

ROME: ANALYSIS OF THE CITY AND ITS URBAN DEVELOPMENT

Modern urban development in Rome can be considered in terms of a "succession of ages." Urban sprawl dominated the post-war years, as whole residential districts were constructed by private interests. In the '70s, new residential areas were constructed with public funds.

The '70s also marked the beginning of an illegal suburban sprawl. Huge districts arose without government approval; this has been a constraint on the city's development.

The striking lack of city services (some minor, some absolutely essential) has led to vital economic resources being wasted. This emergency situation has been counter-productive to long-term investment. Much of the public-sector financial resources have been deployed in setting up essential primary services (aqueducts, sewage systems, lighting, etc.) and in resolving all the problems and errors which serious planning could have avoided.

This situation has been the background for a long debate on the role of the State and its relationship with its capital city, and on the need for channeling financial reserves on an effective overall basis.

This renewal of interest at the State level, and the economic and financial implications of the operation, have had the effect of arousing attention and expectations on the part of venture capital groups and both private and public sector interests. Some estimates at the municipal offices in Rome have set the level of investments for the three year period 1989-1991 at no less than £. 10 trillion.

The whole future of the city needs to be seen in this framework. Demand for new housing persists, as does demand for services and urban networks. Two different solutions exist: old-style urban expansion; and re-evaluating priorities on a global basis.

City officials cannot seem to provide precise guidelines in either direction.

Features Of The Rome Area

The city of Rome is very extensive. At 1,508 sq.km. it is eight times the size of Milan and thirteen times the size of

Naples. The metropolitan area has 3.4 million inhabitants. In the early 1980's the population level fell slightly, but to a far lesser extent than the levels in Milan and Turin.

The service sector comprises 77% of Rome's income. The city owes its stability to the predominance of the public sector which acts as a buffer, carrying the city through periods of economic difficulty; but, conversely, it acts as a heavy restraint to any significant recovery process during phases of expansion. With a weak manufacturing base and a top-heavy public administration, the economic life of Rome has not been driven to commerce and industry by the service industries, as is evident in other large urban areas.

In the period from 1971 to 1981, the province of Rome dropped 40 places (from 11th to 51st) in per capita income for Italian provinces.

New trends are developing: there is a marked growth in research and development activities; there is a growing trend in "high technology" manufacturing (mostly electronics and telecommunications). Factories and plants are located in the eastern quadrant (Tiburtina Valley).

The long-awaited restructuring of marketable services and of the public administration leads us to believe that the processes of technological innovation, computerization and reorganization will be very closely connected.

Rome will play a fundamental role in the systematization of the national economy, acting not only as a representative and decision-maker, but also as a producer. Rome has 54,000 hectares of land for urban use, less than 20% of its total surface area; plus another 9,000 hectares of land already allocated for specific uses.

The proportion of land for public use has increased in the last ten years, from 111 to 160 sq.m. per inhabitant. The growth in the urbanization of land arises from three factors:

- (a) increase in non-residential use resulting not only from manufacturers moving away from the center, and to local large-scale community facilities, but also to activities which are not immediately concerned with manufacturing (low-level such as depots, unloading areas, plants; and high-level activities sports and leisure complexes);
- (b) low population density, arising from requests for more extensive and personal housing accommodation to

This article, "Rome: Analysis of the City and Its Urban Development," is published with the permission of Economia Immobiliare, (No. 3, 1989): 43-49, Associazione Italiana Consulanti Immobiliari.

be provided in less built-up areas; (c) under-use of urbanized areas, arising when speculators wish to avoid the taxes and fees levied in more built-up areas.

The Housing Market

The Rome market is the most important in Italy, and has increased substantially over the last few years. 1988 saw a 13% increase in sales contracts over the preceding year, a fact which cannot be rivalled by any other Italian city, where the increase has only been in prices but not in real terms of volume of sales.

There is still a steady flow of "newcomers" onto the housing market in the capital, even if less than in the past. Therefore the number of sales remains high.

The market has been active in all sectors, with a particularly positive trend in the central area, where there have been massive price increases of as much as 120% and more. In other zones price increases have been more conservative: an average of 15% during the course of the year.

Forecasts for the latter end of 1989 are good, because demand remains strong across all market sectors, with only a few indications of "fatigue" towards the end of September-October.

Asking prices for high prestige central areas may go up yet again as they have risen less than in other Italian cities (Milan, Florence, Turin) during 1988. In other areas (non-central) prices should rise about one point more than the real rate of inflation.

The Office Space Market

Office Space Occupancy Levels

In 1985, the office occupancy level in the region of Lazio reached 1,909,856 units: 1,391,977 (73%) in the service sector, which had an estimated average annual increase of 50,000 new jobs per year during 1985-1990. Since 80% of the region's service industry is located in Rome, approximately 40,000 new jobs open per year in the service industry just in the city of Rome.

According to our estimates, 40% of the new jobs are in private and public management/administrative offices.

TABLE 1

Province of Rome		
% Increases in Occupied Office Space		
Area	Services Sector	Public Administration
City of Rome -CENTER-	12.7	60.2
NW Urban Area	24.3	8.8
SE Urban Area	44.7	23.8
Other Townships	18.3	7.2

New Constructions

Average annual new construction is approximately 5.5 million cubic meters — about 1,700,000 square meters: this figure has remained constant since 1980. (Source: Statistics Office, Municipality of Rome).

N.B. The 1988 figures are not yet available. In 1986-87, 80% of new construction was for residential purposes, and the remaining 20% (about 1,000,000 cubic meters per year) was for other purposes. Of that 1,000,000 cubic meters per year, 350,000 cubic meters were used for office space (in 1986) and 700,000 (in 1987).

Building permits for construction of non-residential buildings were granted in 1987 for 1,000,000 cubic meters, and during the first three months of 1988 the figure was 205,000 cubic meters. This steady level of new office construction is foreseen until 1990-91.

Current Scale Of The Rome Market For Large Office Space

During the last 12 months, there has been an increase of over 10% in the availability of large office space in Rome. This could be due to the entry on the market of new and completely restructured properties, (and) or to the greater spread of the market with private and local government offices tending to move from the center out to the suburbs.

At the present time, in the municipality of Rome, over 200,000 square meters of office space are available, distributed as follows:

Available Office Space		
Area	(Square Meters)	%
South	150,000	68
East	25,000	11
North	30,000	14
West	15,000	7

Demand

The most popular areas are: Center; Outer Center—West; Outer Center—North; Outer Areas—South (EUR, Laurentina, Vigna Murata, etc.).

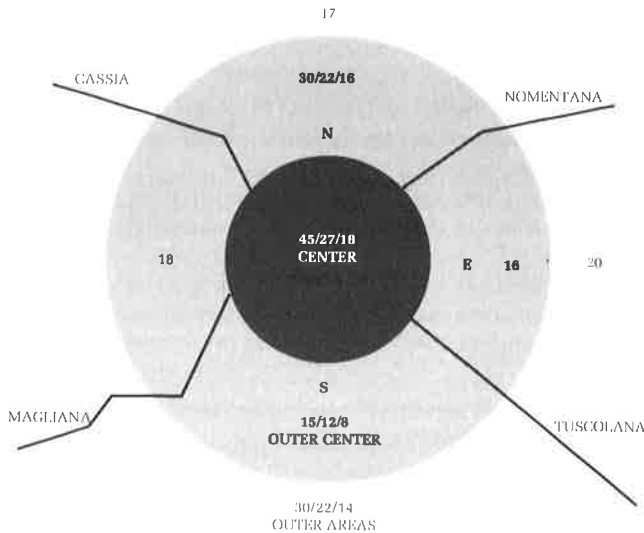
A research survey conducted by CRESME in 1986 reveals that demand for offices in the upper service sector (managerial and administrative levels) is distributed as follows:

- Center and Inner Center West 43%
- EUR 16%
- Outer Center North 11%
- Outer Area South (and beyond EUR) 6%
- Outer Center East 6%
- Other Areas 18%

The potential demand for new office space is about 400,000 square meters per year. Part of this demand will be satisfied by conversions of residential properties to office use (both legal and illegal); and part will be satisfied by new buildings and by refurbishing existing buildings.

GRAPH NO. 2

Rome: Monthly Rent for Office Space
(£. x 1000/mq - Spring 1989)



Demand for new office space is estimated to be about 200,000 square meters per year for the next three years.

Short And Medium Term Market Growth

The potential market of office space over the next three years will be approximately 460-760,000 square meters, divided as follows:

1. properties presently blocked by authorities 60,000 sq.m.
2. abandoned properties to be converted into service sector use 100,000 sq.m.
3. new constructions:
 - 3 years x (min. 100,000 sq.m.) 300,000 sq.m.
 - 3 years x (max. 200,000 sq.m.) 600,000 sq.m.

Illegal office use conversions have not been included in these figures.

New office space in Rome to be completed by 1/1/91:

<u>Area</u>	<u>Square Meters</u>
South	200,000
East	55,000
North	20,000
West	45,000

Prices

If supply remains at the minimum levels indicated above, there will be price competition. It will become a buyer's market, however, if production reaches the upper levels, which is predicted.

The time taken to rent out or sell office space tends to vary from zero (in the cases where the premises are already sold or rented before the building site is completed or even opened) to a maximum of 12 months.

Since we foresee an increase in the cost of money and a partial devaluation of the Italian lire in the short and medium term, an average increase in building costs of about 10% per year can be expected for 1989-91.

Prices will undergo a similar increase (with a balance in supply and demand), slightly above the rate of inflation.

Sales prices in central areas of Rome have risen 20% in the last 12 months, (13% in real terms), whereas the level is only 7% in the suburbs (at inflation levels). Rental levels have gone up less (maximum 16% both in the center and the suburbs).

The difference in growth trends between sales and rental prices is partly due to purchasers' expectations of higher future income.

Therefore, there will be an increase in rental prices in the short term. The estimated average increase is about 10% gross annually and 4% net of inflation annually.

There will probably be a greater increase in 1989 with respect to previous years than there will be in 1990 and 1991 and therefore it is reasonable to predict an overall slowing down of the market.