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Estimate of Real Estate in Italian Balance Sheets

Paola Santoro

Francesca Tartamella

Real estate (residential and non-residential) accounts for almost 90% of total non-financial wealth in Italy. In this paper we describe the methodological and practical approach applied in Italy to estimate the real estate value, the subsequent results in terms of value of structures and the incidence of the value of the land underneath. We also underline the importance of administrative data but as well the need of their treatment in order to be coherent with National Accounts classification. For example how to take into account the different classification of destination of use of some units (residential versus non-residential) in the administrative archive with respect to National Accounts definitions: this can impact on their price.

When real estate is estimated coherently over a sufficient time span, it is possible not only to analyse the process of accumulation of wealth over time for different institutional sectors, but it is also possible to evaluate the impact of price variation separating the effect due to changes in quality from the one due to price bubbles. To do so, we present the analysis of holding gain and losses on residential units generated by price changes in the last twenty-year period, breaking down nominal holding gains into neutral holding gains and real holding gains, for real estate (dwellings) and for the underlying land.

The estimate of real estate is particularly relevant for the household sector. The paper will provide the analysis of the incidence of housing wealth on total household wealth and the impact of the evolution of the real estate market in household wealth in terms of level, composition and indebtedness. The analysis will concentrate on Italian data, but some international comparison will be provided, depending on the availability of data.