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Tuscan Real Estate Slows Down

By ROXANA POPESCU
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GREVE-IN-CHIANTI, Italy

Gabriele Dragoni, a real estate agent in the Tuscan hill town of Montepulciano, says selling luxury homes in Italy used to be a sure thing. If you represented a renovated farmhouse or well-placed apartment and got the word out, they soon came: Rich Russians and affluent Anglophones, looking for second homes or deciding to settle in Italy permanently.

Not anymore.

The oblong piazza of Greve-in-Chianti, the heart a region once so favored by British homebuyers it was known as "Chiantishire," was almost deserted one afternoon this June, save for a busload of Dutch-speaking tourists and a German family digging into gelati under a shaded colonnade. At the local tearoom there were a handful of customers, but they were locals out for beers.

The market for luxury residences in Tuscany has hit a rough patch for the first time since the euro doubled the cost of property — and of nearly everything else, too — almost a decade ago. While "la crisi," a nickname for the global financial crisis, has not affected Tuscany's real estate market as deeply as it has hit parts of France and the whole of Spain, the area is experiencing its own, softer slide.

Across Tuscany, closing prices in the luxury sector have fallen 10 to 20 percent from where they were two years ago, according to four agents who work around the region. In neighboring Umbria, Mr. Dragoni said, prices have dropped as much as $\approx 1,000$, or $\$1,400$, per square meter, from a peak of $\approx 4,000$.

Claudia Voss, who sells villas and vineyards in the Chianti countryside, said prices for rural estates had fallen even more, sometimes as much as half what they were five years ago.

"Prices are coming down to something that's more realistic," Ms. Voss said. "It's going to be a healthy reset."

In Chianti, homes for sale are sitting for months, sometimes years. Ms. Voss estimated that there are twice as many homes on the market now as at the same time last year, while Mr. Dragoni said there might be three times as many.

People are selling for a variety of reasons. Some have no choice because they have lost jobs or investments, while others are taking advantage of the strong euro.

In 2004 James and Louise Cotier bought a farmhouse 20 minutes outside of Florence and renovated it. When construction on the 380-square-meter, or 4,000-square-foot, house was complete, the British couple moved in with their three children, and Mr. Cotier, a retired advertising photographer, turned his camera on the area's landscapes. "I think I photographed everything you could possibly photograph," he said.

After their children grew up and moved out, the couple realized that they were through with life in the country and put the house on the market last October. They planned to use the profit to renovate a flat they own in London, where their money will go a lot further. (Right now the pound is worth about ≈ 1.16 , compared to almost ≈ 1.50 two years ago.) But so far, no takers.

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It might seem that this confluence of factors — low prices, plentiful supply and motivated sellers — would produce a classic buyer's market. But, this being Italy, and specifically Tuscany, things are considerably more complicated. Especially when pride gets in the way.

Many Italian sellers actually ask their agents not to list their properties because of the stigma associated with giving up a family homestead, the agents said.

"Sell my house, but don't tell anyone" are the instructions, said Corso Flaccomio, an agent based in Florence who has both listed and unlisted properties. (Mr. Flaccomio and some fellow agents declined to provide further details, citing privacy concerns.)

Even those who agree to list their properties present a challenge: Instead of reducing asking prices, sellers are merely accepting lower offers than they would have in the past. That way, they keep their hopes up — not to mention appearances.

The mind-set is, "I want the money that my neighbor got two years ago. I want something more," is the mind-set, Ms. Voss said.

As a result, Tuscany may be on clearance but there are no "prices slashed" banners or liquidation signs.

"In other countries, if there's a crisis, the prices drop. Here, no," said Mr. Dragoni. "Here, it's all about the negotiation."

With the number of properties growing but sales lagging, prices have declined. For all but the most exclusive properties, those regal palazzi just a stone's throw from Florence, sellers are "really thinking twice before saying no. Unless the offer was really terrible, they're more willing to compromise," Mr. Flaccomio said.

For example, both parties might settle on 80 percent of the asking price for a villa listed at ≈ 3 million. And such negotiations are particularly common in the mid-luxury sector, where homes range from ≈ 1 million to ≈ 5 million, the kinds of places favored by the majority of expatriate second home buyers and foreign investors, Mr. Flaccomio said.

So prospective buyers should not be bashful about making an offer, he added in an e-mail interview. "As I say to my clients, the most that can happen is that the owner says 'No.' He won't run back to you and kick you in the face!"

Homeowners are becoming accustomed to this new reality, the agents say.

In January, for example, the Cotiers reduced the asking price for their six-bedroom, five-bathroom home to ≈ 1.95 million from the ≈ 2.35 million they had listed it for in October 2008.

Mr. Dragoni noted that, while it is too soon to tell if the market has bottomed, Tuscany is a reliable investment because foreign buyers tend to come in waves. As the British and Americans move out, Northern Europeans are moving in, he said.

But not everybody is optimistic about the near future. In a July statement, Aldo Mazzocco, the chief executive of the Italian real estate firm Beni Stabili, projected that the market would not pick up until late 2010.

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