

Politecnico di Milano  
Scuola di Ingegneria MI  
Ingegneria Gestionale-CO

**The feasibility of the Italian  
investment immigration  
policy to Chinese**

Relatore: Tajoli Lucia

Bi Chunhao 782462

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## Abstract

In 2011, Italy began to prepare the implementation of the policy of investment immigration to the Chinese. Namely, Chinese people can get the permit of residence or visa through buying home in Italy. In early 2013, the Italian embassy in China has eventually enacted and implemented the regulation of investment immigration to Chinese. This project comes along with many other policies of immigration from different European countries. There are many choices displayed in front of Chinese consumers. And on the other side the policy of Italy is divided into two different ways: 1. Tourist visa valid for five years; 2. Elective permit of residence. And the investment objective is residential real estate. So, this essay will discuss the feasibility of this policy in two aspects: first, make a comparison between Chinese residential market and Italian residential market, then analyze and explore the feasibility of the immigration for investment as purpose; second, make a comparison between Italian policy and the policies from other European countries, then to explore the feasibility of immigration for living purpose. In recent years, many European countries continue the economic downturn because of the economic crisis before. That's why many countries enacted investment immigration policies to attract the foreign capital. While at the same time, China's domestic real estate market developed too fast so that many economists focus on this problem, is there any housing bubble in the market? Many Chinese domestic investors nowadays have a negative attitude to the stability of the Chinese real estate market. And on the other hand, more and more Chinese have great enthusiasm to immigrate to overseas. So we have to say that these immigration policies to Chinese are really timely and suitable. Then, how big is the attractiveness of this Italian policy to Chinese? This paper will display and analyze this issue.

Nel 2011, l'Italia ha iniziato a preparare il realizzo della politica di 'immigrazione con il real estate investimento' ai cinesi. Vale a dire, i cinesi possono ottenere il permesso di soggiorno per elettiva o il visto turistico attraverso l'acquisto della casa in Italia. E nei primi mesi del 2013, l'ambasciata italiana in Cina ha finalmente adottato e attuato la questa regolamentazione ai cinesi. Questo progetto è nato insieme con molte altre politiche simili da diversi paesi europei. Cioè ci sono molti scelti visualizzati al fronte dei consumatori cinesi. E per la politica italiana, è divisa in due parti: 1. Visto turistico valido per cinque anni; 2. Permesso di soggiorno per elettiva. L'obiettivo d'investimento è immobiliare residenziale. Quindi, la questa tesina discuterà la fattibilità della questa politica dalle due visioni: 1. Fare un confronto tra mercato residenziale cinese e mercato residenziale italiano, poi analizzare e esplorare la fattibilità dell'immigrazione per l'investimento come il scopo; 2. Fare un confronto tra la politica italiana e le politiche dai altri paesi europei, poi esplorare la fattibilità dell'immigrazione per il vivo come il scopo. Negli ultimi anni, molti paesi europei sono ancora sotto l'influenza della crisi economica. Ecco perché questi paesi hanno emanato questo tipo di politica per attrarre il capitale stranieri. Mentre

contemporaneamente, il mercato residenziale cinese sviluppano troppo veloce quale ha attratto la concentrazione dai tanti economisti. C'è il bubble immobiliare nel mercato cinese? Quindi tanti investitori cinesi hanno un atteggiamento negativo verso la stabilità del mercato immobiliare cinese. Contemporaneamente, tanti cinese hanno il sogno di immigrazione al estero in vicini anni. Cioè questa politica di immigrazione ai cinese è davvero tempestivo e adeguato. La presente tesina sarà una risposta alla fattibilità e attrattiva della questa politica.

## **Keywords**

Residential real estate market; Macro control of center committee; Price of immobile; Immigration; policy; investment; factors;

Mercato immobiliare residenziale; controllo del governo centrale; Prezzo degli immobili; Immigrazione; Politica; Investimento; Fattore;

# 1. Introduction

Since the European economic crisis in 2009, European countries are affected by this crisis deeper and deeper. In 2011, many countries faced the most severe situation than any time before. For this, many countries and the EU issued series of policies to help themselves to walk out of the economic crisis. They have taken the method not only by the ordinary course of economic regulation, but also implemented some new policy. And in these new policies, the most attractive to the Chinese is the new immigration policy. In 2012, the immigration policy in Europe can be called 'turbulent'. Britain, France, Italy, Portugal, Cyprus and many other non-traditional immigration countries have launched new policies of immigration, in order to effectively attract a amount of foreign investment. And at the end of 2012, Italy also gradually introduced the new policy of immigration, and in early 2013, the Italian embassy in China enacted the new policy to the Chinese consumers. And for this new policy, we called it 'investment immigration policy'. In short, the policy means, if one buys home in Italy, and then he can get the allowance to enter Italy. In detail, there are two different way to get the allowance of entering Italy:

1. Tourist visa valid for five years;
2. Elective permit of residence.

And the investment objective is residential real estate. If the consumer buys home in Italy, then he can apply the visa valid for five years, which allows the applicant enter and stay in Italy no more than 90 days each year. And the visa can be renewed after 5 years. For the second one, it is a little complex, first the consumer has to buy the residence in Italy. With the first step, he also has to offer the certification of yearly income which has to reach 31000 euro non-wage income every year. And then he can apply the elective permit of residence in Italy, after 5 years, he can apply for the permanent permit of residence. And after another 5 years, he can apply the citizenship. The second way is the real immigration. In case of these two ways of immigration, we have to discuss this problem in different ways: for the first one, consumer is more like an investor than an immigrant, and the second one is the real immigrant. As for discuss the feasibility of this new Italian policy, we should first take a comparison between the real estate market of Italy and China, then we can know that if the policy can attract the investors from China. And what's more, we also take a comparison between the immigration policies of different European countries. From this way to explore whether the Chinese immigrants will choose Italy but not other countries.

## 2. Defined Concepts

Before the analysis, we have to define some basic definitions:

1. Real estate & Property

Compared with Italy, the definition of China's real estate is very different. In Italy,

buying a house means to get the right to use it eternally. Because of this, there is no difference between real estate and the property in Italy. But in China, you can never really buy a real estate, because in China, the landing estate belongs to the government, when a man buys a house, it only means he gets the right to use it. It is only a so-called 'property', this right valid only 70 years. That means, after 70 years, you have to give this property back to the government. For this reason, the sentence 'real estate is the value hedging instruments' is not applicable in China. Real estate can be divided into housing estate and landing estate, what matters is the part of landing estate. Housing estate (the buildings on the ground) is fixed assets, is necessary to take depreciation. Regardless of the change of the market, its own value should decrease over the time. And the landing estate, is the intangible assets, can be resumed through assessment and trading. So the really matters in the value hedging is the part of landing estate. The sentence itself is not wrong, but it is not applicable in China. So in this paper, real estate in China means the housing estate.

## 2. Price of real estate

Price of real estate is refers to the price of the building along with land it occupied. That is price of real estate = price of the land + price of the building. The price of real estate is the most important regulating mechanism of real estate economics operation. It acts as a commodity, so it has the same properties with any other normal commodity, is the unity of use value and value. Based on the labor value theory and Price theory of Marxism economics, basically the basis of the price is the value, and can be called the currency performance. But it also has its particularity; the formation of the price is a little different from that of other commodities prices. It has both the price of land and the price of the building, for the land, it has the land natural resource value; and for the building it has the labor value, so it represents the cost of labor and natural resource. The price of real estate is the currency performance of special comprehensive value.

## 3. Bank mortgage (mutuo)

Bank mortgage means the buyers use the property which they want to buy as the collateral to ask a loan from the bank. The bank will first pay the bill to the developers, and then the buyers have to pay the principal and the interests of the property to the bank monthly. <sup>[1]</sup>The percent of the mortgage ranges from 50% to 80%, period from 1 to 30 years. According to the payment way, it is divided into:

1. Standard of mortgage loans

2. Equal installments of principal and interest mortgage loans

For the first method,

Repayment monthly = loan/total month + (loan-already paid) \* monthly interest rate

This method leads the result that, at the beginning of repayment people have to

pay more, because there is much residual loan which leads a high interest. This method is suit to the family which has a good capacity of repayment.

For the second method,

Repayment monthly =  $\text{loan} * r * (1+r)^{\text{number of months}} / [(1+r)^{\text{number of month}} - 1]$  (r: monthly interest rate)

This method leads to the result that, people can pay the repayment equally each month. So it is good for the family to plan their income and outlay. And it is easy to calculate the capacity of repayment.

But in general, the second method leads the consumer to pay more for the interest, so more people choose the first method.

#### 4. Cost of buying house

House price is a point number, is a static value. However, the cost of buying house is likely to be a dynamic value. According to the general way to buy a house, bank mortgage way, the cost will become a dynamic value. For instance, purchase a house valued 1 million yuan, take a mortgage of 70%, 10 years. All the values here are static, but among them, the loan interest rate is a constantly changing number. In general, the loan interest rate is about 6.4%, but in the last 10 years, it changed a lot, once upon a time, it increased to 7%. That means during the period of repayment, you may pay more than the money you thought it should be. From this view, down payment is an opportunity cost, benchmark interest rate changes, the loan interest rate and the deposit interest rate change at the same time.

#### 5. Commercialized Building

Commercialized house is specifically approved by the relevant government departments, developed by real estate Development Company, used for sale or rent in the market after completion, including residential building, commercial building and other buildings. These houses can be sold with a price settled by the developers. In this paper all the parameters refer to the commercialized house. (With the current law in China, there are lots of houses not belong to commercialized house, they cannot be put into the housing market)

#### 6. The real estate bubble

A real estate bubble or property bubble (or housing bubble for residential markets) is a type of economic bubble that occurs periodically in local or global real estate markets. It can be identified through rapid increases in valuations of real property such as housing until they reach unsustainable levels and then decline.<sup>[2]</sup> And it refers to the non-stationary rises of the price level relative to the theoretical price due to the excessive expansion of virtual demand. We have summed up as “five high” to judge the housing bubble, they are, sustained high growth of investment, sustained high growth of consumption, sustained rising of the house prices or continued stay high, real estate investment accounts for a high proportion and high ratio of the house price to income.

7. The vacancy rate

The vacancy rate refers to the ratio of the area of the empty house to the total area of house at a certain moment. According to the common international practice, 5%-10% is the reasonable area for the commercialized housing, means supply-demand relations balances; 10%-20% is the danger area, means it is necessary to take some measures to increase the sale intensity of commercialized housing to ensure the development of the real estate market and the national economy; it means commercialized housing overstocked with vacancy rate more than 20%.<sup>[3]</sup>

8. The second-hand housing transactions

Second-hand housing transaction refers to the house which has been registered in the real estate trading center already listed to be traded again.<sup>[4]</sup> In short, used house is sale again. In the process of transaction, it is necessary to deliver relevant taxes and fees to the government. Specific cost is as follows:

a) The business tax (5.65%, the seller pay)

According to the (Taxes [2011] no. 12) regulation, since January 28, 2011, person who sells the house which has been bought for less than 5 years has to pay this kind of tax. One who sells house which has been bought for more than 5 years (5 years including) doesn't need to pay this tax.

b) Individual income tax (20% of the difference of the selling price and the bought price, paid by seller)

According to the policy of February 20, 2013, one who sells the house which has been bought for less than 5 years has to pay this kind of tax. One who sells house which has been bought for more than 5 years (5 years including) doesn't need to pay this tax.

c) Deed tax (1.5% or 3%, paid by buyer)

Levy the tax on the higher one between transaction price and the valued price. 3% for the non-commercialized house, second house or more and house which has an area more than 144m<sup>2</sup>.

1.5% for other condition.

d) Stamp duty tax (1‰, paid by both buyer and seller)

e) Transaction fee (half and half by both buy and seller)

6 yuan/m<sup>2</sup>\*area of the house

f) Register fee (paid by buyer)

50 yuan

So, in conclusion, in a transaction,

For the sellers, they have to pay:

i) transaction fee=3 yuan \* area of house

ii) stamp duty tax=price \* 0.05%

iii) land-transferring fee=price \* 1%

iv) apportionment of expenses=price/area\*apportionment area\*10% (20% for higher than 10th floor)

v) individual income tax=(Price'-Price)\*20% (less than 5 years)



vi) business tax=price \* 5.65% (less than 5 years)

For the buyers, they have to pay:

i) deed tax=price\*1.5%

ii) transaction fee=area\*3 yuan

iii) stamp duty tax=price \* 0.05%

iv) register fee=50 yuan (10 yuan for one more)

#### 9. Transaction fees for new house

i) Deed tax=price \* 1.5%

ii) transaction fee=area\*3 yuan

iii) stamp duty tax=price \* 0.05%

iv) register fee=50 yuan (10 yuan for one more)

v) Housing decoration fund=price\*2% or 3% (depend on the location)

#### 10. Benchmark interest rate for loan

Benchmark interest rate for loan is published by the people's bank of China for the commercial banks as a guide interest rate. It is one of the monetary policies of the PBOC to adjust the system of social economic and financial operation. The commercial banks can establish their own interest rate based on this rate. The raising of this rate means the contraction of credit, decreasing of the social mobility, improving the credit cost, reducing the speed of economic growth. <sup>[5]</sup>

### 3. Formula Definition

And now as for discussing the investment and income easily, we have to define some formula for that.

In general, there kinds of investment and earnings:

For the Chinese in the residential house market in China, they have two ways to make their investment:

i) Purchase the house with full payment (new house and secondhand house)

ii) Purchase the house with mortgage (new house and secondhand house)

And the way to get earning:

i) Rent the house

ii) Sell the house with a higher price than bought

Different type of investment leads to the different calculation of earnings.

As for express clearly, now define some codes:

$P_0$ :price of purchase (RMB);  $P_1$ :price of sale (RMB);  $P'$ : Valued price ; t: time (year); r: interest rate; W:total cost (RMB);  $W'_n$ : extra cost for purchasing new house;  $W'_v$ :extra cost for purchasing secondhand house; S: area of house ( $m^2$ );  $S'$ : apportionment area; A:parameter of apportionment of expenses (lower than 10<sup>th</sup> floor,10%, higher than 10<sup>th</sup> floor,20%); T: years for the mortgage; R: benchmark interest rate for loan;  $R'$ : float rate;  $r'$ : rate of return on investment

Assume that,

- 1) Housing decoration fund rate=2.5%
- 2) There is only one person to be registered
- 3) Define  $P^* = \text{Max}\{P', P_1\}$ , represent the price of transaction of secondhand house
- 4) When it needs a mortgage, take the way of Standard of mortgage loans

Now define the different formula for the various type of investment

For purchasing the house with full payment

New house:

$$\begin{cases} W'_n = 1.5\%P_0 + 3S + 0.05\%P_0 + 2.5\%P_0 + 50 = 4.05\%P_0 + 3S + 50 & (0 < S < 144) \\ W'_n = 3\%P_0 + 3S + 0.05\%P_0 + 2.5\%P_0 + 50 = 5.55\%P_0 + 3S + 50 & (S > 144) \end{cases} \quad \text{Formula 1}$$

So the total cost of purchasing  $W = P_0 + W'_n$

For the secondhand house:

$$\begin{cases} W'_v = 1.5\%P^* + 3S + 0.05\%P^* + 50 = 1.55\%P^* + 3S + 50 & (0 < S < 144) \\ W'_v = 3\%P^* + 3S + 0.05\%P^* + 50 = 3.05\%P^* + 3S + 50 & (S > 144) \end{cases} \quad \text{Formula 2}$$

So the total cost of purchasing  $W = P_0 + W'_v$

For those who purchase a house with mortgage,

There is other extra cost including the extra cost of  $W'_n$  or  $W'_v$ . That is the interest of the mortgage, so let's calculate the value of the interest now:

N.B. without considering the factor of present value, just calculate the numerical value.

So, when at the end of the mortgage, the extra cost is the interest equal to:

$$W_{\text{loan}} = \sum_1^{12T} (\text{loan} - \text{already paid}) * \frac{R*(1+R')}{12} \quad \text{Formula 3}$$

Then we can take a view of the problem of earnings:

First, define some codes:

U: rent price (rmb/month); E: income;  $W'$ : transaction fees

So, take rent as income:

$$E = 12 * U * t - P_0$$

Sell the house with a higher price; in this case, it will produce the transaction fees:

$$\begin{cases} W' = 5.65\%P^* + 20\%(P_1 - P_0) + 3S + 0.05\%P^* + 1\%P^* + P_1 * \left(\frac{S'}{S}\right) * A = 6.7\%P^* + P_1 * \left(\frac{S'}{S}\right) * A + 20\%(P_1 - P_0) & (t < 5) \\ W' = 1\%P^* + 3S + 0.05\%P^* + P_1 * \left(\frac{S'}{S}\right) * A = 1.05\%P^* + P_1 * \left(\frac{S'}{S}\right) * A & (t \geq 5) \end{cases}$$

Formula 4

$$E = P_1 - W' - P_0$$

Now let's look at the market of Italy, in Italy, when a man buy a house also have to pay some fees:

The fee for the house:

Property Tax: first apartment 4%; second or more, 10% of the price

Notary fees: 3000 Euros (VAT 21%)

IMU: 6% of the price includes:

Abitazione principale e loro pertinenze	0.40%
Aliquota ordinaria	1.06%
Immobili rurali e strumentali	0.20%
Affitti canone concordato	0.65%
Case in uso gratuito ai parenti	0.76%
Affitti a canone libero	0.96%
Case sfitte	1.06%
Aree edificabili	0.90%

Tares:

Categoria 1 (case)	3.10 €/sqm
Addizionale comunale	10.00%
Tibuto provinciale	5.00%

For the tares, you have to first know the area, then calculate the “categoria”; and in the end calculate the cost of “addizionale comunale” and “Tibuto provinciale”

The above are all about the fees of purchasing a house, but for the consumer Chinese are all coming to Italy to buy the house for immigration, so the fee of immigration is tied to the cost of first house.

The fees of migration:

Legal fees: 1% (VAT 21%) of the price

Service fees: 1% (VAT 21%) of the price

Migration fees: 8000 Euros (VAT 21%)

Agency fees: 5% (VAT 21%) of the price

And for the Chinese investors, they don't have job in Italy, so in general, the bank will not give the right to get mortgage, so we don't have to consider the condition of mortgage in Italy. And when come to the case of selling house, in Italy, the one only has to pay the tax of difference of the price, the rate is 20%. And the same to China, when the host has taken the house more than 5 years, he doesn't need to pay this tax.

Because of the difference of the tax rate and the migration, there are two results of cost for the housing investment in Italy:

- i) First purchase of the house, need the migration
- ii) Second time to purchase the house, doesn't need the migration

Continue not to consider the mortgage.

So for the case of (i),

$$W' = 4\% P_0 + 1\% P_0 * 1.21 + 5\% P_0 * 1.21 + 1\% P_0 * 1.21 + 3000 * 1.21 + 6\% + 3.1S + 3.1S * 15\% + 8000 * 1.21$$

$$= 18.47 \% P_0 + 13310 + 3.565S \quad \text{Formula 5}$$

For the case of (ii),

$$W' = 10\% P_0 + 3000 * 1.21 + 6\% P_0 + 3.1S + 3.1S * 15\% = 16\% P_0 + 3630 + 3.565S \quad \text{Formula 6}$$

(In formula 6, assume that the consumer buy the house without agency)

The income:

$$\begin{cases} E = P_1 - 20\%(P_1 - P_0) - P_0 & (0 < t < 5) \\ E = P_1 - P_0 & (t \geq 5) \end{cases}$$

And under the condition of rent,

The rate of return on investment,  $r' = \frac{U}{W}$  Formula 7

The time for cover the investment =  $\frac{1}{12 * r'}$  Formula 8

## **4. The Comparison of the residential market of China and Italy**

In order to analyze the policy, we can deal with it from two points of view. Investment immigration, we can divide it into “investment” and “immigration”. For the view of investment, with the help of comparison between Italian residential market and Chinese residential market, we can gain the similarities and differences of these two markets so that infer the advantages and disadvantages of each residential market. And for the view of immigration, with the help of comparison between the policy of Italy and those of the other European countries, we can ensure the disadvantages and the advantages of this new policy relative to the other similar policies.

First of all, what’s the analysis of the residential real estate market and grasp the direction of investment? In short, we can predict the tendency of the market with the help of the different figure analysis. Only if we have understood the movement of the market, we can make a right decision of the investment.

In order to analyze the residential market, we can achieve the aim through the report of the National Property Bureau. And what’s more, we also can reach the point with analyze the objective factors which have the influence on the real estate market. And for the market of China, the government doesn’t like to disclose all the data to the public so for the Chinese market, we have to use the method of analyzing of general factors that affect the real estate prices.

### **4.1 Analysis of the residential market of China**

Overall, the general factors that affect the price of the real estate are divided into four categories: social factors, economic factors, political factors and other factors.

- (1) Social factors: demographic, social stability, urbanization, etc.
- (2) Economic factors: the level of the economy, the trend of the economy, fiscal policy and financial environment, the burden of tax, etc.
- (3) Political factors: land systems and land policies, real estate price policy, way of transaction of land, etc.
- (4) Other factors: psychological factors, international factors, specific factors, etc.

In addition to the general factors that affect real estate prices, as well as the location

factors, construction factors, environmental factors also have a significant impact on the price:

Based on the functions of the zone of city: commercial, residential, school districts, industrial area, etc;

Based on the construction factors: the construction cost, building improvements, orientation, design, etc;

Based on the environmental factors: location, green, climate, terrain, etc;

The difference of the above factors is: the general factors affect the macro real estate market that is it affects the price of the whole market of this sector; and the following factors affect the micro real estate market that is they affect only a part of house or only some specific buildings.

Then we deal with the residential market of China with the general factors:

#### 4.1.1 From the Social factors

According the report of China National Bureau of Statistics, we obtained the following data:

index	2004	2005	2006	2007	2008	2009	2010	2011
total population at the end of the year (*10000 people)	129,988	130,756	131,448	132,129	132,802	133,450	134,091	134,735
Urban population density (person/km <sup>2</sup> )	865	870.2	2,238.15	2,104.00	2,080.00	2,147.00	2,209.00	2,228.00

Tab. 1 (from NBSC<sup>1</sup>)

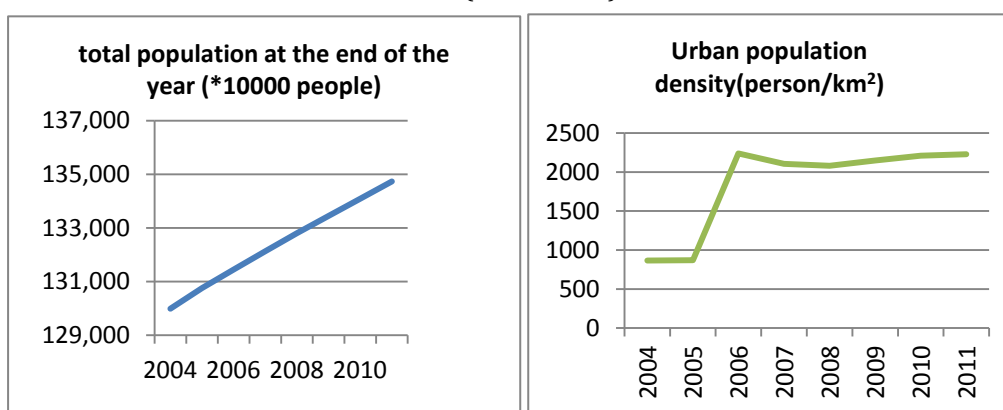


Fig. 1

Fig. 2

Take a whole view of the last eight years. It is not difficult to find the problem of the population explosion of China. From the Figure 1, the population maintains a considerable amount of growth every year; the growth rate nearly stays at a relative high constant. What's the worse, from the figure 2, the urban population density curve shows that in 2006, there is a sudden surge for the urbanization, from the table 1, the density in 2006 is 2238.15, it increased by 157% relative to that in 2005. And

<sup>1</sup> NBSC: National bureau of statistics of China. <http://data.stats.gov.cn/workspace/index?m=hgnd>

after that the urban population density maintains the high level. High urban population density will produce the attendant problem: the housing problem. In general, there will be a positive correlation relationship between the population and the housing transaction. With the help of this figure, it's easy to infer that there will be a surge also in the number of housing transaction after 2006. The increase of the urban population density is due to the influx of rural migrants to cities so as to cause the urban population explosion (In china, we take the one-child policy; this cannot be caused by the high birth rate). For these rural migrant, they will arouse the turbulence of the residential market.

#### 4.1.2 From the economy factors

Not only the increasing degree of urbanization has the positive impact on the residential market, but also the improvement of the resident income has an important impact on it. It will lead to the raising of the level of the household consumption. With the following data:

index	2004	2005	2006	2007	2008	2009	2010	2011
Gross National Income (100 million RMB)	159,453.60	183,617.37	215,904.41	266,422.00	316,030.34	340,319.95	399,759.54	468,562.38
Urban Household Consumption Expenditure	8,912	9,593	10,618	12,130	13,653	14,904	16,546	19,108
Average Wage of Employed Persons in Urban Units	15,920	18,200	20,856	24,721	28,898	32,244	36,539	41,799

Tab. 2 (from NBSC)

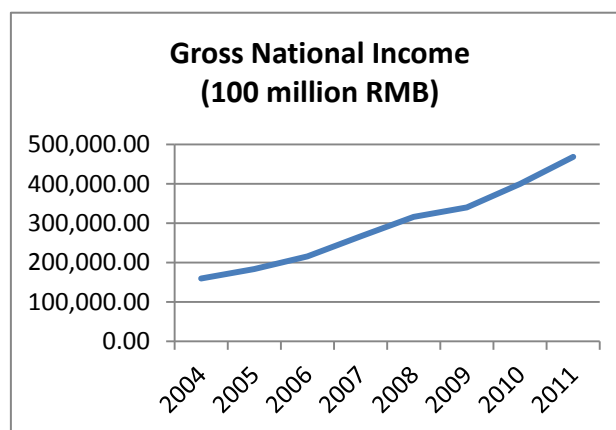


Fig. 3

From the figure 3, we can figure out that since 2004, China's gross national incomes has a persistent increasing. It increased by about 194% from 2004 to 2011 (from the table 2). The continuous raising of this figure represents a lot, but the most normal one is the national economy gets better and the income of the people will be higher and higher.

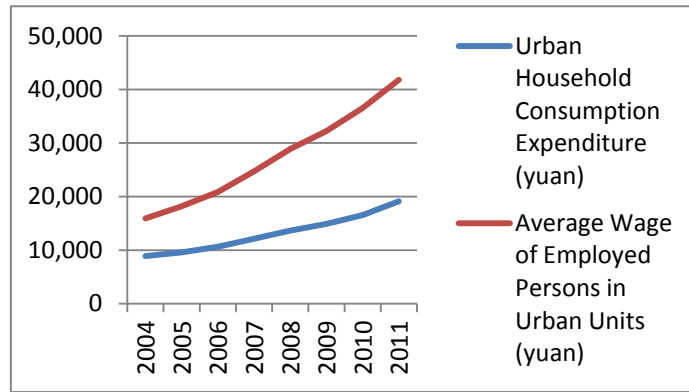


Fig. 4

From figure 4, we can see that more intuitive, the average income of the people in urban increases like a rocket and the consumption level also increases step by step. These two indicators illustrate that the level of the income and the expenditure of the urban people have had a qualitative changes in the last 7 years. And the speed of the growth of expenditure is slower than that of the income illustrates that the individual wealth has a gradual accumulation during these years. This will lead to the high purchasing power of the consumer. From the Table 2, in 2011, the average wage of employed persons in urban units has a value of 41799; it has increased by 162.5% relative to that in 2004. It's really a surge for that.

index	2004	2005	2006	2007	2008	2009	2010	2011
Savings Deposit of Urban Households at Year-end (100 million yuan)	119,555.39	141,050.99	161,587.30	172,534.19	217,885.35	260,771.66	303,302.49	343,635.89

Tab. 3 (from NBSC)

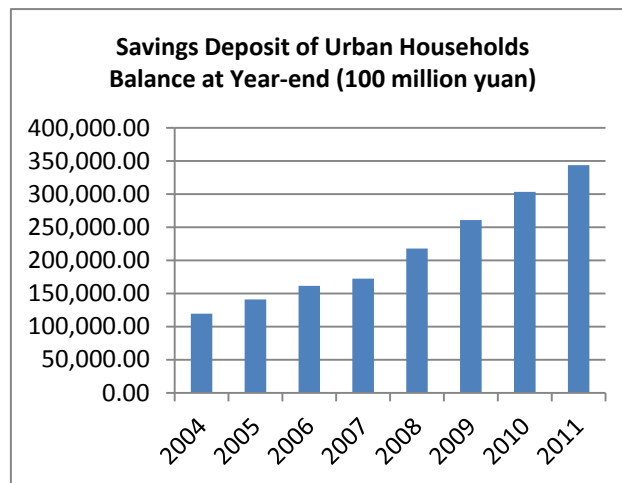


Fig. 5

The table 3 and the Figure 5 are the proof of the above conclusions that the rapidly rising of the savings deposit of people illustrates that Chinese people have more working fund, they have a raising investment potential. From table 3, we can figure out that in these 7 years, the savings deposit has increased by about 187%.

After the analysis of figures of economy, now we take a view of the trends of the residential market. With the following data:

index	2004	2005	2006	2007	2008	2009	2010	2011
Value Added of Construction (100 million yuan)	8,694.28	10,367.31	12,408.61	15,296.48	18,743.20	22,398.83	26,660.98	31,942.66
Total Investment in Residential Buildings (100 million yuan)	8,836.95	10,860.93	13,638.41	18,005.42	22,440.90	25,613.69	34,026.23	44,319.50

Tab. 4 (from NBSC)

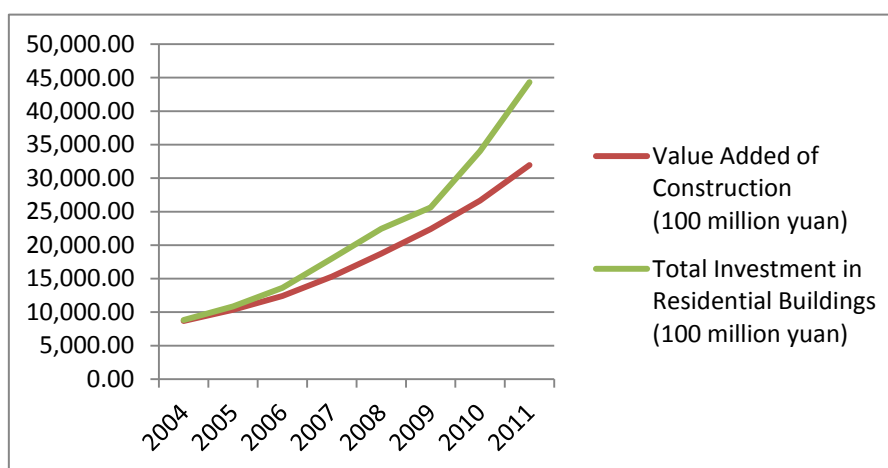


Fig. 6

With the Figure 6, since the year 2004, the value added of construction climbed up steadily. This phenomenon means that the total value of the construction industry grows with a high rate in these years. Only from this figure, without considering the factor of housing bubble, the construction industry of China is in a period of dynamic rise. With the development of the construction industry, we can see that the residential market is also in full swing. The total investment for it increases in three phases: before 2006, it raises in a relative slow rate; with the help of the pump priming policy, the residential market begins to increase the rate of growth and after the brewing during 2007-2009, in 2009, it reached a blowout. In 2009, a good amount of money swarm into the residential market, it can be said that the developers have found the potential of the residential market of China. And from Table 4, from 2004-2006, the growth of residential investment equal to 4810.46, from 2007-2009, it equals to 7608.27, and from 2009-2011, it equals to 18705.81. The growth rates of investment value added are 58.2% and 145.9%. The investment value added after 2009 is terribly high.

index	2004	2005	2006	2007	2008	2009	2010	2011
Number of Enterprises for Real Estate Development	59,242	56,290	58,710	62,518	87,562	80,407	85,218	88,419
Floor Space of residential buildings Started This Year Enterprises for Real Estate Development (10000 m <sup>2</sup> )	47,949.01	55,185.07	64,403.80	78,795.51	83,642.12	93,298.41	129,359.31	147,163.11

Tab. 5 (from NBSC)



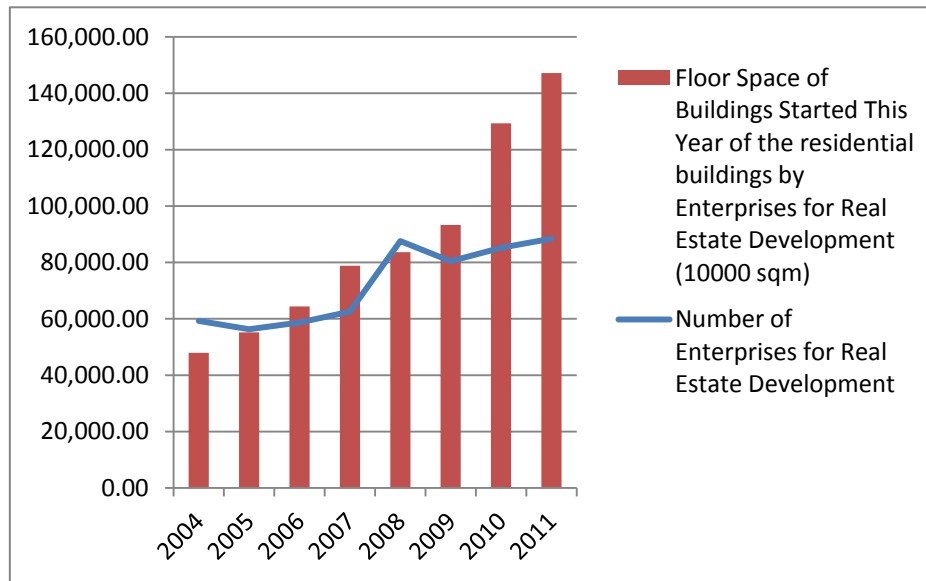


Fig. 7

The changes of the number of enterprises for real estate development also tell us the change of the real estate market. Before 2007, the market is in a steady state, develops slowly. After the pump priming policy of center government of China, a huge number of developers swarmed into the market. During 2007-2009, is the period of market self-regulation, sets out some companies and leaves some fine company. In 2009, the number maintains a positive state. And the changes in figure 7 of the floor space of the residential buildings started are the confirmation of the conclusion of figure 6, in 2009, more and more developers choose to develop the residential building, so they invested more and the floor space started becomes more. That leads the surge of the floor space started in 2009. This change can illustrate that the developers believe that the residential market will bring them considerable revenue in the future few years. And from table 5, we can see that from 2004 to 2011, the development of the residential building increased by almost 1000km<sup>2</sup>.

index	2004	2005	2006	2007	2008	2009	2010	2011
Investment Actually Completed of the residential buildings by Enterprises for Real Estate Development (100 million yuan)	8,836.95	10,860.93	13,638.41	18,005.42	22,440.87	25,613.69	34,026.23	44,319.50
Total Sale of residential Commercialized Buildings (100 million yuan)	8,619.37	14,563.76	17,287.81	25,565.81	21,196.00	38,432.90	44,120.65	48,198.32
Total Sale of Commercialized Buildings (100 million yuan)	10,375.71	17,576.13	20,825.96	29,889.12	25,068.18	44,355.17	52,721.24	58,588.86

Tab. 6 (From NBSC)

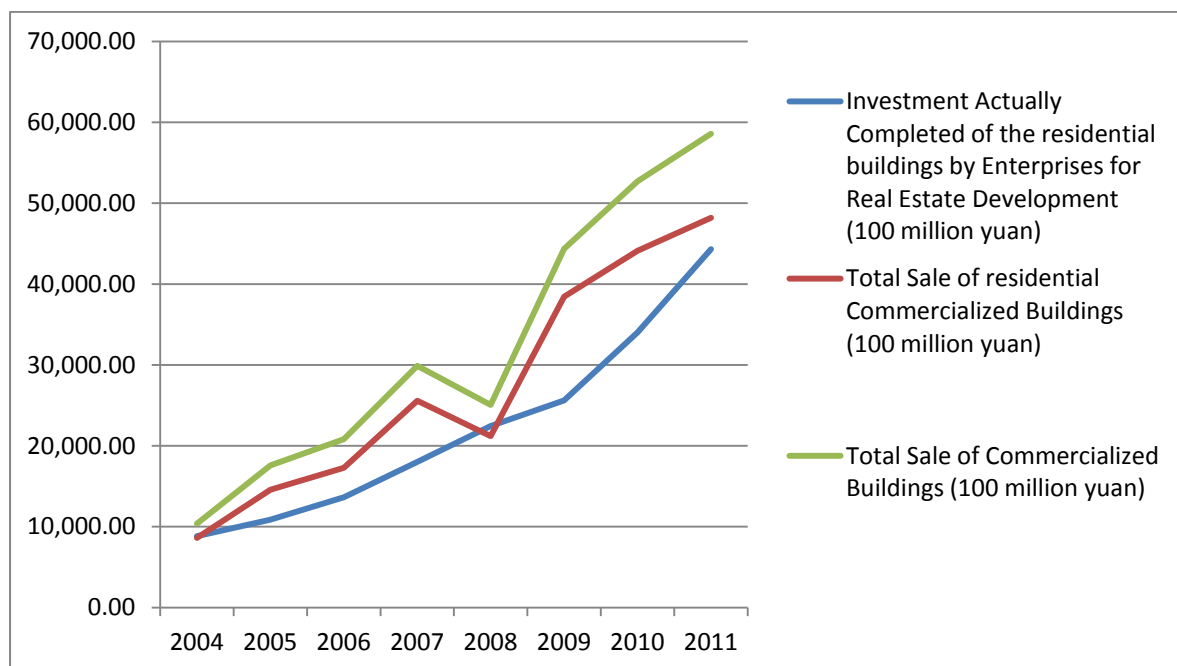


Fig. 8

From the figure 8 and the above figure 6, we can certainly say that the 2007 and the 2008 these two years are the years of turbulence for residential market of China. Although the amount of residential building investment always increases, however, housing sales has many differences. Like the conclusions of figure 6 and figure 7, during 2007-2009, large numbers of developers swarmed into the real estate market, it's the period of the market self-regulation. The surge rising of the number of developers breaks the existing market balance. The bad situation of the market cannot lead a good result of sale, so in 2007, the number of developers increased but the sale of residences decreased. And after 2008, the market recovered, the sale and the investment go back to the positive correlation relationship. Both amounts of them have leaps. And from the view of the comparison of changes of the sales of residential buildings and sales of total buildings, we can come to the conclusion that the total sales of commercialized buildings is almost determined by the total sale of residential commercialized buildings. In other words, the residential buildings played an important role in the total real estate. The residential market will be the top priority of the development for the developers. And the swarm of these developers can inevitably lead to an abnormal development of the market. The overheating of the residential market should be paid more attention, with the table 6, after the turbulence of the market, the sales of residential market increased by about 127.4% from 2008 to 2011. Only in four years it grows too fast.

For the consumers, the most intuitive way to realize the change of the residential market is from the change of the price:

index	2004	2005	2006	2007	2008	2009	2010	2011
Average Selling Price of residential Commercialized Buildings (RMB)	2,608.00	2,936.96	3,119.25	3,645.18	3,576.00	4,459.00	4,725.00	4,993.17

Tab. 7 (From NBSC)

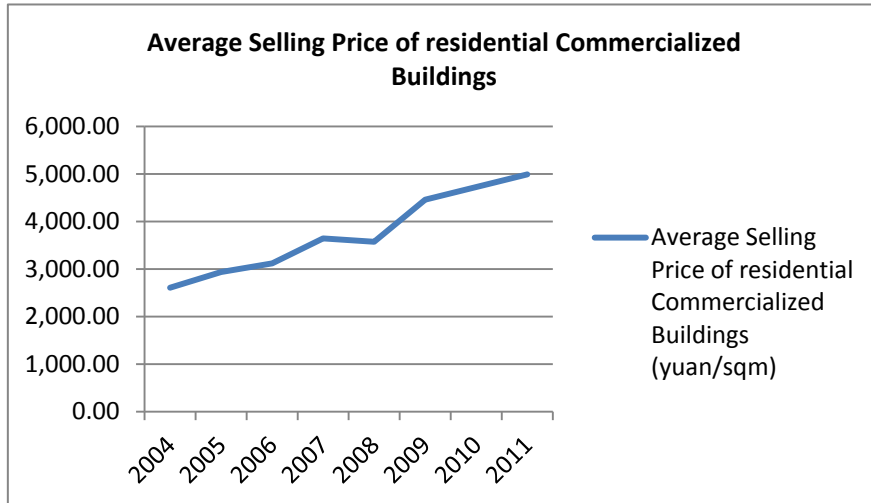


Fig. 9

As shown in Figure 9, the price of the residence seems to be increasing all the time. Thanks to the turbulence in 2007, the price decreased a little, but after that, the consumers faced to a terrible increasing of the price. From table 7 we can figure out that, the growth rate from 2008-2009 is 24%. In the past seven years, it totally increased by 91.4%. Based on the table 7, we can calculate the figure as following, (set price 2004 as 100)

Price added	2005	2006	2007	2008	2009	2010	2011
	12.6	7.0	20.2	-2.7	33.9	10.2	10.3

Tab. 8 (from NBSC)

From the new table, table 8, we can see that, the price increased too fast and too much after 2008. The overheating of the market will someday cause the housing bubble, this should be paid attention.

The real estate is the important industry for the national economy, the stable of the real estate market has a strong relationship to the national economy. As the article of the Mr. Nie Meisheng who is the President of the National Federation of Real Estate Chamber of Commerce, indicated the importance of the function of the real estate.

*“房地产是国民经济的重要产业。1998-2009年，房地产开发投资对我国经济增长贡献率平均为10.4%，拉动经济增长平均为1个百分点；金融危机爆发后最关键的2009年，房地产业对我国经济增长贡献率达19.4%，拉动经济增长1.77个百分点。*

*2010年政府对房地产实行了一系列调控，被称为史上最严厉的调控。”<sup>[6]</sup>*

Mr. Nie said that Real estate is an important industry in the national economy. 1998-2009, the development and the investment of the real estate have made an average contribution rate of 10.4% to the national economy, it stimulates the economic growth by 1%; In 2009, there is the crisis of the global, the development and the investment of the real estate have made an average contribution rate of 19.4% to the national economy, it stimulates the economic growth by 1.77%. In 2010, the government had made a series of regulation which is known as the most stringent regulation in the history.

The important role the real estate plays give the rise to the center government

to attach importance to make sure the real estate market can develop in a positive state. So after the surge increasing of the price in 2009, the center government has implemented new policies in 2010 in order to control the high-speed increasing price. At the end of 2013, the center government has implemented 5 new policies to control the real estate market. So after the factors of economy, let's focus on the political factors.

#### 4.1.3 The political factors:

Since the 2010, the center government of China has published in total 5 times new policies to control the real estate market. They are: "national eleven articles" in January 2010; "national ten articles" in April, 2010; "9.29 new policies" in September, 2010; "new national eight articles" in January 2011 and "national five articles" in February 20<sup>th</sup>, 2013. The implementation of these 5 policies is designed to ensure the steadily and standardization of the real estate market of China.

(1) The policy of regulation on January 7<sup>th</sup>, 2010:

- (i) Accelerate the development of the commercialized house with low-cost and media size.
- (ii) Increase the effective supply of land for the residential housing construction; improve the land supply and development efficiency.
- (iii) Enhance the differentiated credit policy enforcement
- (iv) Enhance the differentiated housing tax policy enforcement.
- (v) Enhance the risk management of the credit for real estate.
- (vi) Continue to rectify the real estate market.
- (vii) Enhance the management of the land supply and housing sales.
- (viii) Enhance the market surveillance.
- (ix) Basically solve the problems of the residence for the 15.4 million low-income households at the end of 2012.
- (x) Improve the way of the central grant funds issued to ensure the effect of the use of funds.
- (xi) Further improve the policy to stabilize the real estate market.

Policy interpretation: From the view of the words, the principle objects of control for the center are these two points: 1. Differentiated credit, that is, differentiated the loan interest rate and taxes for the first house and the second house, so as to control the purchasing of the second house with loans. 2. Control the land supply and real estate market, this part is for the developers standardized the developers so as to standardize the price of the houses, ensure the development of the price of housing in a healthy tendency.

According to the article on the Shanghai Securities News in Feb. 24<sup>th</sup>, 2010:

*“从房地产政策面分析，2010年的房地产政策明显趋于紧缩。“国十一条”对于二套房贷的从严认定，更是结合了把首次购房和非首次购房、普通住房和非普通住房区别开来，加大差异化的信贷和税收政策来执行的。”<sup>[7]</sup>*

It says that the policy of real estate in 2010 tends to tighten. The center government wants to identify the first-time and non-first-time buyers, ordinary residential

housing and non-ordinary residential housing strictly, so as to enhance the execution of the differentiated credit and taxes.

(2) The policy regulation on April 17<sup>th</sup>, 2010

- (i) All the localities and departments should ensure the stability of the price of housing.
- (ii) Resolutely curb the irrational housing demand.
- (iii) Increase the effective supply of housing
- (iv) Accelerate the construction of affordable housing projects.
- (v) Strengthen market supervision

Policy interpretation: The regulation is divided into five sections and 10 small parts. Of which, the first, third, fourth, fifth sections are for the benefits and the supervision. So they have no relationship with the commercialized housing. Here we don't have to discuss it. So let's focus on the second section: Resolutely curb the irrational housing demand. The detail is: if the first house with the area more than 90m<sup>2</sup>, the percentage of mortgage should not be more than 70%; And the percentage of mortgage for the second house should not be more than 50%, the interest rate should not be lower than 1.1 times of benchmark interest rate for loan; For the third house, the percentage and the interest rate should be more strict than that of the second house. So this time, the Center still set the target on the credit, wants to reduce the speculators for the residential housing. And also consider the consumers with different capability of the economy.

(3) The policy regulation on Sep. 29<sup>th</sup>, 2010

- (i) Enhance the macro control for the property
- (ii) Improve the differentiated housing credit policy
- (iii) Adjust the incentives of the personal income tax and the deed tax
- (iv) Increase the effective supply of housing
- (v) Enhance the inspection of the residential market, standardize the contract of the house

Policy interpretation: This time, the regulations which have real impact on the price of housing are the second, third articles. The new policy provides: the bank will stop provide the loans for the third house; and for the second house, the interest rate should increased by 10% of the benchmark interest rate for loan. And for the developers, if the one has idle land, he will be prohibited to get a new right for land development. The new policy this time can be taken as the update of the first and the second one. They all put the sight on the credit; want to control the overheating residential market by this way. But all these policies concern the crowd who has the requirement for the loan, all this regulation didn't focus on those speculators. These persons are also the factors which have given a rise to the price rising. So in 2011, the Center government has published new policies which focus on the secondhand housing transaction.

(4) The policy regulation on Jan. 26<sup>th</sup>, 2011

On January 26<sup>th</sup>, 2011, the State Council executive meeting has published eight articles to control the residential market. The regulation requires that strengthen the differential housing credit policy, for the second house, the percentage of the mortgage should not be more than 40% and the interest rate should not be less than 1.1 times of the benchmark interest rate for loan. For the secondhand transaction, the sellers should pay the personal income tax.

Policy interpretation: the control of this time, as same as before, emphasized the differential housing credit. What's more, the new policy also paid attention on the secondhand house transaction. If the house for sale is bought less than 5 years, the seller has to pay the personal income tax, equal to 1% of the price, to the government. The regulation concerns are not as same as before this time, paid attention on the secondhand transaction market. The government wants to crackdown the phenomenon that during the house transaction, the value of the house continuous to increase so as to control the over fast increasing price.

(5) The policy regulation on Feb.20<sup>th</sup>, 2013

The State Council promulgated the fifth control policies for the real estate market. Municipalities are required to follow the principle of keeping prices of housing stable, develop and publish annual new housing price control targets, establish and improve the appraisal system of accountability for housing price control. Strictly enforce the restriction policy for the commercialized housing. The cities which have implemented the restriction policy should improve it within the area of restriction zone, restriction type and qualification.

Policy interpretation: the regulation strengthens the standardization of the secondhand housing transaction market again after 2011. For the sale of the house which has been bought less than five years, the seller has to pay the personal income tax, what's the difference from the policy before is that, the tax equal to 20% of the difference of the selling price and the purchase price. This policy still strictly controls the secondhand housing market. With the fast increasing price of housing, only 1% of the price is far less than 20% of the difference now. So the Center has cleared the tax rate this time.

However, although the Center government has published so many policies, the effect is not very obvious, like Mr. Nie has said that:

*“2010 年政府对房地产实行了一系列调控，被称为史上最严厉的调控。然而对比 2009 年，2010 年房地产各项指标全面上扬，房地产开发投资同比增长 33.2%，施工面积同比增长 26%，房地产开发企业完成土地购置面积同比增长 28.4%，商品房销售面积同比增长 10.1%，房地产开发企业资金来源同比增长 25.4%。房地产投资占城镇固定资产投资比例从 2009 年的 18.7% 上升到 2010 年的 20%，新增房地产信贷总额占新增信贷总额比例也从 20.5% 上升到 25.4%。”<sup>[8]</sup>*

It says that the policies in 2010 didn't work at all; the price and the sale of the commercialized housing didn't decrease but increased a lot.

According to the second and third part of the analysis of the Chinese market, we can find that the price of residential market of China is not easy to be controlled only by the policies, even we can say that the policies work only a little for the price control. Why the strange phenomenon appears? In accordance to the past documents of the center government, we can clearly find that all the targets of the policies are to “control the fast increasing price of housing”, never to “stop the increasing price of housing” In other words, the central government only wants to slow down the increasing of the housing price, doesn’t want to decrease the price. So, certainly, only a series of policies cannot cool down the overheated market very fast. But at the same time, the central government has also left itself a leeway for the control. The real estate market has an immeasurable impact on the national economy, if this market breakdown, maybe the national economy will breakdown at the same time, so the Center cannot stop the development of the real estate market. And another reason is that, the standardization of the loan is completed within the last 5 years. It is known for all, the mortgage in general maybe last for 5-10 years or even more. So in the past 10 years, there are so many buyers using the mortgage to buy the house before the credit policy standardized. The way of mortgage, explain it simply, the bank buy the house from the developer for you and you give back the money to the bank month by month. What I want to say is that if one day, the price of house decreased too much, you find that you can buy another one better house with your money. What will you do? Continue to give back the money to the bank? No, the value of that house doesn’t worth the principle and interest now. Of course, you will give back this house to the bank and use less money to buy a new one. In the mortgage the house itself is a pledge. So at last, the bank turns to be the one lose money. The small bank will first close down then. Maybe a China’s own financial crisis will come after that. So from these views, the government will not allow the price really decreases. Of course, as well as the reason above, there are many other reasons for that. An article on the *Phoenix Money Weekly* says that:

“在房价飙升、民众抱怨的情况下，我们政府密集出台了很多调控政策，但是，透过对这些调控政策的分析，我发现一个很有意思的事情，那就是即使到现在，我们的一些信贷调控还是没有触及到房地产。原因很简单：第一，对于地方政府来说，土地出让金是很大的一笔收入。第二，在现在这种大的环境下，我们的金融机构最怕的就是房价下跌，因为对于金融机构来说房价下跌是最大的系统风险，金融机构自然不会自取灭亡。”<sup>[9]</sup>

The article has given out many reasons for the never will decrease price. Here are two of them: 1. for the local government, the land transferring fees are great amounts of revenue. 2. The decreasing of the housing price will be the system risk for the financial institution.

Beyond these, the residential market of China has its own specific. There many other factors have impact on the residential market of China, now, let’s discuss the other factors that affect the market.

#### **4.1.4 Other factors**

##### **1. The consumption psychology of Chinese**

The consumption psychology of Chinese people cannot be understood by the western countries. The Chinese families advocate own their own house, that is, the house cannot be rented, must be bought. In western countries, many young couples will choose the way of renting house to begin their new life. But in China, this phenomenon is hardly exist or with only a very small proportion. The Chinese native model is: the parents will help the young couple to pay down payment for the new house, and the young couple repays the loan by themselves in the future. For the families with good condition, the parents will buy a new house for the new couple. In short, in China, a wedding means a new house. No house no wedding. And this is also the reason for the non-decreasing price. The demand in China never goes down because of the huge population.

##### **2. The specific of the Chinese government**

In addition, the specific of the Chinese government is also the reason for the non-decreasing price, that is, the performance of local government. Unlike the western countries, the Chinese like always to build new building, because this has a great relationship with performance of the local government. First, with the new building the city changes, give the citizen a new performance. And then, a new building can bring amounts of money by the way of land transferring fees. But there is not so much land for building, so the local government will pull down the old building and build a new one there. After paid a relocation fee to the original resident, the only thing for the government is to wait the new construction complete. Then a new tide of purchasing house comes. An architect has told me that in Milan, the 50 years old house cannot be called old house. But in China, especially in big cities, It is really hard to find a residential house with the age more than 50 years old.

So with all of above, we can say that, the residential price control cannot be realized so fast. In the short term, the price of the residential house will maintain its upward trend. As long as the consumption psychology unchanged, government policy unchanged, the residential market will not come up earth-shaking changes. It will remain a steadily rising trend.

#### **4.2 Analysis of the residential market of Italy**

Now let's take a look at the residential market in Italy. The Italian real estate market is more mature than that of China. There is an official department will publish the report for the residential market for the citizens. So for the Italian market is easier to analysis, let's look at the report directly.

According to the "*Rapporto Immobiliare 2013 settore residenziale*"

We can first find the trading volume data for the recent 20 years:



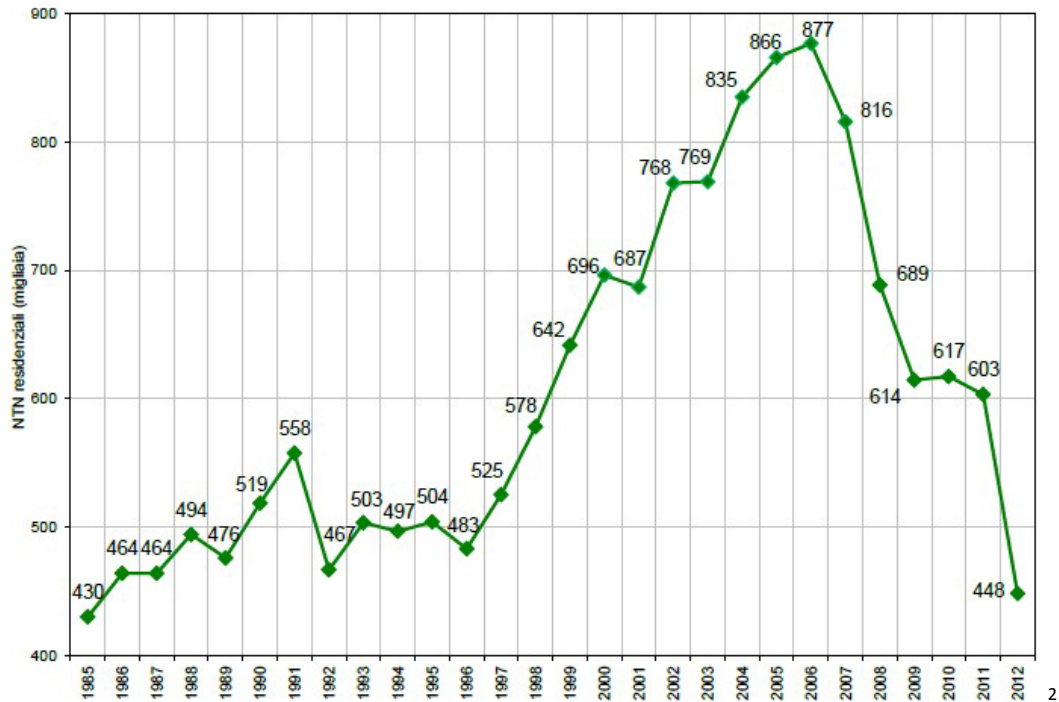


Fig. 10<sup>[10]</sup>

From the figure 10, we can see that, the Italian residential market is recessionary in the recent years. And in 2012, a rapid decline makes the trading volume dropped back to the level of 20 years ago. All this is due to the global financial crisis in 2006. In that year, the volume drops like diving, thanks to the center control, in 2008, the government stops the decreasing. But in 2011, after the outbreak of the subprime crisis in Europe the volume slipped down again. And the second half of 2011, the Italian economy continued to deteriorate. Compared to 2011, in 2012, GDP fell by 2.4%, higher unemployment, less household disposable funds; all of them lead the second time of rapid decline in the past 10 years. Let's look at the change of the Italian household disposable consumption from 2009-2011:

2009(1)	2009(2)	2009(3)	2009(4)	2010(1)	2010(2)	2010(3)	2010(4)
-3,0%	-2,6%	-1,5%	0,0%	1,2%	1,5%	1,7%	1,8%
2011(1)	2011(2)	2011(3)	2011(4)	2012(1)	2012(2)	2012(3)	2012(4)
1,6%	1,3%	-0,1%	-1,9%	-3,4%	-4,2%	-4,6%	-4,1%

Tab. 9<sup>[11]</sup>

From table 9, we can clearly find that, in the second half of 2011, Italian economy has been hit hard again, the household disposable consumption become lower and lower. With the help of the figure of the trend of GDP, we can confirm it more intuitive:

<sup>2</sup> NTN: Numero di transazioni di unità immobiliari "normalizzate". Le compravendite dei diritti di proprietà sono "contate" relativamente a ciascuna unità immobiliare tenendo conto della quota di proprietà oggetto di transazione; ciò significa che se di un'unità immobiliare è compravenduta una frazione di quota di proprietà, per esempio il 50%, essa non è contata come una transazione, ma come 0,5 transazioni.



Fig. 11(Gross domestic product, from ISTAT)

From the Figure 11, it can be seen that in the past two years, Italy is still in the aftermath of the financial crisis, which affected deeply until the late second half of 2013 the economy recovered a little.

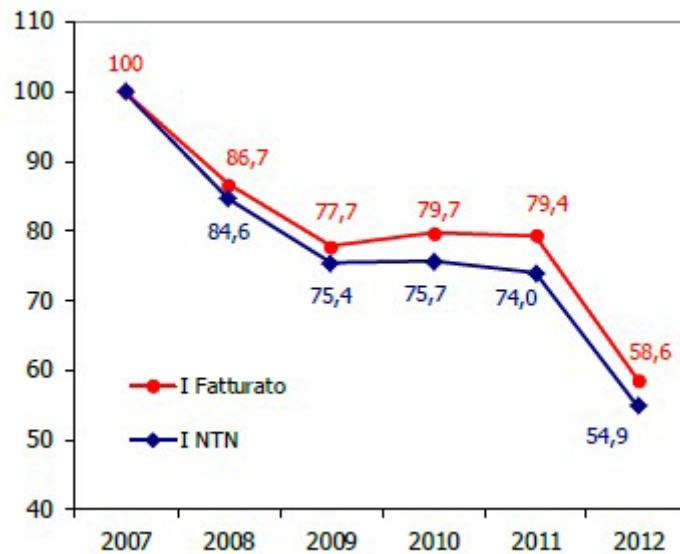


Fig. 12<sup>[12]</sup>

From the figure 12, we can find that, the housing transaction volume and the turnover of housing transaction have a positive correlation relationship. In the figure, it sets the turnover and the volume of 2007 equal to 100, in only 5 years, it decreased by almost 50%. And from the figure, we know that, during 2007-2011, the price of residential housing increased a little, but in 2012, it declined. And currently, the residential housing market is in a trough.

The real estate market and the national economy are always a mutual influence and interdependence. The real estate transaction will promote the development of the national economy. And on the other side, the thriving national economy will

promote the investment of the consumer on the real estate. So the purchasing power of the families has the direct impact on the development of the residential market. Let's look at the purchasing power of Italian families:

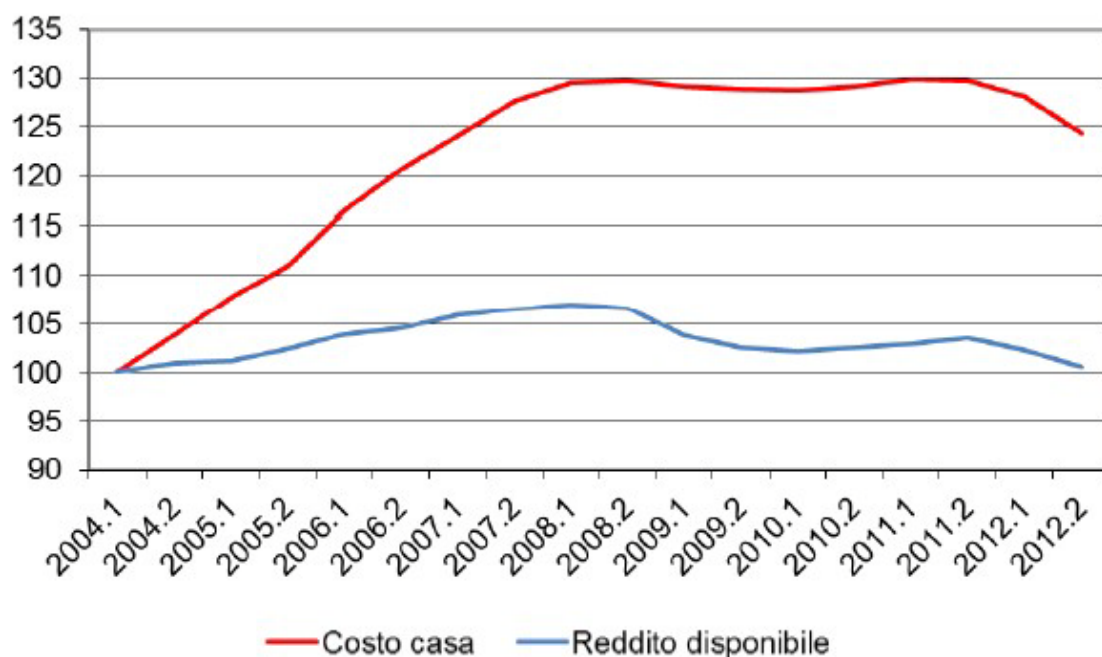


Fig. 13<sup>[13]</sup>

The figure 13 statistics the relationship between the household disposable income and housing price from 2004-2012. Set the figure in 2004 equal to 100. From this figure we can see that during these 8 years, the family disposable income remained almost unchanged, floated within 5%. And it reached the peak in 2008 then began to fall down and at the beginning of 2012 it went back to the level of 2004. While the price of the resident had a rapid rise from 2004 to 2008, reaching a peak in 2008, the growth rate is 30% relative to 2004. And after 2008, it stayed almost stable, after 2011, it has a 5% of decline. In accordance to the figure 10, we can find that the Italian residential market is a mature market, because it is correspond to the demand curve. From 2004 to 2008, the price increase, so the volume decreased. From 2009-2011 the price stays stable and the volume stays stable. In 2012 although the price decrease, the volume didn't increase, it is because the disposable income decreased which lead to the consumer can not afford the house. And with the following figure, we can confirm that conclusion:

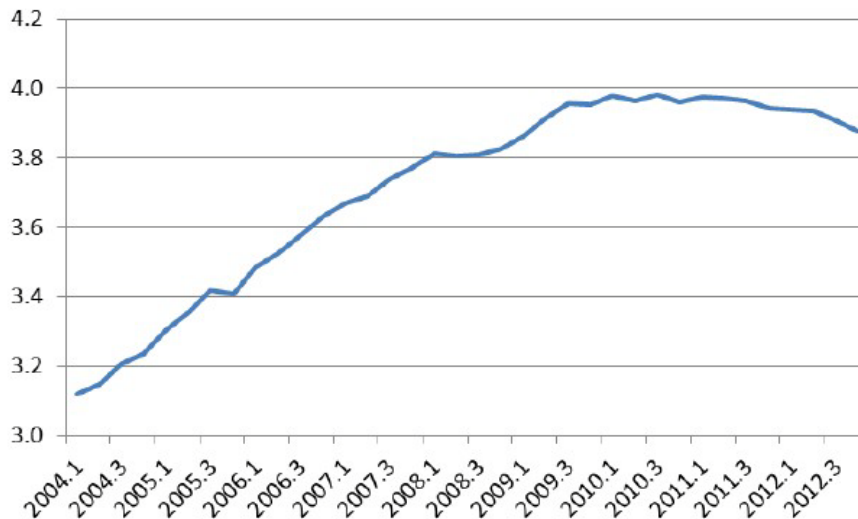


Fig. 14<sup>[14]</sup>

Figure 14 represents a person use how many years of annual income can afford a house. We can see that from 2004 to 2010, it always increases, and stays stable during 2010 to 2011; in 2012 it begins to fall down. It is also a confirmation for that during 2009 to 2012 the consumers are more difficult than any time before to afford a house. And from this figure we know if the market want recover the level to 2004, the curve should fall down more. When this curve reaches about 3.2, the market will go back to the level of 2004. And there are two way to this object: one is the decreasing of the residential price and the other one is the increasing of the wages. But the current condition of the Italian economy is still in recession, so in the short term forecast, the residential price will go on decline slowly.

According to all the figures and statistics above, we know that the residential market of Italy is deteriorating and there should be some stimulation for the market to awake it up. If no, the current situation will go on.

And in the report of bank of Italy in June, 2013, it says that:

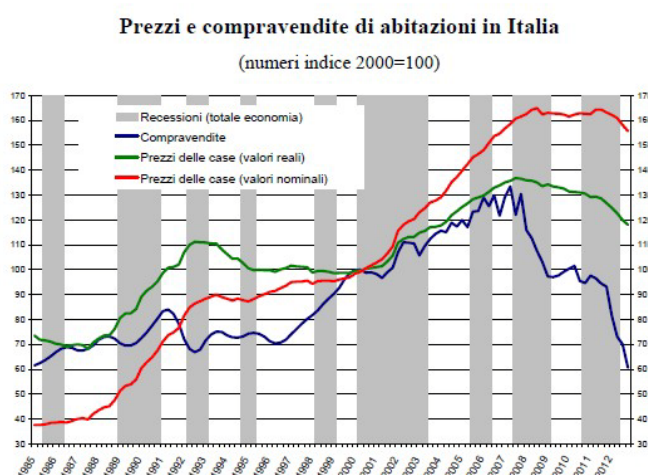
*“Il comparto residenziale. Secondo l’Osservatorio del Mercato Immobiliare (OMI) dell’Agenzia delle Entrate, il numero di compravendite di abitazioni si è pressocchè dimezzato negli ultimi cinque anni, collocandosi alla fine del 2012 sui livelli di inizio 1985; si è così bruscamente riassorbito l’incremento che si era accumulato nel corso di dieci anni, che era proseguito anche nelle due fasi recessive individuate, nella datazione ciclica dell’ISTAT per l’intera economia, tra il 1998 e il 2003. La recente flessione, avviatasi in anticipo all’inversione ciclica aggregata, è divenuta particolarmente pronunciata con l’intensificarsi della crisi finanziaria (Figura 4).*

*I prezzi delle case, valutati in termini nominali, dopo essere diminuiti appena del 3 per cento tra la fine del 1993 e la metà del 1995, avevano mostrato un deciso, prolungato rialzo sino alla fine del 2008; la tendenza crescente si era accentuata dall’avvio dell’UEM, al ritmo medio di quasi il 7 per cento a trimestre rispetto al periodo corrispondente. È seguito dapprima un sostanziale ristagno, che si è prolungato per quasi un triennio, e dal terzo trimestre del 2011 una progressiva flessione, pari nel complesso al 5,2 per cento sino alla fine del 2012. L’andamento nel nostro paese è in linea con quello osservato in media*

*nell'area dell'euro, mostrando un divario negativo rispetto al rialzo in corso in Germania; dall'avvio della crisi la flessione è stata invece assai più pronunciata in Spagna, Irlanda, Olanda e Francia.*

*Come nelle attese, la sensibilità dei prezzi delle case alle mutate condizioni cicliche si è rivelata più rapida se valutata al netto dell'inflazione al consumo. In Italia i prezzi reali delle case, dopo aver toccato un minimo alla fine degli anni novanta, sono cresciuti di poco meno del 40 per cento tra il 2000 e la fine del 2007; da allora si è avviata una tendenza al ribasso, che è stata inizialmente contenuta in confronto al ritmo del precedente rialzo, mostrando un'accentuazione dalla metà del 2011. Negli ultimi quattro anni i prezzi delle case, sempre al netto dell'inflazione al consumo, hanno cumulato una flessione del 13,7 per cento; alla fine del 2012 erano tuttavia ancora superiori di quasi 10 punti percentuali rispetto al precedente massimo ciclico, toccato nel 1992.*

**Figura 4**



*Sulla base dell'evidenza econometrica, la recente inversione ciclica del mercato residenziale riflette in primo luogo il peggioramento del reddito disponibile delle famiglie e l'allentamento delle pressioni demografiche sulla superficie abitabile esistente; quest'ultima nel corso dell'ultimo decennio è aumentata in misura più rapida della popolazione e dei nuclei familiari, pur rallentando negli ultimi anni (Nobili e Zollino, 2012). Come sottolineato nelle sezioni successive, con l'aggravarsi della crisi sono intervenute anche le difficoltà di accesso al prestito bancario da parte delle famiglie, mentre l'elevata offerta di finanziamento a condizioni favorevoli aveva invece fortemente stimolato gli acquisti di abitazioni nei dieci anni precedenti. Come già nel corso dell'accesa rivalutazione prima della crisi, il calo dei prezzi dalla fine degli anni 2000 è sostanzialmente in linea con il peggioramento delle principali determinanti di fondo, confermando l'assenza di significativi rischi di sopravvalutazione (Banca d'Italia, 2012).”<sup>[15]</sup>*

To sum up, the Italian residential market is a mature market. It is fully in line with the principles of market economics and market relationship of demand and supply. In the next period of time, forecast that the price will continue to fall down little by little without outside stimulation. But I think this situation will be changed quickly. And through the analysis, we can find that there is no bubble in the market of Italy and there should not be any doubt about the ability of holding value of the residence of Italy.

## 5. The comparison of the behalf city of each country

### 5.1 The selection of the simple city

We have taken a general understanding of these two residential markets from the macro view. And now let's focus on the theme to explore the investment on the residence. According to the data of the only one agency (World Capital) <sup>[9]</sup> in Italy for this new policy, I select Milan as the simple city of Italy. The reason for that is very easy, that is, Milan is famous in China and Milan is the advised city for immigration by this company. And for the comparison object, I select Shanghai. The reasons for that are as following:

1. They are both the economic centers of both countries.
2. They are both international metropolis which have attracted large numbers of people to settle down.
3. The residential price distribution of these two cities is similar.

Then we take a comparison of the general data of these to cities. And for the comparison purposes, select 'provincia di milano' represent Milan.

General data of cities:

	Superficies (km <sup>2</sup> )	Population(thd)	Density(persone/km <sup>2</sup> )
province of Milano	1575	3119.756	1980.80
Shanghai	4895	15329.232	3131.61
City of Milan	181.76	1298.996	7146.76
City center of Shanghai	289	6986.214	24173.75

Tab. 10 (from Baidu<sup>3</sup>)

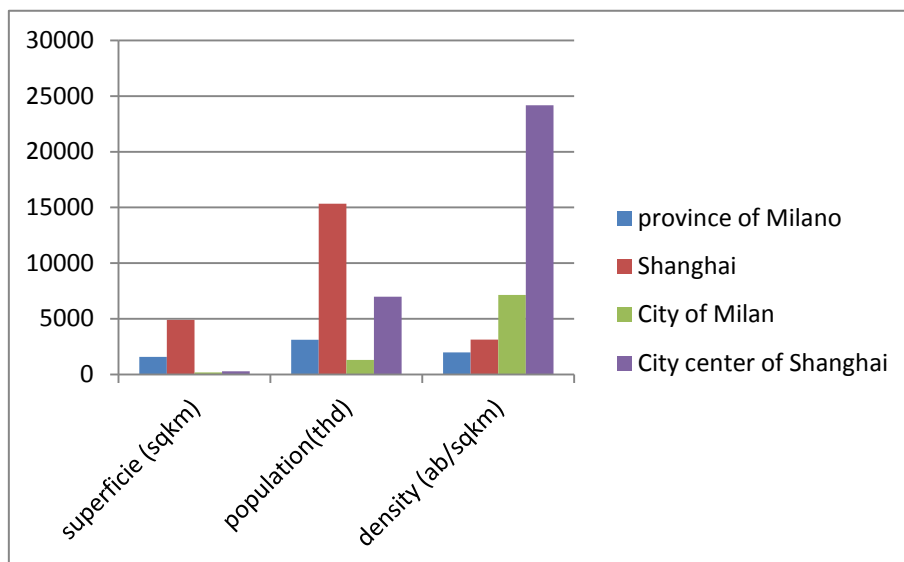


Fig. 15

<sup>3</sup> Baidu:

[http://baike.baidu.com/link?url=lzdIZ1WWNOwDqAsxx9xNMb2FqUvrnQqa4AO0bCTfb6efVRDY7duUI0R3j1sxdWgU6hUXi-6Kb4pScz0j6kO7BSpJa5244Opu5qLserzhe\\_e](http://baike.baidu.com/link?url=lzdIZ1WWNOwDqAsxx9xNMb2FqUvrnQqa4AO0bCTfb6efVRDY7duUI0R3j1sxdWgU6hUXi-6Kb4pScz0j6kO7BSpJa5244Opu5qLserzhe_e)

According to the figure 15, the proportion of superficies of MI and Shanghai is about 1:4 and that of population is also about 1:4. These two proportions are more likely than that of proportion of Milan and Shanghai. While the center of Shanghai is more or less like the city of Milan, so we can take two groups of comparison in the following. One is MI & Shanghai and the other one is city of Milan & city center of Shanghai. It can be also seen that the people in Shanghai gathered in the city center, making the density of city center terrible high equal to 24173.75.

## 5.2 Analysis of residential market of Milan

Province of Milan can be divided into City of Milan and other cities. According to the microzona catastale, City of Milan can be divided into 9 zones as following:



Pic. 1

In order to facilitate the research easier, select 4 sets of data from zone 1. And the 'agenzia entrate' has divided the 2-9 zones to two circles, so select 4 sets of data from each circle. And out of 2-9 zones, that is, out of city of Milan, select another 4 sets of data from east, south, west and north. And choose the data of 'stato conservativo ottimo', because this kind of house is easier for immigration.

And all the data gathered as following:

	zona	valore mercato											
		2011 semestre 2			2012 semestre 1			2012 semestre 2			2013 semestre 1		
		min	max	avg.	min	max	avg.	min	max	avg.	min	max	avg.
Centrale	Centrale/A2 - BRERA, DUOMO, CORDUSIO, TORINO	7500	9500		7500	9500		7500	9500		7500	9500	
	Centrale/VENEZIA, MAJNO, MONFORTE	7500	10000		7500	10000		7400	10000		7500	10100	

	Centrale/TURATI, MOSCOVA, REPUBBLICA	6000	8500		6000	8500		6000	8400		6000	8400	
	Centrale/CADORNA, MONTI, BOCCACCIO	6000	8000		6000	8000		5800	7800		5700	7800	
	Average	6000	10000	8000	6000	10000	8000	5800	10000	7900	5700	10100	7900
Semicentrale	Semicentrale/CENISIO, PROCACCINI, FIRENZE	3000	4000		3000	4000		3000	4100		3000	4100	
	Semicentrale/FIERA, GIULIO CESARE, SEMPIONE	4200	5700		4200	5800		4200	6000		4200	6000	
	Semicentrale/AMENDOLA, MONTE ROSA, BUONARROTI -	4500	6300		4500	6300		4100	6000		4200	5900	
	Semicentrale/PAGANO, MONTI, WAGNER -	4800	6100		4800	6100		4800	6100		4900	6200	
	Average	3000	6300	4650	3000	6300	4650	3000	6100	4550	3000	6200	4600
Periferica	Periferica/MUSOCCO, VARESSINA, CERTOSA	2600	3200		2500	3200		2500	3100		2400	3100	
	Periferica/BOVISA, BAUSAN, IMBONATI	2600	3400		2600	3400		2550	3400		2450	3400	
	Periferica/P.LAMBRO, FELTRE, UDINE	2650	3700		2650	3700		2600	3700		2600	3700	
	Periferica/MONTEGANI, CERMENTATE, VIGENTINO	2650	3600		2600	3600		2600	3700		2600	3700	
	Average	2600	3700	3150	2500	3700	3100	2500	3700	3100	2400	3700	3050
fuori milano	segrate	2600	2950		2600	2800		2650	2850		2600	2800	
	bresso	2450	3100		2450	3100		2450	3100		2450	3100	
	settimo milanese	1950	2450		1900	2450		1900	2450		1900	2450	
	Rozzano	1900	2550		1950	2550		1950	2500		2000	2500	
	Average	1900	3100	2500	1900	3100	2500	1900	3100	2500	1900	3100	2500

Tab. 11 (Banca dati delle quotazioni immobiliari, from agenzia entrate)



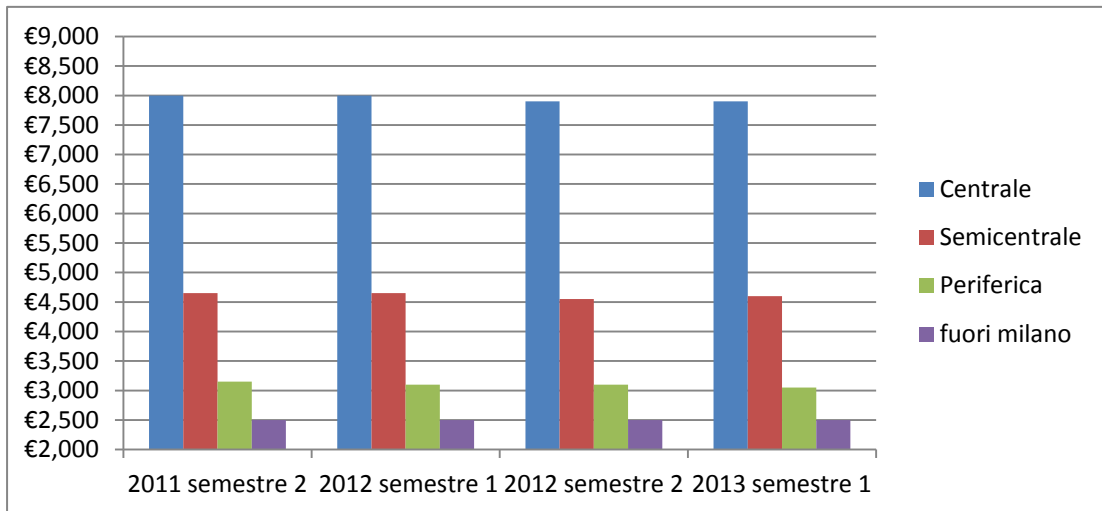
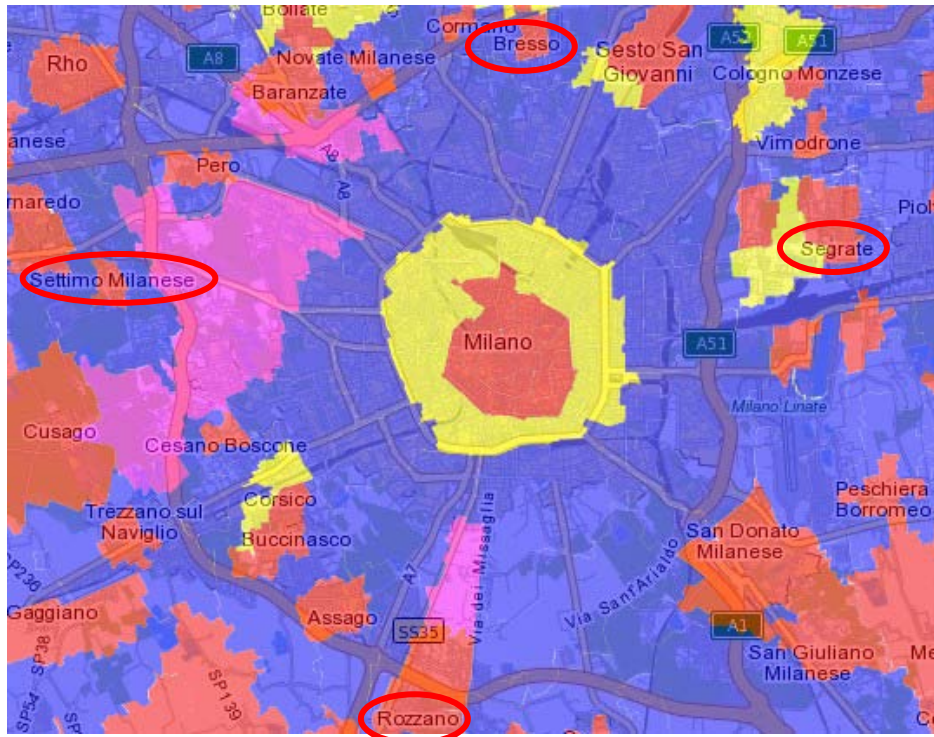


Fig. 16

From table 11, it can be seen that in the center of the city of Milan, the price of residence is from about 6000 to 10000 Euros each square meter and the average price of this area is about 8000. For the second circle, semicentrale, the price range is from 3000-6000, and the average price is about 4600. For the third circle, periferica, the price range is from 2400-3700, the average is about 3100. When it comes out of Milan, the price range decreases to 1900-3000. With the help of the figure 16, we know that, the prices of each part decline by about 50% from center circle to the outside circle.



Pic. 2(mappa prezzi, from www.immobiliare.it)



Pic. 3(Geopoi, from Agenzia Entrate)

The Picture 2 shows the change of the price from the center circle to the outside circle. So it performs a circular decreasing trend. In picture 3, the marked cities are the simple city in the table 11. With the data of these four small cities, we can estimate the price of the cities around Milan is from 1500 to 3000 Euros each square meter.

And from the famous residential portal site of Italy, immobiliare.it, we can get the data as following, although it is not officially, but it can be used as reference.

zona	vendita(€/m <sup>2</sup> )
Duomo, Brera, Cadorna, Cattolica	8.083
Centro - Arco della Pace, Arena, Boccaccio	6.82
Centro - San Vittore	7.502
Centro - Corso Genova, Ticinese	5.537
Centro - Bianca di Savoia, Porta Vigentina, Gaetano Pini	6.517
Centro - Tribunale, Policlinico	6.097
Centro - Monforte, Corridoni	7.891
Centro - Moscova, Turati, Palestro	7.472
Sempione - Sarpi, Canonica, Piero della Francesca	4.524
Sempione - Fiera Milanocity, Pagano, Amendola	5.178
Washington, Sicilia, San Michele del Carso	4.913
Navigli, Solari, Tortona, Porta Genova	4.505
Bocconi, Bligny, Sabotino	4.669
Cadore, Montenero, Muratori, Libia	4.886
Indipendenza, Bacone, Regina Giovanna, Dateo	5.138
Centrale, Repubblica, Porta Nuova, Benedetto Marcello	4.186
Isola, Stazione Garibaldi, Stelvio	4.271

Monumentale, Lancetti, General Govone	3.506
Certosa, Quarto Oggiaro, Villapizzone	2.569
Bonola, Molino Dorino, Lampugnano, San Siro	3.148
Baggio, Caterina da Forlì, Legioni Romane, Quinto Romano	2.876
Barona, Famagosta, Giambellino, Lorenteggio	3.02
Lodi-Ripamonti, Cermenate, Gratosoglio, Chiesa Rossa	2.991
Porta Vittoria, Corvetto, Cuoco, Santa Giulia	2.988
Città Studi, Piola, Lambrate, Ortica	3.657
Bicocca, Monza, Maggiolina, Cimiano	2.792
Affori, Bovisa, Niguarda, Testi	2.564

Tab. 12 (andamento prezzi, from [www.immobiliare.it](http://www.immobiliare.it))

From the table 12, we can know the price of each part clearly, and these prices are corresponding to the prices estimated above.

With the following figure, we can analyze the trend of the residential price of Milan:



Fig. 17 (andamento prezzi, from [www.immobiliare.it](http://www.immobiliare.it))

According to the figure 17, we can clearly find that the residential price of Milan is always decreasing. From the 3854 Euros in October 2011 to 3712 of October, 2013, the growth rate is -3.68%. The decreasing of the price is due to the crisis in 2008-2009.

*“La crisi del 2008-2009 ha fatto precipitare i livelli di domanda e di reddito e per un certo periodo ha bloccato di fatto il finanziamento bancario e ciò ha avuto un immediato riflesso sul mercato residenziale. Quest’ultimo ha subito un primo crollo del 25% circa nel biennio anzidetto, portando il livello del volume di scambio attorno alle 614 mila unità abitative. ”*  
(RAPPORTO IMMOBILIARE 2013, di OMI) <sup>[16]</sup>

After 2008, the residential price of Milan remained the trend of decline, like the data displayed in the article of Ufficio Studi Gruppo Tecnocasa:

“Nel 2011 le quotazioni delle case a Milano hanno segnalato una contrazione del 2,3%.

2003	2004	2005	2006	2007	2008	2009	2010	2011
+10.8%	+6.9%	+4.7%	+5.7%	+1.8%	-4.6%	-2,1%	-0,4%	-2,3%

<sup>[17]</sup>

From the table of the article we can find that, after 2008, the residential price of Milan continued to decrease. And there isn't any sign of recovery from the annual data. But from the figure 16, we can see that at the end of 2013, the price turns to upward. Although the total tendency of 2013 is declined, the recovery in the final brings the hope to the consumer.

### 5.3 Analysis of residential market of Shanghai

Then let's turn the sight to the residential price of Shanghai:

First is the introduction of Shanghai, Shanghai is composed by 16 districts and one island. For the purpose of analysis, only consider the 16 districts. The following is the general date of Shanghai.

center				
district	superficies	population	price of the residence	price in Euros
Huangpu	20	678670	37337	4520.22
Xuhui	55	1085130	36832	4459.08
Changning	38	690571	34654	4195.40
Jing'an	8	246788	42109	5097.94
Putuo	55	1288881	27453	3323.61
Zhabei	29	830476	25439	3079.78
Hongkou	23	852476	28717	3476.63
Yangpu	61	1313222	27981	3387.53
	289	6986214		
surburb				
district	superficies	population		
Minhang	372	2429383	22552	2730.27
Baoshan	300	1904886	20583	2491.89
Jiading	459	1471261	15434	1868.52
Pudong	1210	5044430	26654	3226.88
Jinshan	586	732410	9890	1197.34
Songjiang	605	1582377	15642	1893.70
Qingpu	676	1081022	15768	1908.96
Fengxian	687	1083463	13748	1664.41
	4895	15329232		

Tab. 13<sup>4</sup>

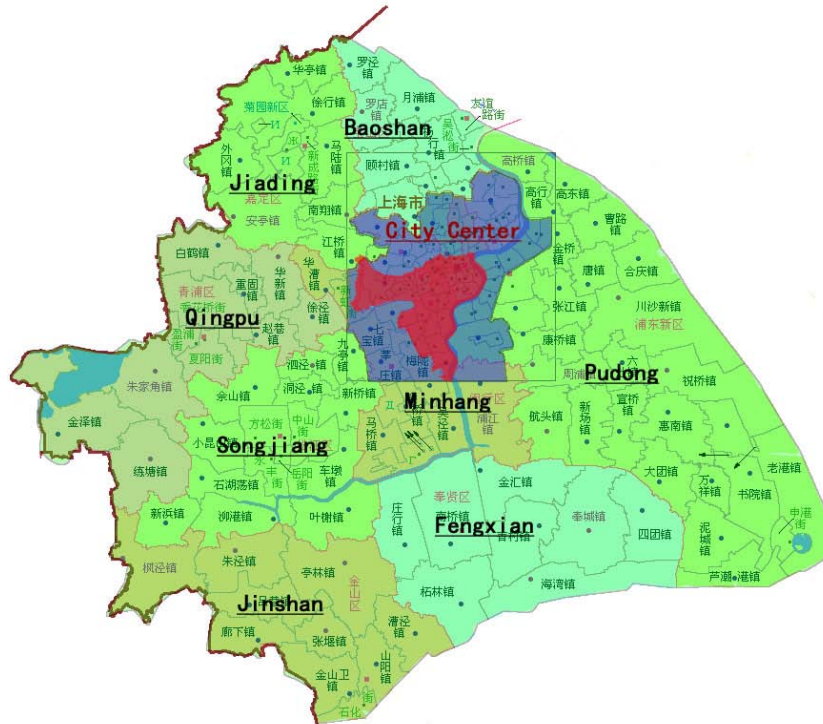
According to the table 13, we can find that almost 50% of the population is concentrated in the central area of Shanghai, while this area accounted for only 6% of the total area of Shanghai. It can be imagined the degree of the congestion of the

<sup>4</sup> General information are from Baidu:

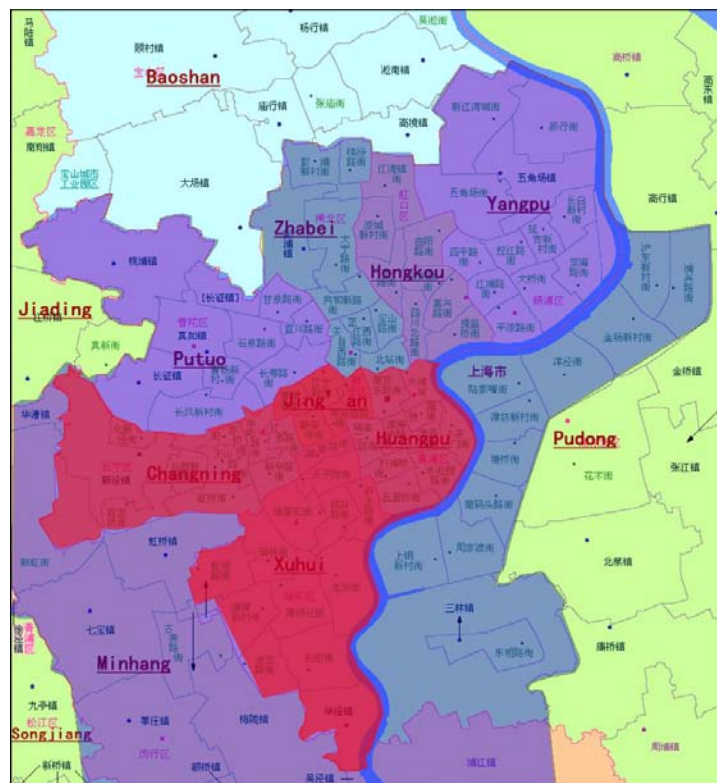
[http://baike.baidu.com/link?url=lzdlZ1WWNOwDqAsxx9xNMb2FqUvrnQqa4AO0bCTfb6efVRDY7duUI0R3j1sxdWqU6hUXi-6Kb4pscz0j6kO7BSpJa5244Opu5qLserzhe\\_e](http://baike.baidu.com/link?url=lzdlZ1WWNOwDqAsxx9xNMb2FqUvrnQqa4AO0bCTfb6efVRDY7duUI0R3j1sxdWqU6hUXi-6Kb4pscz0j6kO7BSpJa5244Opu5qLserzhe_e)

And the price of residence is from <http://user.fangjia.com/fangjiaotong2/quotation/map>

city. And this is also the reason for the so many high rise residential buildings. The high density of population is a direct result for the high demand of residence. And according to the price of the residence of Shanghai in table 13, we can get a picture as following:



Pic. 4



Pic. 5

The picture 4 is for the city center, and picture 5 is for the whole Shanghai. More or less the same to Milan, the residential price of shanghai also performances a circular decreasing trend. The highest price areas are concentrated in Changning, Xuhui, Huangpu, Jing'an four districts which were signed with color of red in the picture 5. And the price is around 4000-5000 Euros. And the peripheral areas of them are Putuo, Zhabei, Yangpu, Hongkou four districts the average price of these areas are around 2700-3500 Euros each square meter. And the price of parts of Pudong and Minhang also can arrive at that range. So they have been signed with the color of blue in the picture 5. The residential price of outermost area is relatively low, only 1000-2500 Euros each square meter. And the circular decreasing trend can be seen in the picture 4; the red part is with the highest price, then the blue part, final the green part.

And the average residential price of Shanghai is shown as following:

quotation of shanghai												
	12/2012	1/2013	2/2013	3/2013	4/2013	5/2013	6/2013	7/2013	8/2013	9/2013	10/2013	11/2013
rmb	25111	25826	26452	29081	29131	29492	26913	26927	27052	27369	27399	32477
euros	3040.07	3126.63	3202.42	3520.70	3526.76	3570.46	3258.23	3259.93	3275.06	3313.44	3317.07	3931.84

Tab. 14 (<http://fdc.soufun.com/index/ErShouFangIndex.html> )

With the currency of Euros, we can get a figure as following:

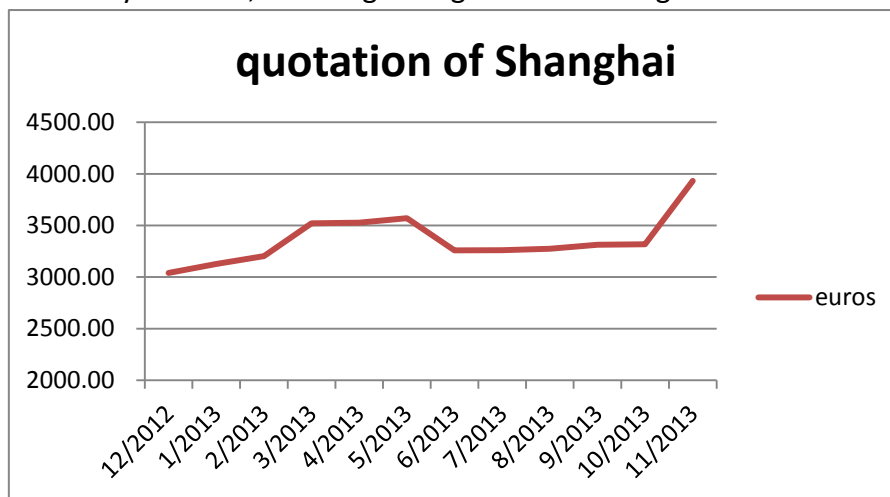


Fig. 18

As shown in figure 18, is different from Milan, the price of Milan in last two years stayed stable or even a little decline. But the price of Shanghai is always upward. According to the table 14 we know that from December 2012 to November 2013, the residential price has increased by about 1000 Euros, no matter the range or the speed of increasing for Milan is non-comparable. And then take the sight more previous:

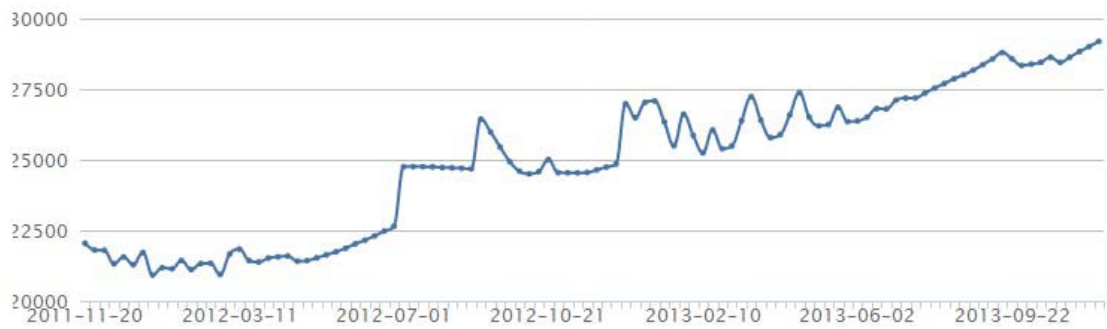


Fig. 19(evaluation, from user.fangjia.com)

According to the figure 19, the residential price of shanghai showed a rising trend overall. And what should be paid attention to is the period at the end of 2011. In 2011, the center government has implemented the fourth policy to control the residential market and it has made some fluctuations on the price of shanghai. But it recovered very fast, at March 2013, it began to turn upward. And the statement of 'the policy has impact on the price' can be obtained also from the date from February 2013 to June 2013. In February 2013, the center government has published fifth residential price control policy, not surprising, the price generated for a period of small fluctuation in the next months. And after the buffer digestion of the 4 months followed, in June 2013, the price turned upward again. And only in these two years, the price has increased from 22043 yuan to 29006 yuan, the growth rate is as high as 31.6%.

According to the report of the China Real Estate Data Academy of July 2013, this conclusion has been confirmed:



“从图1中可以看出，一手房指数自今年2月份突破前期于11年9月份创下的高点2523后，已经连续创下历史新高。而二手房市场由于受“新国五条”政策的影响，经过5、6月份的政策消化后，也于7月份产生报复性增长，环比增长3.9%。产生二手房报复性上涨的原因是因为：1、“新国五条”政策执行力度不如市场预期，除北京实施“房产交易20%个税”外，其余城市均未严格实施；2、房地产市场回暖已经成为业内共识，上海一手房市场已连续一年

保持上涨趋势；3、一手房与二手房比价关系达到历史低位区附近，从过往历史数据表明二者表现为稳定的协整关系，二手房相对于一手房有补涨的需求。”<sup>[18]</sup>

This article confirmed the statement of the policy has the impact on the price. And what's more, it also confirmed my statement that the 3 months after the implementation of the policy are the period for digestion.

And the residential price of Shanghai is like the analysis before, maintaining the upward trends. According to the figure of the change of residential price in the last 8 years from the real estate portal site 'soufun.com':

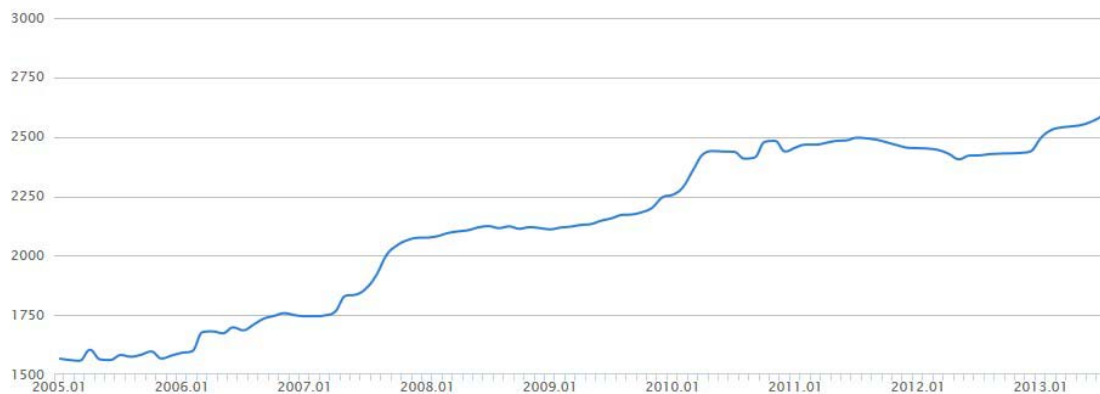


Fig. 20(evaluation, from www.soufun.com)

It is shown in the figure 20, the residential price of shanghai is always increasing with a high speed. The figure set the price of December 2000 as 1000, and then gets the figure above. It can be figured out that, from 2006 to 2013, the indicator increased from 2591 to 2495, on in 7 years it grows about 57%. It is a terrible rise, but what cannot be ignored is that this high speed up tendency remains the same after 2013 according to the figure 18.

After the analysis of the trends of the data, now let's focus on the data itself. According to the statistic above, on the face of the data, we can find the price of shanghai is more or less the same to Milan or even lower. But such statistics in China usually has its particularity. The official data is usually much lower than the real situation. One reason is that in such statistics the non commercialized residence (such as economically affordable housing) can be taken into consideration. It is known to all, this kind of residence is at a relative low price. And what's more, sometimes there exists the condition of selling the secondhand house in a low price to others. And the final but not the last reason is that this kind of official statistics is under the official control by the government. They will not disclose fully to the public, because much too high price will lead to social unrest. That's why many official website noted that some data of the real estate are not disclosed to the public. So we can only know the trend of the residential price by the date above, so how to estimate the real situation?

We can find some important data from some real estate portal site, based on them; we can know the real situation of the price of Shanghai.



We can get the price distribution as following from this site:

district	price distribution						
	<1210.65	1210.65-1815.98	1815.98-2421.31	2421.31-3631.96	3631.96-6053.27	6053.27-9685.23	>9685.23
huangpu	0	0	0	0	14%	14%	71%
xuhui	0	0	0	8%	32%	43%	17%
changning	0	0	0	0	0	86%	14%
jing'an	0	0	0	0	0	20%	80%
putuo	0	0	0	5%	65%	30%	0
zhabei	0	0	0	13%	63%	13%	13%
hongkou	0	0	0	0	0	67%	13%
yangpu	0	0	0	0	88%	12%	0
minhang	0	0	9%	48%	39%	4%	0
baoshan	0	23%	20%	51%	6%	0	0
jiading	0	28%	51%	20%	2%	0	0
pudong	1%	23%	20%	19%	24%	6%	7%
jinshan	23%	77%	0	0	0	0	0
songjiang	3%	10%	45%	48%	3%	0	0
qingpu	8%	21%	21%	42%	4%	4%	0
fengxian	25%	10%	40%	25%	0	0	0
Shanghai	8%	21%	20%	21%	17%	8%	5%

Tab. 15(from [www.newhouse.sh.soufun.com/fangjia/](http://www.newhouse.sh.soufun.com/fangjia/))

From the table 15, we can first take a look at the price distribution of the parts of city center which are in color of read. For the zone Jing'an, in table 13 we can find the average price of this area is 5097.94. But according to the table 15, there isn't any the residence with the price under 6000 Euros, or the percentage of the house with the price fewer than 6000 Euros isn't more than 1%. Therefore, the average price of this zone should be that low as 5097.94 Euros.

So now let's estimate the real price of Shanghai according to the table 15. First take the average value of the distribution level, they are:

1210.65	1513.32	2118.64	3026.63	4842.62	7869.25	9685.23
---------	---------	---------	---------	---------	---------	---------

Tab. 16

Then use the average price of different level and percentages of the price distribution to estimate the value. With the method of weighted average, we can get table 17:

district	Price	district	Price
huangpu	8656.17	minhang	3846.85
xuhui	6822.03	baoshan	2605.93
changning	8123.49	jiading	2206.42
jing'an	9322.03	pudong	3671.31
putuo	5659.81	jinshan	1443.7

zhabei	5726.39	songjiang	2739.1
hongkou	6531.48	qingpu	2639.23
yangpu	5205.81	fengxian	2058.11

Tab. 17

According to the table 17, we know the new estimated value of the residential price which can be used as the real prices of different zones of Shanghai. And only from the tables above, the price of Shanghai is far higher than that of Milan.

There are three reasons for this:

1. When estimate the real value of the price of shanghai, the upper limit is set as 80000 yuan/m<sup>2</sup>, but in fact, the prices of the housing will higher than 80000 generally, so this will cause the estimation lower than the real situation. While on the other side, when it comes to the lower limit, it is the same to the condition of the upper limit, so the price of these part was estimated lower than the real situation
2. The different method of statistics. For Milan, the data has its maximum and minimum value, that is to say, the residential price of Milan has its upper limit, While in Shanghai, and there is no such thing, so the real price in Shanghai can be incredible high.
3. From the view of the tendency of the price: the price of Shanghai is always increasing, while the price of Milan is stable or even little decline.

In total, from the statistic, the price of Shanghai is lower than that of Milan; but if use the estimated value, it will be more or less equal to that of Milan. And in some zones, the price of Shanghai can be higher than that of Milan.

In order to know which city is more suitable for investment, should not only from view of the price of house but also from some other factors:

1. The convenience of the urban transport  
Because of the difference of the superficies of the two cities, the level of the convenience of the houses on the same price level will differ a lot. For instance, a house with the price of 5000 Euros/m<sup>2</sup>, on matter in Shanghai or in Milan, the house can be located in the second circle. However, Shanghai is much larger than Milan, so now assume that the one goes to the center of the city from the second circle, the cost of time will differ a lot. In Milan, one lives in the zone of Zara which is belong to the semicentrale (second circle), and it takes only 10 minutes from Zara to the city center Duomo. However, in Shanghai, on lives in district of Yangpu, and it will takes 30 or 40 minutes for him to reach the center of Shanghai. So from the view of this, Milan is better than Shanghai.
2. Urban facilities and service  
Purchasing a house is for living in, so whether the city is suitable for live seems very important. There is no need to compare the medical and infrastructure of these two cities, because these two cities are both international metropolis, they can be both in the advanced level in these fields. The difference lies in the convenience and benefit of facilities: In Milan, the working hour is much shorter than that of Shanghai. Pharmacies, supermarkets and many facilities for the

citizen are closed at weekends. For this part, Shanghai is better than Milan, there are many pharmacies, supermarkets, restaurants which are open for 24 hours and 7 days a week. So from the view of this, Shanghai is better than Milan.

3. Density of population and the pace of life

According to the table previous, we can clearly find that, the density of population in Shanghai is so high that is not very comfortable to live in. The small private space will bring people the feeling of oppressive. And for the pace of life, these two cities are more or less the same. They are both in a relative rapid rhythm. So from this view, Milan is better than Shanghai.

4. Space for appreciation

The previous analysis has come to a conclusion that in the short term, the residential price of Shanghai will continue increase; while that of Milan will remain stable or even fall down. So for this view, Shanghai is better than Milan.

5. Policy of residence

What has been said above, the house in Italy can be used for lifetime and the next generation. But in China, a purchasing of the house means only the using right for 70 years. So take a long sight, Milan is better than Shanghai.

6. Quality of the house

The Italian house can make an existence for centuries survived, but in China, a house should be renovated only for decades. Even the just finished house can have the quality problems. So for this view, Milan is better than Shanghai

7. Stability of the market

Which has been discussed earlier, the market of Italy is relative mature and stable. For the stability, Milan is better than Shanghai.

And the differences of the status of these two markets determine the different way of returning the investment. For China, investment for real estate means transacting the house like normal goods, when price is low purchase it, when price is high sell it. Then get the income from the transaction. For Italy, the house is for lifetime, and the market is stable, real estate investment means: purchasing the house than depending on the rent to recover the cost. And in a few years, the house can become yours and the money can be received by the house rent.

## 5.4 The comparison of the rental markets

Which has been informed above, in Italy, people can choose the way of renting house to recover the cost of investment. So now, let's talk about the house renting markets of these two cities:

For the Chinese house rent market, there is no official data for it, so it lets the comparison to be more cumbersome. In order to make a valid comparison intuitively, select the data from two big real estate portal sites of China and Italy. For Italy, we choose 'Casa.it' and for China, we choose '58 same urban'.

For the purpose of comparison, select the whole apartment for rent as the object. Do not consider the condition of rent a room from a house.

Make the comparison in three types:

1. Comparison of the price of the house in the same kind of zone
2. Comparison of the type of the house with the same rent
3. Comparison of the ratio of rental price to the sale price

#### 5.4.1 Comparison of the price of the house in the same kind of zone

Which has been discussed above, the price distributions of Milan and Shanghai are more or less the same, so we make the comparison of the price in different zones. And from the website, we get the data as following:

comparison of the rent price of house in the same kind of zone									
	Milan					shanghai			
	min		max			min		max	
Center	550	45mq bilo	90000	315mq 6locali	huangpu	230.02	25mq mono	1937.05	193mq 5locali
					jing'an	338.98	35mq mono	8474.58	600mq 11locali
					Changning	338.98	40mq bilo	5690.07	360qm 10locali
semicenter	300	15mq mono	55000	240mq 6locali	Hongkou	242.13	38mq bilo	1791.77	360mq 5locali
					Yangpu	181.60	15mq mono	895.88	138mq 5locali
periferica					minhang	121.07	30mq mono	1271.19	110mq 4locali
	333	25mq mono	25200	175mq 5locali	pudong	145.28	20mq bilo	3026.63	241mq 7locali

Tab. 18<sup>5</sup>

According to the data in table 18, it is easy to be seen that from the view of rental price, the price of Milan is obviously higher than that of Shanghai. One rents a house in the center area, in Milan, it cost at least 550 Euros, but in Shanghai, one can rent a house in the center with only 200-350 Euros. And walk farther, arrives at the second circle (semicenter), the minimum rent of Milan is 300, but in shanghai, it falls down to the less than 250. When it comes to the periferica, the price of Shanghai has fallen down to less than 150 Euros. Then let's put a sight on the maximum price, in Shanghai, Jing'an, you can rent a house with 8500 Euros, and the house is 600m<sup>2</sup>, there are 11 rooms. But in Milan, there are some old houses which can be rented at a quite high price which has been shown in the table 18. The strange thing is that, in Shanghai there are also some old house of the last century, but the problem is that in Shanghai you cannot set the rent too high, or it won't be lent out, but in Milan can! From this comparison, we can come to a basic conclusion, in total, in the condition of the same sale price of the house; the rent in Milan will be much higher than that in Shanghai.

<sup>5</sup> From [www.casa.it](http://www.casa.it) and <http://sh.58.com/chuzu/>

#### 5.4.2 Comparison of the type of the house with the same rent

Comparison of type of the house with the same price of house				
price (euro)	city	zone	type	area
0-200	Milan	-	-	-
	Shanghai	periferica	mono	34mq
200-400	Milan	Semi/periferica	mono	28-35mq
	Shanghai	center/Semi/periferica	mono/bilo/trilo	35-65mq
>400	Milan	all the zone	-	-
	Shanghai	all the zone	-	-

Tab. 19 (from casa.it)

According to the table 19, we can find that, with a lower rent, it can be easier for one to find a house in Shanghai. And with a media and low rent about 200-400, the one can lend a house in the center of Shanghai, but in Milan, the one can only get a house out of the center. And now according to the table 18 and table 19 we can confirm the phenomenon which have been told before, the rent and the sale price don't have a positive correlative relationship in Shanghai. The sale price of Shanghai is the same to that of Milan, while the rent of Shanghai is much lower than that of Milan.

#### 5.4.3 Comparison of the ratio of the rent price to sale price

With the following example, we can compare them more intuitively: Select a building which is not only for sale but also for rent from Milan and Shanghai, then through the comparison of the ratio of the rent price to the sale price, it can be easier for us to understand the status of the rental markets of these two cities. Since the new building which is for sale and for rent at the same time is only a few. So select only on building as example, and in Shanghai select the building of the same area.

rate between the rent and the sale price of the same house						
	name of the house	area	rent	price	euros	rate
Milan	via don minzoni, bovisa	43.00	600.00	133000€ (total)	133000.00	0.45%
Shanghai	New village of Pengpu	46.00	314.77	22182rmb/sqm	123531.72	0.25%

Tab. 20<sup>6</sup>

We have chosen the new building which located in via don minzoni, bovisa. There is a house with the area of 43m<sup>2</sup>, this house is for sale and at the same time it is also for rent, the rental price is 600 Euros and the sale price is 133000 Euros; In order to make the comparison easier, I have find a house in shanghai from the second circle which also is for sale and for rent at the same time. The rent for the house is 314.77 Euros, and the price of the house is 22182 rmb each square meter. According to the table 20, the final price for sale is 123531.72 Euros. The total price

<sup>6</sup> From <http://www.idealista.it/immobile/6060817/>; <http://case.trovit.it/index.php/cod.frame/url.http%253A%252F%252Fmilano.bakeca.it%252Fvendita-case%252Fbilocale-in-vendita-zona->; <http://sh.58.com/xiaogu/pengpuxincun/>

for sale is more or less the same to that of Milan. However, the ratios of rent to sale price differ a lot. It is shown in the table 20, the ratio of Milan is 0.45% and the ratio of Shanghai is only 0.25%. The rate for the house of Shanghai is almost a half of that of Milan. This difference of ratio confirms that if the one wants to take the rent to cover his investment, Milan is more suitable than Shanghai. And this ratio can be used as the rate of return on the investment. It represents the rate of return for every month. So when  $12 * T * \text{rate} = 1$ , the rent has already cover the investment. In this case, do not consider the problem of present value. Only to deal with it likes a pure numeral figure. And for the T represents how long a man can cover the investment with the rent.

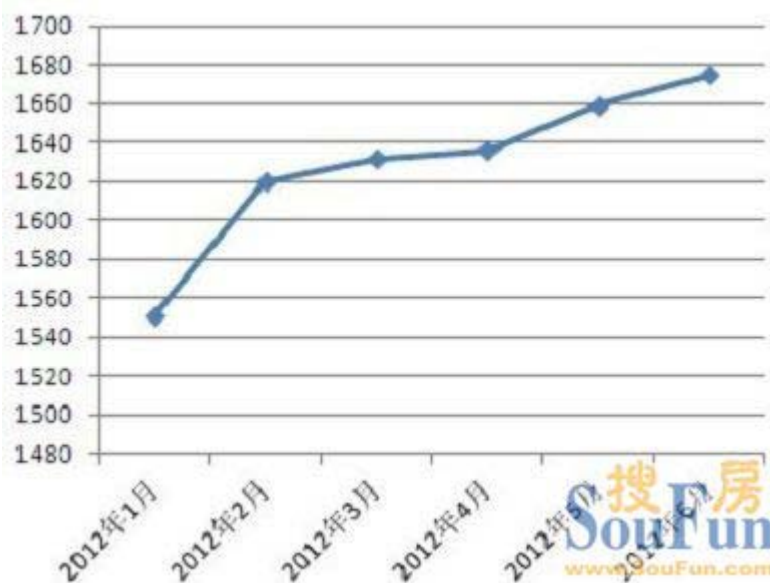
$$T = \frac{1}{12 * \text{rate}}$$

With the formula above, and the figure in the table 19, we know that, the investor can cover the investment in 19<sup>th</sup> year in Milan, while in shanghai, it takes 33 years for reaching the goal.

And for Milan, the house if for lifetime, after 19 years, it seems that you have paid nothing, but you finally got a house. However, in Shanghai, you have used 33 years to get this house without any cost, but you have only other 37 years for using it, because in China, you can only get the 70 years of using right. 33 years is almost the half of your right. So, in Shanghai it is not reasonable to cover the purchasing cost with the rent. While in Milan, use the rent to cover the purchasing cost is really a good way. But, nowadays, Shanghai is more and more international, accompanied with the policies for controlling the price of residential market, Shanghai has more and more phenomenon of “from purchase to rent”. Which made the rent price becoming higher and higher. According to the article from the website:

*租房市场供需旺盛推高房屋租金*

*2012上半年上海市租赁价格指数走势图*



“据数据统计，2012年上半年上海住宅租赁价格指数自春节过后一路上扬，尤其以一月增长的幅度最大，究其主要因素为受企业员工换工高峰和租赁市场季节性因素影响，市场持续活跃，导致在节后的租房房源紧俏。经过一月的市场“消化”后，市场逐渐趋于平稳供求关系变的不再那么紧张后进而导致租赁价格指数的增长幅度变小。”<sup>[19]</sup>

The article confirm the increasing of the rental price in shanghai in 2013. Although in 2013 the rent price has increased a little, but in total, with the history statistic, what's the change of the rental price?

And according to the statistic in this website, I find a figure of the change of the rent for the last 7 years:

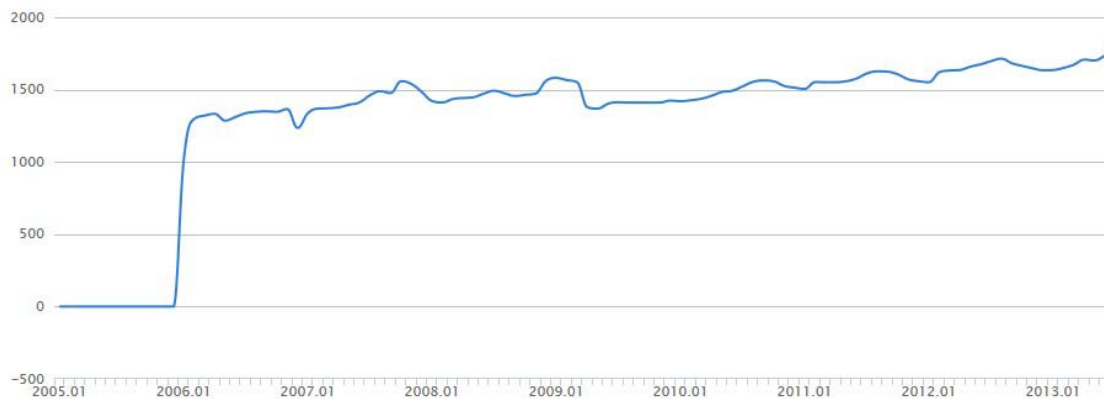


Fig. 21 (From <http://newhouse.sh.soufun.com/fangjia/>)

Set the rental price of Beijing equal to 1000 at the beginning of 2006, so the price of Shanghai is 1297. And from the figure 21, we can find that, the indicator floats around the 1500. At the end of 2013, the indicator equals to 1650, the growth rate is only 27%. And we know that, the growth rate of sale price is 57%, nearly twice of the growth rate of rent. So although the rental price is increasing, it still cannot be comparable with the sale price. In Shanghai, it is better to buy a house with low a price and sell it when the price increased rather than to cover the purchasing cost with the help of the rent.

And the Italian rental market is also mature; and we can get the average price of rent from the portal site. The average rent price is as following:

zona	affitto(€/m <sup>2</sup> al mese)
Duomo, Brera, Cadorna, Cattolica	21,21
Centro - Arco della Pace, Arena, Boccaccio	18,09
Centro - San Vittore	16,73
Centro - Corso Genova, Ticinese	16,57
Centro - Bianca di Savoia, Porta Vigentina, Gaetano Pini	16,43
Centro - Tribunale, Policlinico	18,32
Centro - Monforte, Corridoni	18,03
Centro - Moscova, Turati, Palestro	19,92
Sempione - Sarpi, Canonica, Piero della Francesca	14,19
Sempione - Fiera Milanocity, Pagano, Amendola	14,93
Washington, Sicilia, San Michele del Carso	14,46

Navigli, Solari, Tortona, Porta Genova	16,16
Bocconi, Bligny, Sabotino	16,48
Cadore, Montenero, Muratori, Libia	15,67
Indipendenza, Bacone, Regina Giovanna, Dateo	15,56
Centrale, Repubblica, Porta Nuova, Benedetto Marcello	14,10
Isola, Stazione Garibaldi, Stelvio	14,74
Monumentale, Lancetti, General Govone	12,13
Certosa, Quarto Oggiaro, Villapizzone	12,58
Bonola, Molino Dorino, Lampugnano, San Siro	13,05
Baggio, Caterina da Forlì, Legioni Romane, Quinto Romano	11,64
Barona, Famagosta, Giambellino, Lorenteggio	12,61
Lodi-Ripamonti, Cermenate, Gratosoglio, Chiesa Rossa	13,44
Porta Vittoria, Corvetto, Cuoco, Santa Giulia	12,94
Città Studi, Piola, Lambrate, Ortica	13,04
Bicocca, Monza, Maggiolina, Cimiano	12,14
Affori, Bovisa, Niguarda, Testi	12,59

Tab. 21(from immobiliare.it)

The tendency of the rental price is the same to that of the sale price according to the table 21, also performances a circular decreasing trend. And it is different from that of China; the rent price has the relationship with the area in Italy.

And the rental price and the sale price have a positive correlation relationship in Milan.



Fig. 22(From immobiliare.it)

According to the Figure 22, the tendency overall is almost the same to that of the sale price, this is a positive development; it also displays the maturity of the residential market of Italy. And according to the data in the figure above, the rent grows from 15.81 in 2011 to 15.21 in 2013, the growth rate is -3.8%, and it is more or less the same to -3.68% which is the growth rate of sale price of Milan. So as for the mature market like Milan, the rent price and the sale price have a positive correlation relationship, not only the data itself but also the growth rate.



## 6. Simulation Calculation

Through the comparison of the market data of these two cities, we have get some simply conclusion of the difference and the advantages and disadvantages of these two cities. And following that we have discussed the status of the rental market of each city. And now I will assume some data to make a simulation calculation with the help of the formulas to compare the investment more intuitively.

Now we assume that: you have 300000 Euros for investment, you can choose the way of mortgage, of course only in China. And you have to make a decision to invest in Shanghai or Milan. In order to compare them simply, you have decide to buy a house in the center of Milan or in the district Changning in Shanghai. The average prices of these two parts are same, equal to 8000 Euros each square meter. And you have to make a immigration if you want to buy house in Milan, so you have to choose the new house.

Then we can begin to solve this problem:

There are two kind of investment:

### 6.1 Purchasing the house with all the money:

In the district Changning in Shanghai, use 300000 Euros to buy a house, it costs 8000 Euros each square meter, so,

Area of the house:  $S=300000/8000=37.5m^2$

Then use the currency 1 Euro= 8.26 Rmb to transfer the Euros into Rmb,  
300000 Euros = 2478000 yuan

Then the extra cost you have to pay in shanghai is,

According to formula 1,

$$W'_n = 1.5\%P_0 + 3S + 0.05\%P_0 + 2.5\%P_0 + 50 = 4.05\% P_0 + 3S + 50 \quad (0 < S < 144)$$

$$W'_n = 100521.5 \text{ rmb} = 12169.67 \text{ euros}$$

And in Milan, use the same money you can get a house with the same area in the center.

First house for migration, the extra fee is,

(In this condition, you have to pay the migration fee and other fees)

According to formula 5

$$W' = 18.47\% P_0 + 13310 + 3.565S$$

$$W' = 59173.69 + 9680(\text{migration fees}) = 68853.69$$

Second house not for migration, then the extra cost is

According to the Formula 6

$$W' = 16\% P_0 + 3630 + 3.565S = 51763.69$$

From the result above, we know that the extra cost in Italy is much higher than that of China. In Italy, the extra cost usually takes a 20% of the total cost of the house, however, in China; it only takes 4% of the total cost.

### 6.2 Purchasing with mortgage

This way of purchasing only suit to the house in Shanghai, so assume that you use

only 200000 Euros, and the other 100000 Euros, you get from the bank with mortgage. Assume that you decide to repay it in 10 years.

100000 Euros= 826000 Rmb

So the extra cost if the interest,

According to the formula 3

$$W_{\text{loan}} = \sum_1^{12T} (\text{loan} - \text{already paid}) * \frac{R * (1 + R')}{12}$$

According to the latest interest rate, the benchmark interest rate for loan is 6.55%, and chooses 10% as float.

So,  $R'=10\%$   $R=6.55\%$

So the interest in total after 10 years is,

$$W_{\text{loan}} = 300046.22$$

Remain this figure here, let's calculate the earning, in final, we will use this figure.

Two kind of Earning:

### 6.3 Take the rent as income to cover the cost

According to the statistic above, in general,

In the center of Milan, a house with 40m<sup>2</sup>, according to the table 20, we know that the rent of the house in the center of Milan is 18.19€/m<sup>2</sup>,

So the rent  $U=40*18.19=727.6$  Euros

In order to calculate easier, set  $U=750$  Euros

For Shanghai, we can only based on the statistic to estimate a value, in general, it can 4000-5000 RMB, so in Euros it is about 500 Euros.

So the rate of return on investment is

According to the Formula 7,

Milan: 0.203%

Shanghai: 0.16%

And then according to the Formula 8, we can get how long the rent can cover the investment,

For Milan: 41 years

For Shanghai: 52 years

So, in conclusion, in the case of take the rent as the method to cover the purchasing cost, invest in Milan is better than Shanghai.

Three reasons for that:

- (i) From the view of the data, the rate of return on investment in Milan is higher than that of Shanghai. So it is more suitable to cover the cost in this way.
- (ii) From the view of the years of balancing the income and cost, although the high rate of return means the low years of balancing the income and cost, the number of the years plays a important role for this. In Shanghai, it 52 years to cover the cost, if a man can afford the cost during the age of 30 to 40, no one can ensure the man can cover his cost before he goes to another world.
- (iii) From the view of the limit of the using time of the house, which we have discussed before, the house in Italy is for lifetime. So in Italy, after 41 years, you

can get the house, before you go to another world, you can give it to your children. But in Shanghai, even if you can cover the cost in 52 years, but in only less than 20 years, you have to give it back to the government.

From the comparison of the way of taking rent as the income, the result is Milan is better than Shanghai. But in fact, both these two method take quite a long time. It should be called a way to get a real estate free rather than called an investment. So only in the case when one who considers the gain of the real estate as an investment, it is better for him to choose the residence in Milan.

#### 6.4 Sell the house with a higher price than bought

To make the calculation easier, assume that you have taken the house for 5 years. So you don't need to pay the personal income tax and the business tax. Neither in Italy will you pay the tax.

Now we use the data before to estimate the market in the future:

The sale price of Milan and Shanghai in recent two years:

	2011 Oct	2012 Oct	2013 Oct
Milan (€)	3854	3772	3712
shanghai (rmb)	22043	24548	29193

Tab. 22 (from fig.17 and fig.19)

According to table 22, we know that the yearly growths rates of the sale price are relatively,

Milan: -2.13% and -1.59%, so the media of this value is -1.86%

Shanghai: 11.36 and 18.92%, so the media of this value is 15.14%

So estimate the price after 5 years:

Milan:  $300000 * (1 - 1.86\%)^5 = 273118.7$

Shanghai:  $300000 * (1 + 15.14\%)^5 = 607089$

And the extra cost for the sale is,

According to the formula 4:

$$W' = 1\%P^* + 3S + 0.05\%P^* + P_1 * (S'/S) * A = 1.05\%P^* + P_1 * (S'/S) * A$$

In general, the apportionment area in China takes a percentage 5%-10% of the total area, so select 5% here. And assume the floor is lower than 10<sup>th</sup>, and then the A=10%.

Of course here  $P^* = P_1 = 607089$

And  $W' = 9409.88$

So the final Income  $E = P_1 - W' - P_0 = 297679.12$

Though the comparison of these two cities, we can find that, if the resell at a profit is the object, obviously you should choose Shanghai. In this method, Shanghai is far better than Milan.

And in order to explain the earning of the investment more clearly, now we calculate the earnings after 5 years with the help of mortgage:

Assume that take the maximum percentage of mortgage: 50%, that is, 150000 Euros, within 5 years.

So according to formula 3,  $W_{\text{loan}}=201544\text{rmb}=24400$  Euros

And the final earning  $E= P_1-W'-24400-P_0=273279.12$  Euros

Here come to the conclusion with the results above: if the residential market in China can maintain the high-speed upward tendency, resell at a profit in China will not loss. Even though have applied for a mortgage from the bank, you can get the income when you finished the transaction.

Of course the simulation calculation has lots of problem should be paid attention to:

1. The residential market of Milan, shouldn't be continues depressed. Thanks to the EXPO in 2015, it will stimulate the economy and the residential market
2. The implementation of this new policy will attract more investors, so it will also lead to the increasing of the residential price
3. The residential price of China cannot be always increasing, the growth rate of 15% cannot maintain a long time. The phenomenon doesn't conform to the principle of the market economy.
4. In order to estimate the value in the future, we should take the data into consideration at least for 10 years. Only with two years, the result is not exact.
5. And the future price is based on the indicators of new house, while the house for sale is the secondhand house, so the price of it should be estimated by the tendency of the price of secondhand house. But the problem is there is no indicator for transferring the value of new house to secondhand house.
6. The currency in the calculation is equal to 1:8.26, but it always changes and has a huge impact on the result. When the RMB takes a appreciation, the advantages for the Chinese consumer to invest in Italy cannot be displayed by the calculation.
7. And the currency has its own value, when calculate the price during a long time, we should take consider of the present value and future value. So some advantages for mortgage cannot be seen.
8. As the analysis before, the market of Italy is mature, it is a stable market. While the market of China performances a abnormal status, it is very dangerous. Only from the too fast and continues increasing price, we can believe that there is bubble in it. So the investment in Chinese residential market is very risky.
9. The personal attitude cannot be considered into the calculation. For those who just want to make the migration, they will not care the earnings.
10. The simulation calculation is to display the advantages and disadvantages in the numeral way. The object for it is making it easier for people to understand.

## **7. The comparison of the similar policies of other European Countries**

From the view of investment, I have already given out the difference between Italy and China. This can help us to understand whether the Chinese people will make the migration with the object of investment. And now it's the time for analyzing the part of migration of this new policy. From 2012, there are more and more European countries published the policy of immigration. Now let's take the comparison of them. According to the latest published immigration policy from each European countries, there are eight countries implemented the similar policies, they are: Cyprus, Latvia, Portugal, German, Spain, Greece, Hungary, and Italy.

Now let's look at the details of each country's policy:

### **The Republic of Cyprus**

The Republic of Cyprus introduced an Immigration Policy in the year of 2009 which established people could obtain Green Card of EU by investing real estate. According to the Policy, the whole family can obtain "EU Identity" so long as the applicants buy more than 300,000 Euros worth of house property and approved by the local authorities in Cyprus.

Conditions of Immigrant Investors:

The main applicant shall be 18 years or older without criminal records. Attesting applicant and his/her spouse shall have 300,000 Euros worth of assets under their names (including but not limit to corporate assets, real estate, securities), investing 300,000 Euros or more on real estate (mortgage loan included); Main applicants and their spouses shall, on their first entry, deposit 30,000-Euro security deposit into their bank accounts with their children 12,000 Euros for each.

### **The Republic of Latvia**

Based on policies of Latvia, investors shall invest only 100,000 Lats, on real estate if it is located in CBD, while the amount of investment is only 50,000 Lats where the property is situated in other areas. And the latest Immigration Law even permits that applicants can get Permanent Residence by accumulating the value of the Estate provided that the aggregate value exceeds the lowest amount of investment.

Conditions of Immigrant Investors:

The main applicant shall be 18 years or older without criminal records. Applicants could apply Permanent Residence if they invest 150,000 Euros on real estate in the area of Riga, the capital of Latvia or 75,000 Euros in areas other than Riga.

## **Portugal**

Portugal enacted a series of laws providing that non-EU citizens can obtain residential permits by investing 500,000 Euros in Portugal. Applicants can open the gate to European countries by spending 500, 00 Euros while their descendants may also enjoy more preferential treatments and convenience.

Residential permits can be granted so long as any one of the following conditions is satisfied: 1) by investing at least 1,000,000 Euros money, 2) by purchasing 500,000 Euros worth of property,3) by creating 30 job opportunities. The approved investors no longer need to go to The Portuguese Consulate for residence visa.

## **German**

German Business Residence Project provides that applicants can apply for Entrepreneur Immigration by registering a corporation in Germany. And the lowest registered capital is 25,000 Euros. Investors can obtain a 3-year visa for residence where they run a company successfully. Furthermore, applicants may apply permanent residence visas if the enterprise keeps operating successfully after the 3 years so as to achieve the planned business goal.

Conditions for applicants: 1) Age: between 25 and 35, 2) Language: English or German, 3) Personal assets: 100,000 Euros, for those who are older than 45, certificate of 180,000 cash deposit shall be supplied.

## **Spain**

Spanish vice premier declared on May 24th that the Spanish Government would grant foreign investors Spanish residential permit if they invest more than 500,000 Euros on properties or 2,000,000 Euros on Spanish national debt.

Conditions of maintaining residential permit:

Deposit enough living expenses into personal banking account in Spain before extension: for a whole family the amount has to be more than 100,000 Euros and meanwhile certificate showing income more than 75,000 for the last year has to be supplied.

Purchase of medical insurance

No experience of any local business or jobs and no criminal records.(applicants who would like to pursue local job opportunities may apply other types of visa)

Keep living in Spain for 1 to 3 months for the first five years.

## **Greece**

Qualifications for investment immigrants in Greece

1. Age limit for the main applicant : 18
2. Invest 250,000 Euros or more on real estate in Greece
3. No criminal records
4. Be in good health

## Hungary

1. Qualifications for national debt immigrants
2. Age: 18
3. No criminal records on main applicant
4. Main applicant invests 250,000 Euros on Hungarian national debt.

With the narratives above, including the policy of Italy, we can get a table as following:

Country	investment minimum €	Cash deposit yearly	Schengen
Italy	200,000 <sup>7</sup>	31000€/year income	yes
Cyprus	300,000	30000€/year deposit	no
Latvia	75,000	16000€/year deposit	yes
Portugal	500,000	-	yes
Germany	25,000 register a company	100000€/year	yes
Spain	500,000	75000€/year income	yes
Greece	250,000	-	yes
Hungary	250,000 government loan	-	yes

Tab. 23

According to the table 23, the policy of Italy, Cyprus, Latvia, Portugal, Spain, and Greece can be collected into the same group, since all of them are investing property, getting migration. And the policies of Germany and Hungary are different from those of the previous countries.

Now make a comparison of these policies:

### Cyprus,

The policy of Cyprus has a media level of minimum investment and the media cash deposit. Just from these two factors, it is a good choice. However, the big problem of this policy is that Cyprus is not the country of Schengen. For those who want to go to the other countries without any limitation would not like this policy. Take the view of this, the project of this doesn't dominate the others. The advantage of this policy is that there is no stringent requirement.

### Latvia,

The policy of Latvia has the least minimum investment and the least cash deposit. These should be the biggest advantages. But the disadvantage of it is the country is not very famous in China. Many people in China have never heard this country. Less people will make a migration to a place where he has never heard of.

### Portugal,

The policy of Portugal has a relatively high minimum investment, but doesn't have a requirement of yearly cash deposit. No cash deposit can become the advantage of

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<sup>7</sup> there is no minimum investment in the policy of Italy, the value is based on the price analysis before, 200000 is a value estimated

Portugal. And thanks to the city of Macao and the pastel de nata, Portugal is very famous in China. The only problem is Portugal is not the traditional famous country for travelling. (Macao is a city of China which was colonized by Portugal before December 20<sup>th</sup>, 2000)

Spain,

The policy of Spain has a relatively high minimum investment, and the highest yearly cash deposit. These points can be the disadvantages of this policy. But the biggest advantage for Spain is the high popularity in China. And Spain is the traditional famous country for travelling.

Greece,

The policy of Greece has a relatively low minimum investment, and doesn't have the yearly cash deposit. These are the strong advantages for it. And in China, Greece also has a relatively high popularity. But thanks to the popularity, many Chinese have known the economic downturn of Greece. Will there many investors come to a country with the problem of economy? We have to see.

Hungary and Germany,

The policies of these two countries are not the so called 'investment migration'. For Hungary, 250000 Euros only worth some government bond, it is not a nice choice. And what's more, the economy of this country is not very good. In short term, it is hard to forecast the value added for these bonds. Use this money can also make the migration and at the same time get a house, so why not choose the other country. And for Germany, the policy is not for those who want to make a migration for living out their life in retirement. This policy is for those who want to work in Germany. So the audiences are not the same to the others. So there is no sense comparing it with others.

Italy,

The policy for Italy doesn't have a minimum investment, but according to the analysis before, it may at least cost 200000 Euros to buy a house and achieve the migration. And this level is relatively low relative to that of the other countries. It can be seen as an advantage. However, the disadvantage of the policy of Italy is the "cash deposit". Here in the policy of Italy, it cannot be called as cash deposit, because the policy says that the immigrant should provide a certification which verifies the immigrant has the non-wage income equal to 31000 Euros each year. This income cannot be the payment for work; it can be the dividend, the rent of house, the pension, the insurance of profitability and etc. So it is not easy to reach 31000 Euros only from these resources. So it can be taken as a disadvantage of the policy. And there is no doubt that the high popularity in China will attract amounts of people to pay attention to this policy. Only if the applicator can reach the requirement, the Italy can be quite a good choice.



## 8. Conclusion

The text has analyzed the feasibility of the Italian investment immigration policy from two points of views. For the first view is the investment. For those who want to get the visa truism in the way of buying house in Italy, they can be called investors. They don't need to live in Italy for a long time; here is only a field for travel. And for the time they are not in Italy, the house can be lent out for the rent. So from this view, the policy is a really good policy. As the analysis above, we have made comparison of the two residential markets of Italy and China and with the help of the behalf cities from both countries, we have taken a good knowing of the tendency and the stability of these two market. Only from the view of investment, investment in Italy is far better than that in China, people can get lifetime property and the fewer years for covering the cost in Italy. So if the one has the object of getting the visa in Italy by investment, with the comparing of these two countries, it's rather a good choice. And for those who want to get the real immigration, we have to take the views both from the market itself and the policy itself. As which has been shown at the final part of the text, there are many choices in Europe, but to sum up all the factors, the policy of Italy has more advantages than that of the others. For the policy itself, when the applicant can meet the requirement of the policy, the Italy can be the first choice for them.

And with the help of the simulation calculation, we know the differences more numerical of these two markets. For the purchase and sell market, China is better than Italy, while for the rent market, Italy is really better than China. However, as the analysis before, the market in China now can be considered as a market with bubble, so it is really hard to say what will happen in the future of the residential market in China. Of course from the factors analysis in the fourth part, we know that in short term, the market cannot downturn quickly, while the trend of the development of the residential market in China is abnormal now, it goes against to the regular pattern of the market economy, so we are sure that the market in the future can be different from nowadays. In other words, the Chinese residential market is not stable enough, for the investors, they have to consider it carefully before the investment. On the other side, the residential market in Italy can be considered as a market mature and stable, from the figure in the latest 20 years, it accords with the market economy, and it has the peak and the trough. So the residential market in Italy can really have the ability of holding value.

And for the future, as discussed before, the Chinese market will still go high, but only one problem is that no one knows when it will drop down. When that day comes, it can be a damaging and destructive to the national economy and the real estate market of China. For the investors, they will be down and drain. However for the Italian market, from the view of the GDP in the latest months, it begins to turn upward, it can be taken as a sign that the economy of Italy begins to recover itself. And in 2005, the Milan Expo will attract all the sights from the whole world to focus on Italy. We cannot say the economy will certainly turn upward, but the residential

market of Milan can be cause concern by them, that is to say that the situation of the Milan residential market will warm up in the future and if the economy in the future will take the trend of the latest two month, the residential market of Italy will have a satisfied future.

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