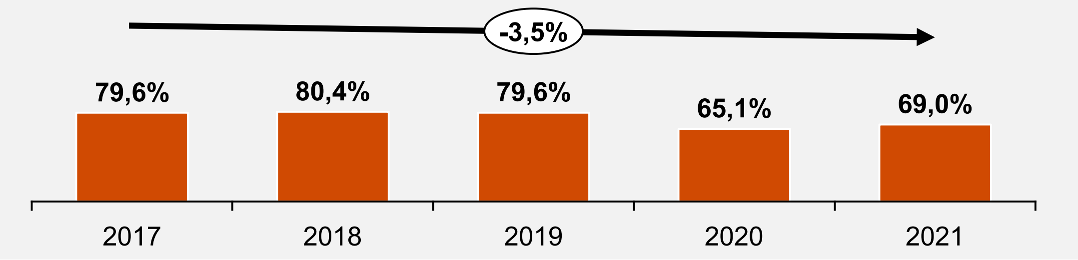
Bed utilization has declined more sharply than the reduction in bed numbers, with a significant % of these beds intended for somatic care

Hospitals – Market Supply

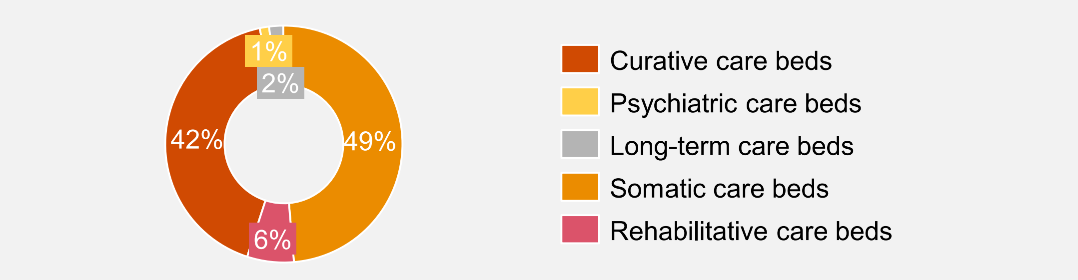
Number of hospital beds in ths.



Utilisation of current bed capacity in Italy



Capacity by type of bed, 2022



In-line with the declining trend of the EU and developed countries, Italy has witnessed a modest decline in the number of hospital beds, with a slight compound annual growth rate of -0,9% since 2017. This reduction, representing a decrease of roughly 300 beds by 2021 in contrast to 2017, underscores an encouraging shift in healthcare dynamics. The gentle slope of this decrease is indicative of a healthcare system successfully adapting to advancements in medical treatments and procedures, which facilitate shorter and less frequent hospital stays without compromising patient care.

The utilization of hospital beds in Italy has been experiencing a steady decline, decreasing by an average of 3,5% annually since 2017. This trend was particularly pronounced in 2020, during the height of the COVID-19 pandemic, when the utilization rate dropped to 65,1%, marking the lowest point in this period. Although there was a rebound in 2021, with utilization rates rising approximately 6% from their nadir in 2020, they remained below pre-pandemic levels.

In a broader European context, hospital bed occupancy rates across EU Member States in 2021 generally ranged between 56% and 73%. This data, however, masks significant variations among countries. For instance, Portugal and Ireland recorded higher occupancy rates of 77,8% and 82,8%, respectively, while Cyprus and Hungary reported lower rates of 51,8% and 51,5%. Over a decade, from 2011 to 2021, a consistent pattern of declining occupancy rates was observed across Europe, situating Italy's hospital bed utilization trends within the broader context, highlighting both the unique challenges faced during the pandemic and the common patterns of changing healthcare utilization.

In Italy's healthcare system in 2022, somatic care beds represent the largest category, accounting for 49% of the total. Curative care beds also play a critical role, making up 42%. Rehabilitative care beds, essential for patient recovery, constitute 6%, while psychiatric care beds are available for 1% of the total. Long-term care beds, including those for conditions like tuberculosis, comprise 2% of the capacity. This distribution underscores Italy's healthcare framework with a strong emphasis on immediate and comprehensive care.

Sources: Eurostat, Istat, News sources PwC, analysis

7

Retirement homes

Italy has **a high share of elderly people,** and **an above-average old-age dependency ratio** compared to the EU.

Retirement homes

Key conclusions – Phase 1

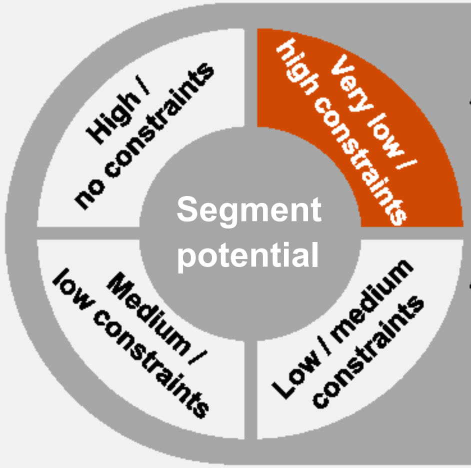
- Italy's LTC system for the elderly involves the Central Government setting national standards and regional governments implementing these services, ensuring a consistent nationwide approach.
- Funding for LTC includes regional fees, patient contributions, and in cases of severe disability, complete regional coverage.
- The old age dependency ratio of 37,5 (higher than the EU-27 average) indicates growing demand for Long-Term Care services.
- Rising life expectancy, set to increase by about 1 year annually for those aged 65, drives increasing demand for retirement homes.

Key conclusions – Phase 2

This segment has not been shortlisted for phase 2.

However, some stakeholders who cover multiple segments, including elderly care have indicated that the increasing elderly population is driving high demand for comprehensive care facilities, including both medical and non-medical settings. This demographic trend necessitates the expansion and improvement of elderly care infrastructure.

PwC Assessment

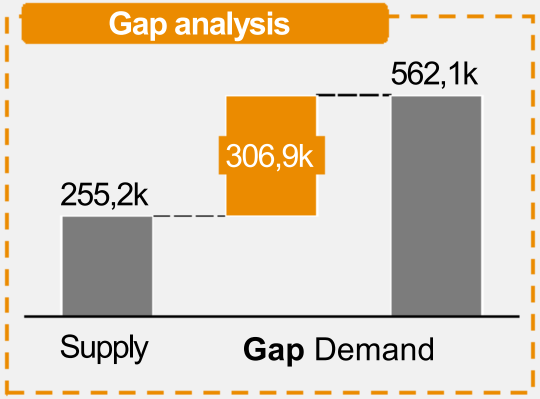


Currently, there is a large gap in this segment, which is expected to gradually close due to the growing capacity of retirement homes.

A high dependency ratio and rising life expectancy enhance the potential attractiveness of financing in this segment.

Key Segment Data

- **37,5** old age dependency ratio
- **307k** beds in residential homes
- **95%** share of comunitary beds
- **14,4M** people aged 65+ in 2022
- **306,9k** existing gap identified
- **0,24%** CAGR of LTC capacity



Retirement homes segment in Italy is fragmented, and mostly driven by smaller private operators

Retirement Homes – General Overview

Organisation of the system

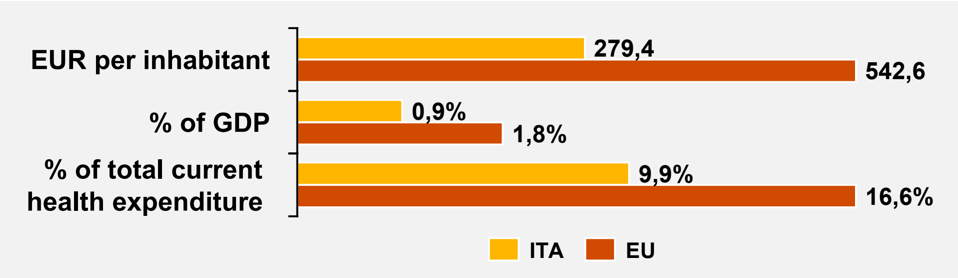
In Italy, the Long-Term Care (LTC) system for the elderly is a multifaceted network, intricately woven into the country's healthcare and social service framework. Central to this system is the division of responsibilities between the Central Government and regional authorities. The Central Government plays a critical role in setting national standards for LTC services, ensuring uniformity and adherence to fundamental principles across all regions. These standards encompass a wide range of services, including residential, semi-residential, home-based, and outpatient care, tailored to meet the diverse needs of the elderly population.

Regional governments are entrusted with the implementation and management of LTC services, reflecting the decentralized nature of Italy's healthcare system. Each region is responsible for organising and financing these services, adhering to the national standards set by the Central Government. Funding mechanisms are complex, involving healthcare fees financed by regions and accommodation costs typically covered by patients and their families, with some contributions from municipalities. In cases of severe disability, regions may cover the entirety of both health and accommodation costs. The funding intricacies are further compounded by the 'carer's allowance', a flat-rate benefit provided to those with certified severe disabilities. This allowance, funded through general taxation and administered by the National Institute of Social Security, is not means-tested and is often used to finance care within the private sector or within families, particularly in lower-income households.

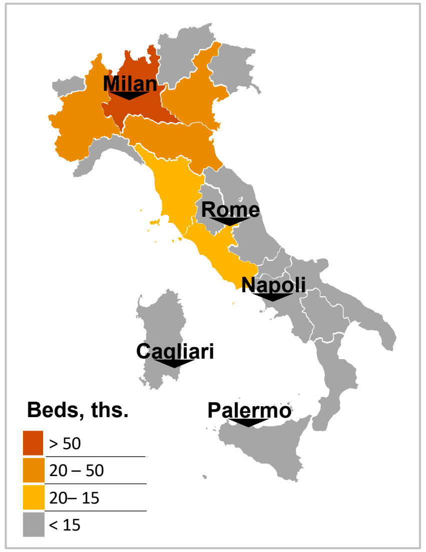
Long-term care reform in Italy

Italy is undergoing a crucial reform of its public long-term care (LTC) system, which has been unchanged for three decades. The system, currently over-reliant on cash transfers, faces coordination challenges and insufficient coverage in residential and home care services. The reform, driven by the 2021 Italian National Recovery and Resilience Plan and the "Turco Commission," aims to better integrate social and healthcare services, improve system coordination, and enhance service offerings like home care and assisted living solutions. These reforms, partially included in the 2022 Budget Bill, represent a significant shift towards a more efficient and comprehensive LTC system in Italy.

Long-term care (health) expenditure



Split of beds in residential homes, by regions



Region	Total	%
Italy	*307k*	*100%*
Lombardia	67.707	22,1%
Piemonte	42.892	14,0%
Veneto	36.933	12,0%
Emilia-Romagna	32.784	10,7%
Lazio	16.381	5,3%
Toscana	16.177	5,3%
Sicilia	12.407	4,0%
Liguria	12.137	4,0%
Friuli-Venezia Giulia	12.030	3,9%
Puglia	10.417	3,4%

Sources: Eurostat, Istat, PwC analysis

Italy has a high share of elderly people and above EU average old-age dependency ratio

Retirement Homes – Key Drivers (1/2)

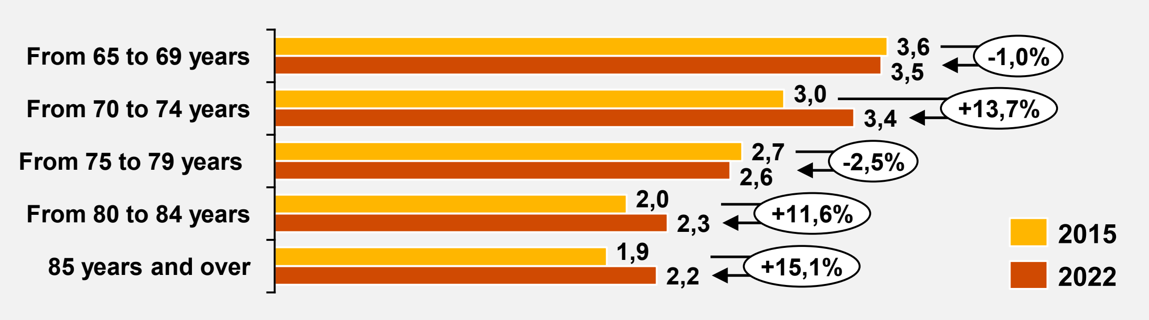
Life expectancy is below the EU average

The average life expectancy at birth for a person living in Italy in 2021, was accordingly to the Eurostat's data around 82,7 years old. Difference between life expectancy of a male and female on average differed for about 4,4 years, being 80,5 years for males and 84,9 for females. Compared to the EU-27 average, life expectancy for females was higher for about ~2 years (the EU-27 average was 82,9 years), while life expectancy for males was lower for about 3,3 years (the EU average was 77,2 years).

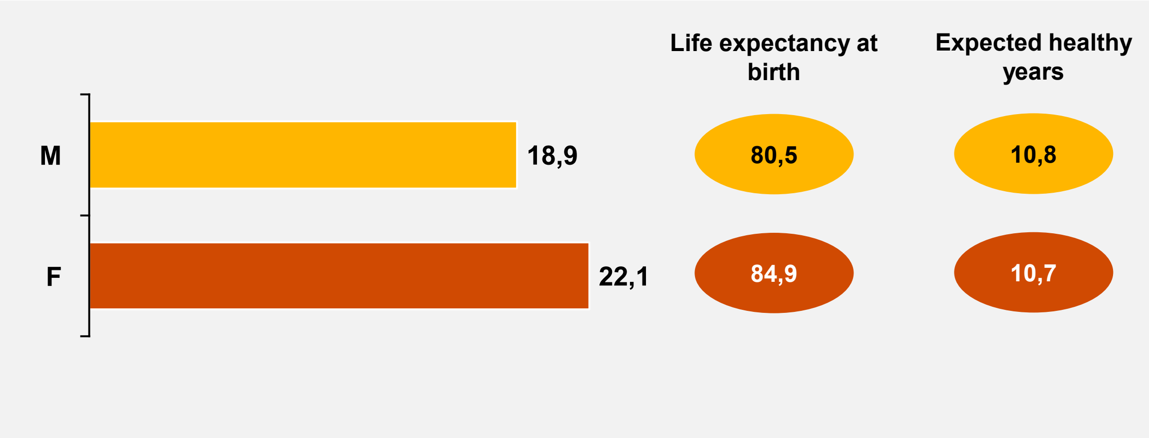
However, in 2021 persons of age 65 could on average expect to live for 20,6 more years, reaching 85,6. Males of the same age class could expect to live for 18,9 more years, reaching 83,9, and females for 22,1 more years, reaching 87,1. Out of those, males could on average expect to life healthy for 10,8 more years, while females for 10,7 more years. Taking into account this data, we can expect an increase for demand of the LTC services.

Old age dependency ratio (population 65 and over to population 15 to 64 years), is above the EU-27 average (~33% in 2022), reaching 37,5% in 2022.

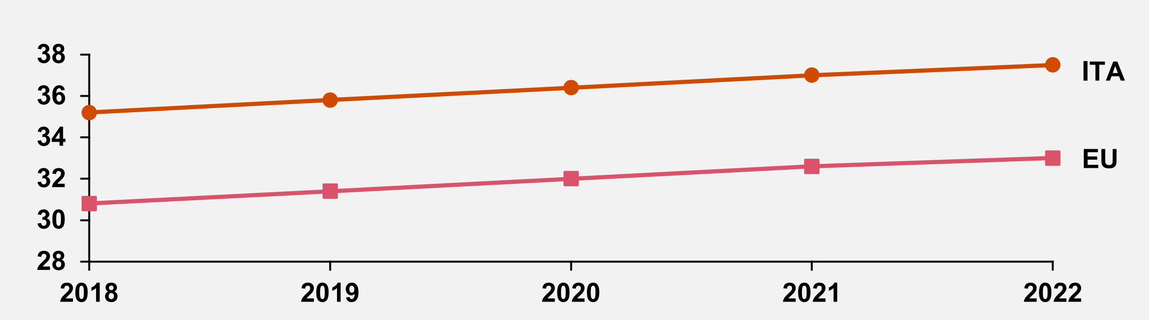
Population aged 65+ (2022), in M



Average life expectancy at age 65 (2021)



Old-age dependency ratio, in %



Sources: Eurostat, Istat, PwC analysis

The COVID-19 pandemic underscored the need for integrated health and social care reforms in Italy's elderly care system

Retirement Homes – Key Drivers (2/2)

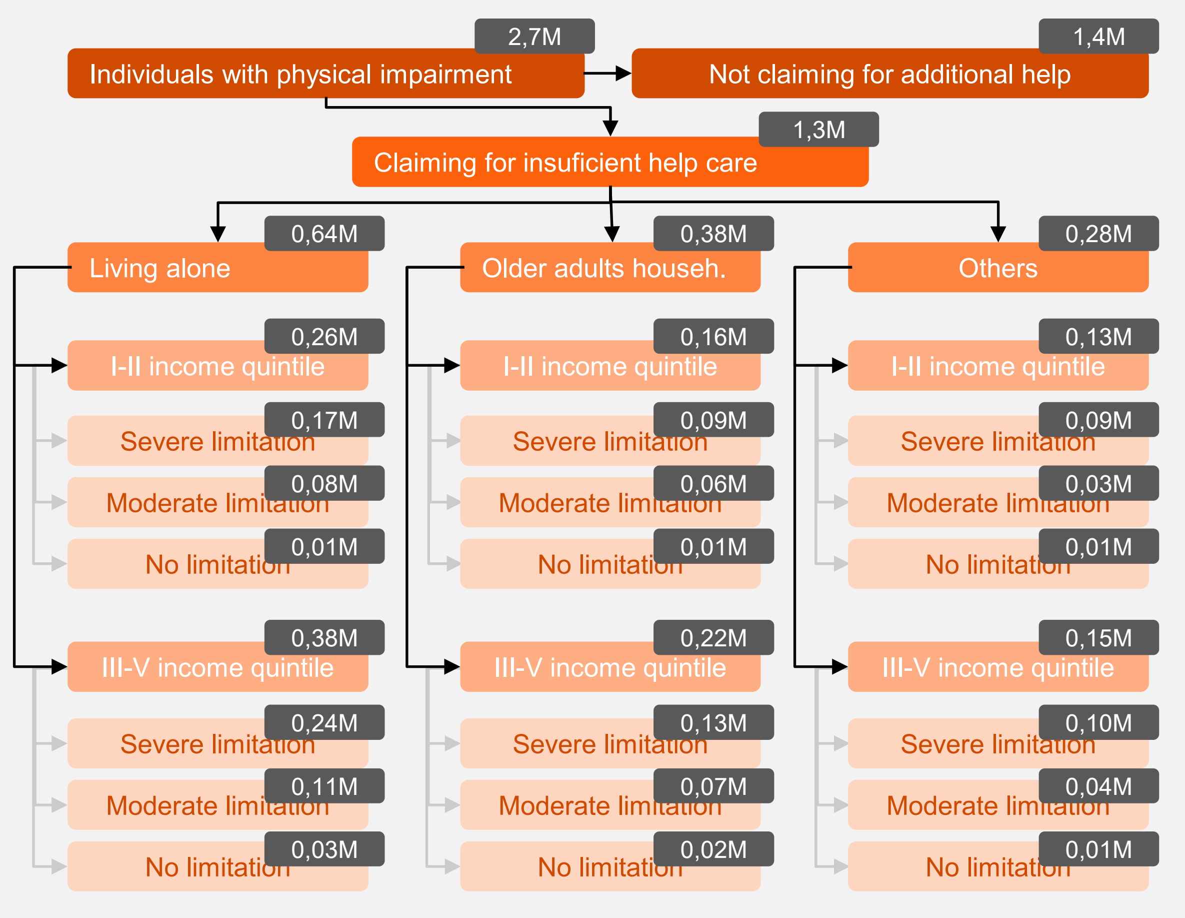
Italy's welfare system weaknesses

The COVID-19 pandemic exposed weaknesses in Italy's welfare and healthcare systems, particularly in non-residential services for the elderly. It revealed insufficient preparedness in primary care and home care, alongside a need for reform in social care. The Italian system, characterised by underfunding and a divide between social and health care, struggled, especially in addressing increased loneliness among the elderly. The pandemic underscores the importance of integrating health and social needs to better serve the elderly population, a strategy not yet widely adopted in Europe.

The Global Activity Limitation Indicator (GALI) estimates that approximately 2,7 million individuals aged over 75 in the studied population experience moderate to severe limitations in physical independence. The predominant feature of this group is a high rate of physical impairment: about 40% have moderate disability, exhibiting severe difficulties in performing instrumental activities of daily living, and 30% have severe disability, facing significant challenges in both instrumental and basic activities of daily living.

Analysis, based on the European Health Interview Survey, shows that 11.000 people with moderate to severe impairment in performing activities of daily living lacked support, did not recognize their need for help, and thus experienced multiple hospitalizations annually. This group reflects the broader issue of a small minority disproportionately increasing healthcare costs due to frequent hospital use. Additionally, it's estimated that about 750.000 individuals have physical impairments and lack both adequate personal support and financial resources for care. This group primarily includes those in the lowest two income quintiles and individuals living alone with income above the second quintile but struggling to afford necessary services. The remaining population is likely able to afford at least some of their required care. This financial capability could prompt public services to focus more on guiding and supporting these individuals in finding appropriate care services, whether through public or private means, rather than directly providing personal care.

Estimation of care demand, based on health, social support, and resources



Sources: Eurostat, European Health Interview Survey, PwC analysis

As the population ages, demand for services is steadily increasing, yet the supply is not growing at a commensurate rate

Retirement Homes – Demand & Supply

Demand

We identified growth of the elderly population as the main driver of demand in this segment. In 2022, there were around 14,1M persons 65 years or older, which is around 23,7% of the total population of Italy. Projections show that in the following years the number of elderly people in Italy will increase to ~17,5M by 2035, amounting for a ~24% increase over a 15-year long period. What is more, also the number of persons aged 80 years or over will in the same period increase by ~20%, reaching 5,4M persons in 2035 (in 2022 the number of 80-year-olds stood at ~4,5M amounting for ~7,6% of the total population).

However, life expectancy is projected to increase both for males and females. By 2035, for both genders at the age of 65, it is expected to increase for ~1 year on a yearly basis, reaching 20,5 years for males, and 23,8 for females.

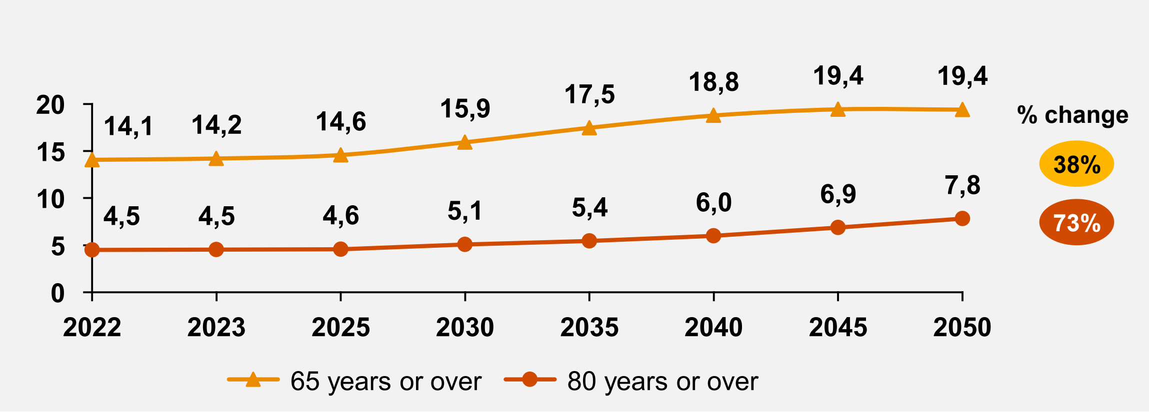
All of this indicates that the demand for the retirement homes will strongly increase in the near future.

Supply

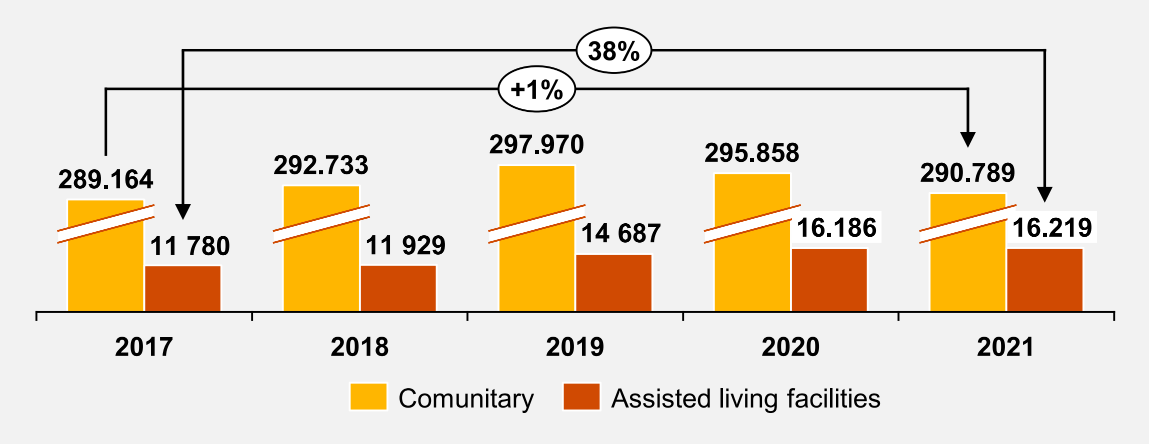
Accordingly to the national statistics office, there is capacity of more than 307k places in Italy's retirement homes. The majority of this capacity (~94%) were of comunitary type, offering ~291k places of accommodation, while only 5,3% (16,2k) were assisted living type of places. In the period of 5 years, since 2017, the capacity has been increasing with only 0,24% on a yearly basis, increasing number of places by only 0,71%.

Italy's retirement home sector urgently requires increased investment to address its capacity shortfall. To meet the rising demand from an ageing population, investment in expanding these facilities is crucial. With only a limited current investment of 0,9% GDP, expanding capacity offers a strong investment opportunity, as the sector is projected to grow significantly in the coming years. Considering that public investment in the segment has been stagnating, and with private investments growing, we can expect the market to continue to be dominated by private players.

Population projections for elderly, in M



Supply of beds in social welfare homes (elderly)



Sources: Eurostat, Istat, PwC analysis