

New perspectives in the Italian Property market: the funeral sector

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Abstract

Purpose

The aim of this paper is to investigate a particular type of property market, that of funeral homes, of which little is known, despite the fact that it is an expanding market, reflecting a social and cultural change in Italy.

Methodology

A qualitative analysis of the funeral property market was carried out. Information and data were collected from funeral companies, with reference to their market strategy, and from institutional investors, in order to gauge their knowledge of that specific sector and their willingness to invest in this specific property type. The instruments used were questionnaires, telephone interviews and on-site visits.

Findings

Research results suggest that Italian funeral companies identified a new property market, responding to the demands of a changing social context, especially in northern Italy. Limited experience in the management of this asset, lack of a clear and uniform legislative regulation at the national level appear to be among the main difficulties.

From the investors' point of view, the main problems in investing in this property were the lack of adequate knowledge in the sector and moral qualms about the specific type of assets.

Research limitations

The small sample restricts generalization beyond the companies that participated in the research. Furthermore, the research only focused on the private sector related to niche market strategy and property investments.

Practical implications

The paper could raise awareness of a specific and not well-known property market among the real estate operators.

Originality

The originality of the analysis lies in investigating a relevant phenomenon from the social point of view, that has been little or not at all addressed from the point of view of real estate, particularly in Italy.

Key-words

Funeral homes, leave-taking rooms, Italian property market, Property Management, Real Estate Investments, Funerary sector, niche market strategy.

Article Classification

Research paper

Introduction

Today, “farewell architecture” in Italy is changing in response to a new complex social fabric, resulting from a new cultural, ethnic and religious mixing (Bartolomei *et al.*, 2012). Funeral homes are architectural complexes supplying many services and allowing the celebration both of laic rites and of any religious creed. In these new building typologies it is possible to perform all the post-deceased procedures, including rituals, funeral wakes, and other services required by family members to pay their last respects to their beloved ones. The need for new commemorative structures and funeral facilities, characterized by a new functional and typological layout, is determined by the ever-increasing presence of commemorative rituals parallel to traditional liturgies, combined with social and economic changes.

As reported in a publication that illustrates the results of an architectural competition for the design of a farewell citadel in Ferrara: “With the advent of a multicultural society with different habits, customs and confessions, and with the spread of a secular, agnostic and atheistic mentality, the need to have a specific place for funeral ceremonies open to any religious creed and sensitivity appears clear” (èFerrara Urban Center, 2012).

Whatever the creed, the final rite of the passage remains a fundamental moment, bringing together friends and relatives in one place where they can express sorrow and grief and remember their beloved ones. The need for such a private place was the input for the introduction in Italy of a new type of *Special Purpose Property* already present abroad: funeral home.

Until a few years ago, funeral homes were barely present in Italy. In recent years this type of building has seen a growing expansion, but still there is no law at the national level that regulates this type of structures; all regulation is left to the regional initiative.

The aim of the paper is to highlight the main aspects of this not very studied phenomenon, providing some facts and figures. The paper explores the point of view both of some private funeral companies that own and/or manage these facilities, and of some institutional investors, real estate asset management companies (Società di Gestione del Risparmio SGR) operating in Italy, in order to understand their degree of knowledge of this market and their interest in considering these properties as an eligible investment asset.

Background and context

Funeral homes represent an answer in terms of services supplied by the funeral companies to the new needs arising from social and economic transformations in the Italian society (Bartolomei, 2015).

Most of the population in the urban areas lives in small houses that do not make it possible a proper commemoration of the deceased and the traditional practice of the home wake. In other cases there may be a demand for elegant and spacious places required for official funerals.

Furthermore, often the spaces of mortuary rooms within the healthcare facilities are not very spacious and those of the cemetery facilities are often characterized by a state of dereliction, saturation and high costs. From a religious point of view, on the one hand there is a loss of those beliefs and practices, which were

strongly linked to the liturgical rite, on the other hand there are different cultures and religions within the population or even within the same family. Finally, these structures offer support and assistance in the bureaucratic aspects necessary for the organization of the funeral.

Although both funeral homes and leave-taking rooms represent an architectural evolution of the classic funeral rituals, it is necessary to make a distinction between the two typologies in terms of purposes and origins.

Indeed, the leave-taking rooms were developed in the Northern Italy regions on request of agnostic associations and the atheist, who demanded a suitable place to pay their last tributes to their beloved ones without religious implications. In response to these requests, municipalities renovated derelict buildings and rooms within the local cemeteries, blurring the boundaries between Catholic and laic spaces.

Funeral homes are a commercial evolution of this original typology. This kind of buildings can be both seen as a specific property investment and a part of the services offered by funeral companies, with the aim to increase profits and clientele.

While some literature concerning anthropological and cultural aspects or the services related to the funeral rite (Kyj *et al.*, 1988; Grossberg, 2004; Morelli and Perry, 2017; Korai and Souiden, 2017) may be identified, very little or none literature was apparent concerning the issue from the point of view of real estate, in Italy specifically. However, it is possible to consider as a theoretical framework for the strategies of the funeral companies the studies regarding niche market strategy. An extensive review of this literature is available in the paper “Niche market strategy for a mature marketplace” (Parrish *et al.*, 2006). For what it is here concerned, there may be contended to be a series of issues that can be applied to the case of funeral homes when defining a niche market in terms of market segmentation and specialized product. Indeed, companies try to identify a new niche market starting from the needs of few customers and gradually extend their customer base. This is what happened in Italy due to the changes in the social and economic structure, starting from some very specific needs, those of the agnostic and the atheist. These needs had to be met through a new product development, funeral homes, which were already existing in other countries.

Similarly, with regards to funeral homes as an eligible asset class, there is no apparent literature. Most papers are concerned with the general description and analysis of real estate investment decision-making process, and the mismatch between theoretical models and actual investment decisions (Adair *et al.*, 1994; Sah, 2011; Parker, 2014; Parker, 2016). Anyway, also in this case it is possible, having regard to the previous literature, to give a broad outline of the aspects influencing investment decisions.

Generally, investors base their investment decisions on historic performances and transactions; even though diversification by property type is one of the drivers in the investment portfolio, most institutional investors maintain a conservative investment style and tend to invest in the office sector, being the property class for which data are more abundant and available, and which are perceived to be less risky. Thus, the assessment

of the investment performance of innovative property assets, like the funeral homes, can pose some problems.

Investments in alternative property sectors that could be considered for comparison are the investments in the property sector of healthcare, which plays an increasingly important role among institutional investments and is considered a sector providing diversification benefits in a property portfolio.

for which more literature is available reporting positive and negative experiences to learn from (Ellison *et al.*, 2015). The healthcare sector

In particular, (Newell and Jufri Marzuki, 2018) identify some drivers of the healthcare property sector: ageing population demographics, lack of suitable accommodation, need for modern facilities, long leases for operators, indexed rental income, highly regulated industry. These drivers could be taken into consideration for the funeral home sector and serve as a benchmark: so, for instance, the lack of regulation constitutes a weakness in the funeral home sector.

Newell and Jufri Marzuki identify both property-specific risks and healthcare industry risks in the healthcare sector. The property-specific risk factors which could be applicable to the funeral home sector are: quality of property stock, obsolescence, operator lease risk, reputational risk and scale.

As we will see, given the particular sector, reputational risk can be considered by investors as a potential risk factor, when investing in funeral homes. Achieving scale can also be a problem since this specific market is very fragmented.

With regard to the industry risk factors, those that could be more related to the funeral home industry are reported: government regulation of sectors' operation, impact of new regulations, increased operator competition. Actually, in the funeral sector the risk is rather due to an absence of uniform laws and regulations, while the market seems to offer space for new operators and the operational risks seem low in comparison to the healthcare sector.

Other countries' experience in the funeral house market is not helpful: indeed, even in the U.S.A., although these buildings are more widespread and the market is more mature, there does not seem to be any REIT (Real Estate Investment Trust) specifically dedicated to funeral homes: among the 11 REITs dedicated to the "specialty", none invests in these facilities (NAREIT, 2017).

Funeral homes have been present in the United States for some time: in 1984, the Federal Trade Commission promulgated the Funeral Rule for the protection of consumers; it required adequate and transparent information on the services offered by companies and funeral agencies, and it became the regulatory source for the operators in the sector [1].

In the U.S.A. institutional operators willing to consider these real estate assets direct their investment to some Master Limited Partnership.

"A master limited partnership (MLP) is a limited partnership whose interests (known as "units") are traded on public exchanges, just like corporate stock. [...] MLPs are primarily focused on energy-related industries and natural resources. Of the estimated \$460 billion in MLP capital currently in the market, approximately

\$370 billion (or about 80 per cent) is from businesses involved in qualifying energy and natural resource activities” [II]. Just four MLP are devoted to real estate: one of these is StoneMor Partner L.P. [III]. This company owns 316 cemeteries and 93 funeral homes; it has been operating in this market for a century and provides a broad scope of products and services through the ownership, development and operation of cemeteries and funeral homes. The company’s headquarters are in Treviso, Pennsylvania [IV].

Also in Italy institutional investors are starting to consider this specific sector. Sorgente SGR established “Proserpina”¹ investment fund specializing in cemetery construction. “With an investment plan of 100 million euros in the first three years, “Proserpina” fund, a closed-end reserved real estate investment fund, has the social purpose of developing public-private partnerships with Italian municipalities, both brownfield and greenfield. The fund is characterized by a yield between 7 and 8 per cent per annum against a small risk related to cemetery construction” (J. B., 2018).

More relevant to the property market of funeral homes is the recent news of the purchase by Augens Capital, a private equity firm, and BMO Global Asset Management, asset management division of the North American group BMO Financial Group (Bank of Montreal), of the company San Siro American Funeral S.r.l. (bebeez, 2019). Founded in 1965, San Siro was inspired by international experiences in the sector and brought the funeral home tradition to Italy from the United States; the company owns and operates two funeral homes in Milan.

¹ Proserpina was the ancient Roman goddess, whose cult was based on that of the Greek Persephoneis, associated with the Underworld realm.

State-of-the-art in Italy

In 2016, 6,589 funeral enterprises with 23,180 employees were present in the funeral services sector in Italy [V]. The estimated turnover was over 1.7 billion euros and the average cost of a funeral was 2,500 - 3,000 euros (Vesentini, 2018). In 2016 the death rate was equal to 10.1 per thousand persons (615,261 deaths) in comparison with 10.0 per thousand persons of the EU (28 countries) and 9.8 per thousand of the Euro area (19 countries) [VI].

The Italian Regulation

The funerary sector in Italy is regulated by the Regio Decreto 27 July 1934, No. 1265 (R.D., 1934) and various state mortuary police regulations, the last of which currently in force is the Decree of the President of the Republic 10 September 1990, No. 285 (D.P.R., 1990). Due to its complexity and lack of updates, this Decree is considered obsolete and redundant (D.L., 2014). This has led to the development and drafting by various municipalities of their own laws and regulations for the management of funerary practices, activities and environments (cemeteries, funeral agencies, burial and funeral homes).

Therefore, the possibility for each Italian region to apply its own laws in funerary matters has aggravated the present chaotic situation, leading to the presentation of a still under scrutiny bill in 2014. This bill is the Disegno di Legge "Atto Senato No. 1611", now referred to as the *Unified Text*: it summarizes the previous decrees, unifies them and makes them easier to understand (D.L., 2014). It consists of 24 articles, ranging from socio-sanitary area to state regulations of mortuary police, public and private buildings, urban planning and even safety in the workplace.

As highlighted in the report accompanying the bill (D.L., 2014), the absence of an organic reference framework and the lack of control over the activities have favored distorted and opaque behaviors, scams to the detriment of families, phenomena of tax evasion, opaqueness of the market. Indeed, the funerary sector employs thousands of workers; the total household spending and the volume of public interventions in the funerary and cemetery sector can be annually quantified in over three billion euros.

The article 2 of the bill also introduces the definitions of funeral homes and leave-taking rooms (D.L., 2014):

- a "funeral home" is defined as a structure located outside public or accredited health facilities or cemeteries, and aimed at the custody, also for the purpose of the completion of the observation period, and the display of bodies and coffins, also open-cased, for the performance of funeral ceremonies;
- a "leave-taking room" is defined as a structure located outside public or accredited health facilities, but which can be present in cemetery or crematorium, used for the ceremonial exposition of the deceased placed in a closed coffin.

In the meantime, two other bills have been presented with the same subject "Discipline of funeral activities, cremation, and conservation or dispersion of ashes": Atto Camera No. 3189 (presented on June 19, 2015) and Atto Camera No. 4808 (presented on December 21, 2017) for which the scrutiny has not begun.

Analysis of funeral establishments in Italy

Funeral homes appeared for the first time in northern Italy in 2006, precisely in Milan and then in Modena. These two plants had a surface up to 5,000 sqm and required an investment around 6 million euros, unusual at that time for a type of structure without tradition and history to support the investment choice². Ten years after the appearance of the first funeral homes and twenty years after the first leaving-taking rooms, there are currently 210 structures spread throughout the peninsula and their growth seems to continue [VII]. Actually, this development has not been equally distributed among geographic areas. In the last decade, the development of funeral homes was especially remarkable in the northwestern part of Italy. The only exceptions are Valle d'Aosta, Liguria and Molise: despite the fact that there have been increases in almost all areas, these three regions have been left completely out of the new market. As said before, the Decree of the President of the Republic 10 September 1990, No. 285 (D.P.R., 1990) delegates to the municipalities the drafting of a local mortuary police regulation, regardless of the presence of regional laws: indeed, Lazio, Sardegna and Sicilia have no regional laws, but have funeral homes and leaving-taking rooms.

From 2015 to 2017 the number of funeral homes and leaving-taking rooms increased by 69 per cent at the national level. The largest percentage increase was recorded in central Italy with 135 per cent (Table 1).

The largest number of funeral homes and leaving-taking rooms is located in Lombardia (95), being 45 per cent of all the Italian funeral homes and leaving-taking rooms, with a ratio of 105,465 residents per establishment (Table 2).

The population/funeral establishments ratio for the other regions shows that Marche is the region with more funeral establishments related to population in 2017. At the opposite end, we find some very populous regions (Lazio, Sicilia and Veneto) with more than 1 million residents per funeral home and leave-taking room. These data can be indicative about the possible saturation or absence of market.

[Table 1]

Comparison between the number of funeral homes/leave-taking rooms in 2015 and in 2017, per region.
(Source: authors' elaboration based on data from (a) Bartolomei (2015); (b) <http://www.casefunerarie.it> (accessed November 2017).

[Table 2]

Regional distribution of funeral establishments (funeral homes and leave-taking rooms) and population in Italy (2017).
(Source: authors' data processing from (a) <http://www.casefunerarie.it> (accessed November 2017), (b) Resident population in 2017, <http://dati.istat.it/> (accessed 09 March 2018).

Regarding the ratio between deaths and funeral establishments per region, the data available for both categories refer to 2015 (Table 3).

² Source: interview with the funeral company owner of the facility.

[Table 3]

Regional distribution of funeral establishments (funeral homes and leave-taking rooms) and deaths in Italy (2015). (Source: authors' data processing from (a) Bartolomei (2015); (b) Deaths in 2015, <http://dati.istat.it/> (accessed 20 February 2018).

The Figure 1 shows the increase of funeral homes and leave-taking rooms over time in Lombardia, which is the Italian region with the largest number of funeral establishments by far. The graph takes into account the years from 2004 to date. Prior to the 2004's regional regulation³ there were facilities similar to the leave-taking rooms, but they were only allowed to carry out closed-coffin funerals.

[Figure 1]

Annual increase of funeral establishments (funeral homes and leave-taking rooms) in Lombardia (Source: authors' elaboration based on data from <http://www.casefunerarie.it> (accessed November 2017), telephone interviews and questionnaires sent to funeral companies).

Features of funeral homes

From an architectural point of view, Italian funeral homes are inspired by American models (for some details see Bartsche, 2013). These buildings have spaces devoted to comfort, such as bars and restaurants, and others closely linked to the organisation, such as refrigeration cells for the conservation of the corpses.

The typical layout of the ground floor of funeral homes consists of the following rooms:

Entrance hall. Area designated for the reception of clients. The employers give all the necessary information to the visitors.

Offices. The place where the relatives of the deceased compare, and ultimately decide, the possible alternatives to the funeral organization or funeral wake. Usually, offices are located on the first floor of the building to ensure more space on the ground floor accessible by customers.

Waiting room. Space shared with all the families who use the funeral home services. It is a hospitality area, for relaxing during visits.

Relatives' wake room. Reserved to the closest family members of the deceased. Visitors, before paying their last respects to the deceased, meet relatives that are waiting in this private space. Relatives are not obliged to keep vigil every moment, for this reason it is available a signature book to pay homage. The room is comfortable, often furnished with sofas and tables, and cared for in details. Each part can be arranged with movable furnishings and adapted to different funeral rituals.

³ Regolamento regionale 9 November 2004, No. 6 "Regolamento in materia di attività funebri e cimiteriali", provided by the Legge Regionale 18 November 2003, No. 22 "Norme in materia di attività e servizi necroscopici, funebri e cimiteriali" which has been subsequently replaced by the Legge Regionale 30 December 2009, No. 33 "Testo unico delle leggi regionali in materia di sanità".

Commemorative room. The only available access is from the relatives' wake room. It is where the remembrance and wake take place; the deceased's body is exposed for the last respect to be paid before the funeral. The environment should inspire peace and serenity, so there is often a soft background music. Technological and digital equipment allows the participation in commemoration to those who cannot be present and guarantees security and control conditions during the closing hours of the place.

Refreshment area. Space dedicated to those who need to relax or drink a beverage in the waiting times.

Drop-off area. It is a reserved area for the transfer of the deceased within the structure. This area must be very large to ensure that driving operations and unloading of the coffin from the hearse can be easily carried out.

Aisle distribution. Space that connects the dressing room, the drop-off area and all the commemorative rooms; it links the personnel areas with the spaces used by friends and relatives. From this corridor employees can transfer the deceased inside the commemorative room without disturbing visitors and ensuring privacy.

Autopsy room. This room is used for embalming and body care practices. The access to the preparation area must be limited to authorized persons. Doors and windows must be kept closed. Any waste produced in this area will be handled according to related environmental regulations. This room can be equipped with special refrigeration systems for the preservation of corpses in the way prescribed by law.

Other spaces. This category includes dressing room, storage and toilet facilities. The restrooms used by the employees need to be separated from those for customers⁴.

While the ground floor is mostly used for the wake services, the first floor is used for coffin and gravestone showrooms, funeral art exhibitions and offices.

Aesthetically, however, it is preferred a type of furniture that does not recall any specific connotation. The design, especially in the U.S., is very similar to that of high-end homes or luxury hotels with a timeless architectural style. The environment looks less like a typical funeral place and more like a luxurious villa, with the purpose to dispel prejudice. Abundance of natural light, open floor plan and appropriate music in the rooms help creating an inviting environment.

Regarding the minimum organizational, structural and plant requirements, these must be in accordance with the D.P.R. 14 January 1997 (D.P.R., 1997). The spaces must be equipped with an environmental conditioning system that ensures an interior temperature not higher than 18°C for rooms with corpses, a relative humidity of 60% (+/-5) and a rate of outdoor supply air per hour of 15 v/h, in the winter and in the summer. The Decree also requires an emergency lighting system.

⁴Source: information partially obtained by on site visit carried out in a funeral home near Milan.

Trend in other countries

A useful comparison can be made between Italy and other similar European countries for social, economic and cultural conditions, in particular Spain and France. Figure 2 compares the composition by age groups of the population in these three countries; it is a similar composition, although Italy shows a greater imbalance compared to France and Spain towards the older age groups (age from 50 to 80 and more).

[Figure 2]

Population by age group in Italy, France and Spain (% of total population - year 2017)

Source: authors' elaboration based on data from Eurostat,

<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tps00010>
(accessed 03 July 2018).

Figure 3 compares the crude death rate per 1000 persons from 2012 to 2016 in Italy, France and Spain. Also in this case Italy has a higher rate of mortality compared to the other two countries.

[Figure 3]

Crude death rate in Italy, France and Spain (per 1000 persons – from 2012 to 2016)

Source: authors' elaboration based on data from Eurostat, <http://ec.europa.eu/eurostat/web/population-demography-migration-projections/deaths-life-expectancy-data/main-tables>
(accessed 06 July 2018).

The situation in France and Spain can be now analyzed more in detail and compared with the Italian one and that of an extra European country, the U.S.A, in order to have a different comparison term.

France

According to the *Conseil national des opérations funéraires (CNOF)*, a consultative body in the field of funeral regulations within the *Ministre de l'intérieur*, in 2016 there were present 2,970 funeral homes (*chambres funéraires*), almost twice as many as in 2013. In addition, at the end of 2016, 287 new *chambres funéraires* were under construction. As for the Italian case, the *chambres funéraires* are intended to receive the bodies of deceased persons, before burial or cremation (CNOF, 2017).

In 2016, France had a population of 66,730,453 inhabitants [VIII] and had 594,005 deaths [VI]: this meant a ratio of population per funeral homes of 22,468 and a ratio of deaths per funeral homes of 200. According to the latest available data, the funeral sector counted (year 2016) 9,656 enterprises in the funeral services (CNOF, 2017) with 19,622 employees (year 2015) [IX] and a turnover of 1,685 million euros [X]. The average cost of a funeral service could vary from 3,800 - 4,500 euros in larger cities to 2,500 - 3,700 euros in rural areas [XI].

Spain

According to *Panasef, Asociación Nacional de Servicios Funerarios*, the association that represents the enterprises supplying the 70% of funeral services in Spain, in 2016 there were 2,429 funeral homes (Panasef, 2017b). These are called *velatorios* (from the word *vela*, which means funeral wake) and have become one of the main elements of differentiation in the supply of funeral services as a way to demonstrate reliability and attention to the needs and expectations of the users. Indeed, the process of liberalization of the funeral service market has led to the diffusion of these structures, which, once a complementary service, have acquired now a central role in the offer of funeral enterprises. The development of funeral homes in Spain has been impetuous, going from 600 establishments in 2004 to 2,405 in 2015 (Panasef, 2017).

In 2016, Spain had a population of 46,440,099 inhabitants [VIII] and counted 408,231 deaths [VI] with a ratio of population per funeral homes of 19,119 and a ratio of deaths per funeral homes of 168. According to the latest available data, in 2016 the funeral sector counted 1,488 enterprises in the funeral services with 11,520 paid employees [XII] and a turnover of 1,430 million euros (Panasef, 2017b). The average estimated cost of a funeral service was 3,545 euros (OCU, 2013).

Italy

In 2016, Italy had a population of 60,665,551 inhabitants [VIII] and counted 615,261 deaths [VI]: with an estimated number of 167 funeral homes in 2016 (based on the available data of 2015 and 2017), this was a ratio of population per funeral homes of 363,267 and a ratio of deaths per funeral homes of 3,684.

In 2016, Italy counted 6,589 enterprises in the funeral services sector with 23,180 employees [V]. The estimated turnover was over 1,700 million euros and the average cost of a funeral was 2,500 - 3,000 euros (Vesentini, 2018).

U.S.A.

A comparison with the United States can be interesting, making reference to the data available for the year 2015. 19,391 funeral homes were registered [XIII]; considering a resident population of 322,150,498 units [XIV], the ratio of population per funeral establishment is 16,613. When considering the number of deaths, 2,712,630 [XV], the ratio of deaths per funeral establishment was 140. Crude death rate per 1,000 persons was 8.4. In 2017, the industry was worth 16,000 million dollars and the average funeral price was nearly 9,000 dollars (The Economist, 2018).

A comparison of these data shows that while the main demographic, statistical and economic data about the funerary market related to France and Spain are similar to Italy, French and Spanish indexes for funeral homes (ratio of population per funeral homes and ratio of deaths per funeral homes) are more similar to the American ones than to those of Italy. These data show that Italy is lagging behind in this trend. Table 4 summarizes the data for the four countries.

[Table 4]

Comparison among Spain, France, Italy and the U.S.A.

Source: authors' elaboration based on data from:

- a) year 2016 [VIII]; b) year 2015 [XIV]; c) year 2016 [VI]; d) year 2015 [XV];
- e) year 2016 (Panasef, 2017b); f) year 2016 (CNOF, 2017); g) year 2016 estimated;
- h) year 2015 [XIII]; i) year 2016 [XII] j) year 2016 [V]; k) year 2012 [XVI]; l) year 2015 [IX].

Methodology

The purpose of the research was to investigate a particular type of property market in Italy, that of funeral homes, of which little is known, despite the fact that it is an expanding market, due to social and cultural changes in Italy.

A qualitative methodology and two small samples were considered suitable to the exploratory nature of this research. The aim was to collect some information and data, in order to gain some insights of a new potential real estate market through the experience, opinions and points of view from some operators in the funeral and in the real estate sectors. In particular, the choice to submit the questionnaire to funeral companies aims at identifying key market features in terms of trends, customer requirements, perceptions from a society viewpoint, reference legislation and profitability of the market.

A different questionnaire was addressed on a confidential basis to institutional investors, in order to gauge their knowledge of that specific sector and their interest and disposition to invest in this specific property type.

Instrument

With respect to funeral companies, the main instrument for collecting data was a questionnaire sent by e-mail. The questions provided answers from which to choose (more than one answer was allowed), as well as space for answers. In some cases, data were collected from telephone interviews and from on-site visits.

Research activities for the mapping of the funeral homes were also carried out through web-based resources. A different questionnaire was addressed by e-mail to some of the major international real estate asset management companies managing real estate funds in Italy (Società di Gestione del Risparmio - SGR).

Both questionnaires were distributed during the months of October/November 2017.

Samples

Out of the 210 funeral companies, which already owned this type of buildings or were engaged in their construction, only 35 were selected to which the questionnaire was addressed. The conditions for inclusion in the sample were:

- firms that had professional experience and had been working in the industry for 20 years;
- firms operating in regions where regional legislation was present since at least 10 years;
- facilities that had the exclusive features of funeral homes (especially in the Italian context, often the distinction between the two types of funeral homes and leave-taking rooms is not clear).

Among the funeral companies contacted to participate in the survey, 40 per cent (14 out of 35) took part. Not surprisingly, all funeral companies are based in northern Italy (9 in Lombardia, 2 in Piemonte, 1 in Toscana, Veneto and Emilia Romagna), given that the majority of funeral homes is concentrated in this area where this property originated.

Regarding institutional investors, the sample was taken from real estate asset management companies managing real estate funds (Società di Gestione del Risparmio - SGR) belonging to Assogestioni.

Assogestioni is the representative association of the Italian investment management industry. It represents most of the Italian and foreign investment management companies operating in Italy.

There are 21 companies in Assogestioni that manage real estate funds. 5 of these were initially chosen, covering 56.3 per cent of the market in terms of assets under management: four out of five took part. These four companies cover 41.7 per cent of the assets under management in the real estate fund market (ASSOGESTIONI, 2017).

Results

The point of view of funeral companies

Funeral home market

Most of the respondents has been in the management of funeral homes for less than two years and only a couple has been in this funeral home business for more than 10 years. These survey results suggest that in Italy the managing of funeral homes is a quite new sector, especially considering that all surveyed funeral companies have been in the funeral industry for at least 20 years. Having the niche market approach in mind, it is interesting to note that for all respondents but one, opening a funeral home was a way to offer a new service in addition to the ones traditionally provided. One respondent said that the demand came from their customers; another stated that they had no choice, but to expand their services, given the trend in the market.

Although most respondents attributed their decision to open a funeral home to their own experience in the industry, others pointed out the importance of foreign experiences and their knowledge of these new services and products through travels abroad (namely Spain and the U.S.A.).

Regarding the possible causes that delayed the arrival of funeral homes in Italy, some respondents thought that the delay was due to social and cultural reasons, while others pointed out the absence of national legislation, but none of the respondents indicated economic reasons.

The funeral home

All respondents but one own their funeral homes: this indicates that this type of niche investment is limited to those who are part of the industry.

Regarding the dimensions, the buildings show considerable diversity with a range from 120 sqm to 2000 sqm with a median of 500 sqm. The number of rooms devoted to the funeral wake ranges from 2 to 7 with an average of 4.

The majority of the respondents adopted renovated buildings as funeral homes. Usually, these were former industrial assets for which a simple owner's request of change in the use of the building (from industrial to commercial) was required, without any special bureaucratic practice to obtain building permits. Accordingly,

none of the respondents had difficulty in finding a suitable building.

The cost of renovation varies greatly, depending on the size: from 100,000 euros for 120 sqm to 3,000,000 euros for 1,000 sqm.

The main difficulties encountered in the acquisition of properties to use as a funeral home were related to the opposition of the local government, lack of clear rules for the choice of spaces, difficulty in obtaining a loan, and high cost of the building. However, one third of the respondents had no difficulties.

Needs of customers

According to respondents, on average, around 38 per cent of customers required funeral home service. There are two main reasons that attract customers to these new services: one reason is the poor condition of public health facilities; especially in large hospitals, spaces are tiny, overcrowded and sometimes located in below grade floors; the other reason is the search for discretion and tranquility for mourning. Respondents have highlighted other reasons, as well, being too small home spaces, search for an elegant and exclusive environment, flexible hours that allow friends and relatives to choose when to pay their last respects to the deceased, and the decision to hold a laic funeral (which was the origin of this kind of facilities). Many respondents believe that consumers' awareness of this service will increase with time.

Risks and economic issues

When asked about the main perceived risk associated with this kind of investment, some respondents indicated high property management cost, while others spoke of the inability to recover the investment.

It is interesting to note that despite the sample being composed by firms from northern Italy (where the majority of funeral homes are located), only one respondent indicated market saturation as a risk.

Companies were reluctant to divulge the percentage of turnover generated by funeral home activities. Only 2 companies replied, evaluating a 10 per cent profit earned from the funeral home activities.

Some respondents considered the investment in the funeral home profitable; others stated that they did not know whether the investment had been profitable: this could be not only due to the previously mentioned reluctance, but also to the limited experience in the management of this new typology of property. Even though the surveyed companies have been in the industry for at least twenty years, their experience in the management of funeral homes is on average limited to few years.

However, it is interesting to underline the absence of the "No" option, which would suggest that the investment in these buildings proved generally profitable.

With respect to the price of the service, it mainly depends on the contract with the customer, i.e. whether the service is in support of other services already agreed with the funeral company or the service is stand-alone. Anyway, based on the few answers provided, it ranges from 300 to 500 euros for a two-day use of the facility.

The point of view of institutional investors (SGR)

Institutional investors invest in markets for which they have good quality and abundant information; consequently, it is not surprising that respondents' favoured market sectors are offices and retail property, for which are also available transaction evidence and indicators of performance. Other favoured investments are in logistic and residential property. Furthermore, respondents suggested that healthcare centers, RSA (*Residenze Sanitarie Assistenziali* - Nursing homes, residential facilities designed to accommodate elderly people who are not self-sufficient) and hotels could be potential targets of investment in *Special Purpose Properties*.

Funeral home market and economic issues

When considering the funeral home market (Table 5), three respondents stated that their level of knowledge was null, the fourth said it was limited. As a result, this lack of knowledge of the sector was the main source of doubt for investing in these properties. Indeed, only one respondent would consider funeral homes as the subject of investment.

Also, the assessment of the investment performance was uncertain, with expected rate of return broadly varying from 2 per cent to beyond 10 per cent.

Risks

Regarding the potential risk factors associated with this type of investment, respondents identified difficulties in finding a suitable property, market fragmentation, instability and lack of a clear and uniform legislative regulation. Interestingly, they did not choose "market saturation", and "high property management cost", that was identified by the funeral companies as the main risk. On the contrary, the investors' concern of not finding suitable properties was not among those of the funeral companies.

Finally, some respondents expressed some perplexities from a moral point of view in investing in these assets: this behavioral and social component can affect investment decision making, as well.

[Table 5]
Responses from real estate asset management companies
(more than one answer was allowed)

Conclusions

Funeral homes represent a type of relatively recent property that responds to the transformations taking place in Italy: the rise of secularization, the increase of multiculturalism, the lack of suitable public spaces (Bartolomei, 2015).

The presence of these structures is much larger not only in a country with different economic, social and cultural characteristics like the United States, but also in European countries more similar to Italy, such as France and Spain. Indeed, France and Spain have known a wide diffusion and increase of funeral homes.

The research tried to shed some light on the Italian situation, exploring the position of operators and investors.

The reasons for the delay in the diffusion of these structures can be attributed to the legislative obsolescence and the lack of a common regulatory reference for all Italian municipalities, which generates an irregular distribution of these assets in the country. In addition, some social and cultural reasons linked to a superstitious vision of death may have delayed their development.

The findings of the research suggest that despite these difficulties, funeral companies regard this property as a way to remain successful in a mature market, offering an innovative service that can meet specific needs and effectively respond to the changes in the cultural and social habits of the Italian society. Another factor that can determine the spread of funeral homes is the poor quality and the shortage of public spaces. This trend seems similar to what happened in Spain. Also, considering that most of the funeral homes is concentrated in northern Italy, this suggests that the market is far from saturation.

However, perhaps because of the limited experience in the management of this new type of property and/or because of reluctance to disclose their profits, funeral companies expressed doubts about the profitability of the investment and worries about property management cost. Anyway, none of the respondents stated that they did not recoup the investment.

From the institutional investors' point of view, results highlighted that the main problem in investing in this property was the lack of adequate knowledge in the sector, especially when compared with more traditional investment opportunities. Another issue is the absence of previous investment performances. Furthermore, some respondents suggested that this kind of asset could raise moral doubts from the investors. Therefore, currently 3 out of 4 SGRs seem to exclude this type of investment.

Perhaps once a national law is established, funeral companies could open new funeral homes and investors could find a more favorable and less risky economic environment for this type of investment. Institutional investors could consider this sector with a view to portfolio diversification, taking as a model what happened in the healthcare sector where "With the increasing investor acceptance of healthcare property as an attractive alternate property sector, there has been increased numbers of property investment players in the healthcare property space" (Newell and Jufri Marzuki, 2018).

Another aspect emerging from the analysis of the answers is that sometimes the concerns of the investors and those of the funeral companies are divergent (for example with regard to property management costs

and the availability of adequate properties). In this case, a better understanding of each other's needs and points of view could help to recognize the potentialities of this market.

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