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Venice: is the sinking city a rising market for homebuyers?

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With floods of Venetians looking to sell and prices bottoming out, now might be a good time to snap up a palazzo



Rio de Ca Garzoni, Venice

For centuries, foreigners have fallen under the spell of Venice's cool emerald waters, contorted alleyways and graceful palazzi teetering on their timber foundations.

Traditionally, outsiders hunting for a prime property on the Grand Canal used to find themselves chasing castles in the air, with Italian families hanging on to them for generations. Now, however, historic homes with views over Venice's central watercourse are coming on to the market, as Italians still smarting from the economic downturn between 2008 and 2014 put sentiment aside and sell off the family pile.

Ten years ago, property values in the city spiked, with direct views over the canal commanding top prices. Not so now, says Carlo Prandini, Venice agent for Prestige Property Group. "When I came to Venice in 2008 there was only one property available on the Grand Canal. You had to queue up to visit. Today there must be 50," he says.



A walkway near the Rialto bridge

"Before, Italians tended to hold on to family properties, even if it was a second or third home," says Rupert Fawcett of Knight Frank. "But the younger generation, who may be living and working abroad, is more likely to take the view that, 'If we aren't using it, then what's the point?'"

Others have noticed wealthy Italian entrepreneurs pulling out of Venice. “The manufacturing sector has been badly affected by the crisis, so some industrialists have been forced to sell to put money into their companies,” says Serena Bombassei of Venice Real Estate.



Four-bedroom apartment in Palazzo Lanfranchi, €7m

Prices have fallen 30 per cent since 2009, according to Knight Frank, and there are some remarkable discounts available, with €10m palazzi now being sold for €6m to €7m.

Some agents claim that the market has bottomed out and is beginning to pick up, as international buyers withdraw investment from what they see as overheated markets such as London. Prestige Property Group, for example, is reporting “colossal” interest in European markets since the start of the year from investors taking money out of the UK capital.

Italy’s property market as a whole is showing signs of recovery, with the

number of transactions last year up 50 per cent on 2014. In Venice itself, inquiries increased 20 per cent in 2015, according to Ann-Marie Doyle at Sotheby’s Realty, who recently sold three properties on the Grand Canal.

An apartment on the *piano nobile* in a palazzo on the most beautiful part of the canal, between Punta della Dogana and the Rialto Bridge, will set you back between €12,000 and €18,000 per sq metre. For properties with a water gate entrance you can expect to pay up to a €1m more on the total price, Prandini estimates. “It’s like having a garage in Mayfair or Belgravia.”

While Italy’s property market was badly knocked by the downturn, prices fell less here than the rest of the country, with high-end properties holding their value best, he says. Venice still retains its romantic allure for wealthy buyers. “A palazzo in Venice is a piece of art, like a Picasso painting. There is a limited number and no new buildings are being built. So you can’t compare it to Milan or Miami. It will always be of high value,” adds Prandini.

More affordable properties can also be a good investment, with the Venice rental season lasting 30 to 40 weeks a year. Income on a €500,000 to €600,000 apartment could be expected to reach €25,000 a year.

Sotheby’s Realty is selling eight apartments priced between €480,000 and €2.2m in the converted Palazzo Garzoni Moro, a building that formerly belonged to a powerful merchant family in the Venetian Republic. In 1725, the view towards the Rialto Bridge from a first-floor window was captured in a painting by Canaletto.

The agent is also marketing a south-facing, first-floor apartment in the 17th-century Palazzo Lanfranchi, close to the Rialto Bridge in San Polo. The four-bedroom property has both front and side views of the Grand Canal, a water gate and boat mooring. Inside, it features beamed ceilings and frescoes lit by original Murano glass chandeliers. The apartment has a guide price of €7m.

In the San Marco district, Christie's International Real Estate is selling a four-bedroom apartment on the *piano nobile* of a traditional Venetian palazzo for €3.3m. The apartment has its own water gate and is a few minutes' walk from St Mark's Square.



Swimming in the Venetian lagoon on the island of Pellestrina

Most buyers in Venice are British or French, highly educated with homes everywhere; it is not the Ibiza-St Tropez set. "You can't drive your Ferrari and there is not a single nightclub in Venice," says Venice Real Estate's Bombassei.

The writer Olinda Adeane and her husband, a farmer and landowner in Suffolk, bought a two-bedroom former bakery on the island of Giudecca 10 years ago. Adeane says she has now grown used to seeing Venetian friends pack up. "There are families who have owned property on the Grand Canal for years and everyone thought they would never sell but now they have."

For her, it would have been a better investment to buy a flat in London, she acknowledges. "But we didn't buy it for the money. People buy in Venice because they have a love affair with the city. Every day is an adventure."



Market on the Grand Canal

Of course, buying in Venice has its challenges. "Renovations by boat are complex and when you are living on the water, all decisions are dictated by the weather," says Adeane.

There are also high maintenance costs to prevent damp (expect to pay an average of about €40 per sq metre every 18 months) and flooding (reinforced concrete tanking in the basement costs €300 to €500 per sq metre).



Washing day on the island of Burano

Jane da Mosto, director of We Are Here, a social enterprise that works to keep Venice as a living city, says that even part-time residents, if they come regularly and appreciate Venice, can have a beneficial role, helping to prevent a cheap tourism “monoculture”.

Da Mosto, who lives with her husband, Francesco — an architect, historian and BBC presenter — in a 16th-century canal-side palazzo, says: “Venice is in a difficult moment. It’s on the edge between existing as a living city with the best quality of life imaginable — but because of planning deregulation, property can be easily converted into cheap B&Bs, which reduces the stock available to rent or buy, forcing young people out.”



A delivery of focaccia in Venice

Often referred to as “La Serenissima”, and widely considered one of the most beautiful cities in the world, Venice has always been in danger of becoming a victim of its own success. While Venetians welcome the tourist dollars, they resent the consequent hollowing out of the resident population.

Yet if the revival of interest in Venice’s most select and prestigious locations is confirmed, the city may have the best of both worlds: an influx of wealthy and wealth-creating new residents, with the continued financial advantages of being on every tourist’s dream list. The carnival may not be over yet.