



**AT A GLANCE  
INVESTMENTS  
YTD Q4 2019**

## **ITALY - COMMERCIAL REAL ESTATE MARKET INVESTMENTS**

**2019: HISTORICAL RECORD FOR THE SECTOR IN ITALY**

**In Italy 2019 closed with about €12.2 billion of investments  
in the commercial RE market: the best year ever**

### **2019: RECORD YEAR FOR INVESTMENTS IN ITALY AND IN MILAN**

In Italy, 2019 closed with investments in the commercial real estate market amounting to approximately €12.2 billion: an historic record for the sector. Volumes in 2019 are up by about 40% on 2018, by about 25% compared to the 5-year annual average and by about 75% compared to the 10-year annual average. In particular, investments in Q4 2019 totalled nearly € 5.1 billion, resulting in the best quarter ever: approx. +45% vs Q4 2018, approx. +30% vs. the related 5-year average and approx. +85% vs. the related 10-year average.

The high number of transactions completed in the year is worth noting, with nearly 260 deals in 2019 (of which over 100 completed in Q4) versus 225 in 2018.

In 2019, foreign investors have confirmed their interest in investing in Italy. Approximately 75% of total investments recorded in the year originated from foreign investors. In particular, the main foreign contributors to Italian volumes, all recording doubled volumes compared

to 2018, come from the US (approx. €3.2 billion), followed by France (approx. €1.5 billion) and Germany (approx. €1.1 billion). Italian investors made for approximately €2.9 billion.

As to the geographic breakdown, the analysis confirmed that the city of Milan remained the most liquid market in the country in 2019, with nearly 41% of total investments. In particular, 2019 with total investments amounting to approximately €4.9 billion, qualifies as the best year ever for the commercial real estate market in Milan, topping the previous record of €4.4 billion recorded in 2015. The 2019 result is higher than the 2018 value (approx. +56%) and also higher than the related 5-year and 10-year annual averages (approx. +30% and +95%, respectively). The extraordinary result of the city of Milan reflects the positive performance of the Office sector, recording – for the first time – investments at €3.8 billion: 76% of the total volumes recorded in Milan in 2019 and almost 80% of the total Office volumes in Italy in 2019.

In 2019, the performance of the real estate market in Rome was positive with investments totalling nearly €1.8 billion. This is the second best year ever for the city after 2018 (with investments close to €2.2 billion). In terms of weight, the Office sector in Rome proved the most buoyant in 2019, with approximately €780 million, 80% of which located in Greater EUR and CBD.

Investments in locations other than Milan and Rome contributed to the year's result with approximately €5.5 billion (almost 45% of total volumes in Italy), of which about €1.9 billion was invested in Q4. In particular, investments in secondary locations during the year included a number of portfolio transactions in the Hotel (two important portfolio deals for a total of approximately €1.3 billion) and in the Logistics sectors (a corporate pan-European portfolio deal with an estimated value of approximately €320 million for Italy).

## ASSETS PURCHASED IN THE YEAR: OFFICES AT THE TOP

As to asset class hierarchy, in Italy investment volumes in 2019 concentrated mainly in the Office sector, confirming the structure of the Italian market. In particular, this sector comes first in the Italian commercial real estate market with approximately €4.8 billion of investments (nearly 40% of total volumes in Italy) in the year just ended. This corresponds to an increase both versus 2018 (approx. +37%) and versus the 5-year and 10-year annual averages (approx. +25% and +80%, respectively). 2019 resulted the best year ever for the Office sector both in Italy and in Milan (where investments in the Office sector - as already mentioned - amounted to approximately €3.8 billion). In 2019, the largest share of investments in the Office sector was covered by US investors with approximately €1.4 billion (including two significant portfolio transactions closed in H2 for a total of nearly €515 million) followed by German ones with about €500 million invested. It should also be noted that investments in the Office sector in Q4 2019 totalled approximately €2.5 billion (about +35% vs Q4 2018), resulting in the best quarter ever for this asset class. In Q4 2019, prime net yields in the Office sector remained stable q-o-q at 3.30% and 4%, respectively, both in Milan and Rome.

A record year also for the Hotel sector, with approximately €3.3 billion investments in 2019 (+210% approx. on 2018) as a result of the acquisition of the two already mentioned important portfolios completed in Q2 2019 by French and American investors for a total of about €1.3 billion. In 2019, 60 transactions were completed in the Hotel sector not

only in Milan and Rome, but also in other Italian cities, including Venice and Florence. In Q4 2019, invested volumes in this sector were equal to about €965 million (approx. +150% on Q4 2018) and mainly concentrated in Northern Italy (nearly 65% of the total Hotel sector in the quarter).

The Retail sector follows with investments of €1.9 billion in 2019, down approximately 13% on 2018, but substantially in line with the 5-year and 10-year annual averages. The analysis of the sector in the year in question reveals most of investments concentrated in the High Street segment with volumes at approximately €720 million, followed by Shopping Centres with approximately €580 million and Outlets with approximately €490 million (2019 was the best year ever in terms of volumes for the Outlet segment). In 2019, the Retail sector was dominated by UK investors (approximately €360 million for two transactions). In 2019, Italian investors contributed with volumes worth approximately €700 million mainly related to High Streets segment deals and to the acquisition of a Shopping Centre in Rome. Conversely, the Q4 2019 performance of the Retail sector was below the value registered in the same period of the previous year, with approximately €180 million investments (on approx. €385 million in Q4 2018) mainly referring to the Shopping Centre segment (for approx. €145 million). In Q4 2019, the prime net yields of the Retail sector remained stable q-o-q. In particular, the Shopping Centre segment recorded unchanged values at 5.50% for the fourth consecutive quarter, while the High Street seg-

ment in Milan and Rome shows stable values since Q2 2019 at 3.10% and 3.35%, respectively.

Excellent result in 2019 for Logistics, topping with investments at approximately €1.4 billion, up nearly 50% on 2018. In 2019, US investors played a major role in this asset class, making for almost half of the total volume of investments made in the year. In Q4 2019, investments in this asset class totalled approximately €1 billion (against about €530 million in Q4 2018). In Q4 2019, prime net yields in the Logistics sector were stable in Milan and in Rome, showing levels of 5.25% and 5.50%, respectively, since Q2 2018.

In 2019, investments in the Alternative asset class made for just under €400 million (approx. -55% on 2018), involving transactions relative to care homes equal to about €180 million. In terms of volumes, in 2019 investments in this sector were driven by Italian, French and US investors. Most of the transactions completed in the year in question involved assets located in Northern Italy. Last but not least, in 2019 investments in mixed-use assets totalled approximately €360 million, including approximately €285 million in Q4 2019 (including €145 million relating to a portfolio comprising assets located in different areas in Italy).

## POSITIVE TREND FOR THE NUMBER OF DEALS

As already mentioned, the extraordinary result of commercial real estate investments recorded in Italy in 2019 was supported by the positive trend in the number of transactions completed in the year: a total of about 260 compared to about 225 in 2018. In addition, it is important to note that approximately 30 transactions completed in 2019 were worth over €100 million (including 15 transactions worth €200 million or more).

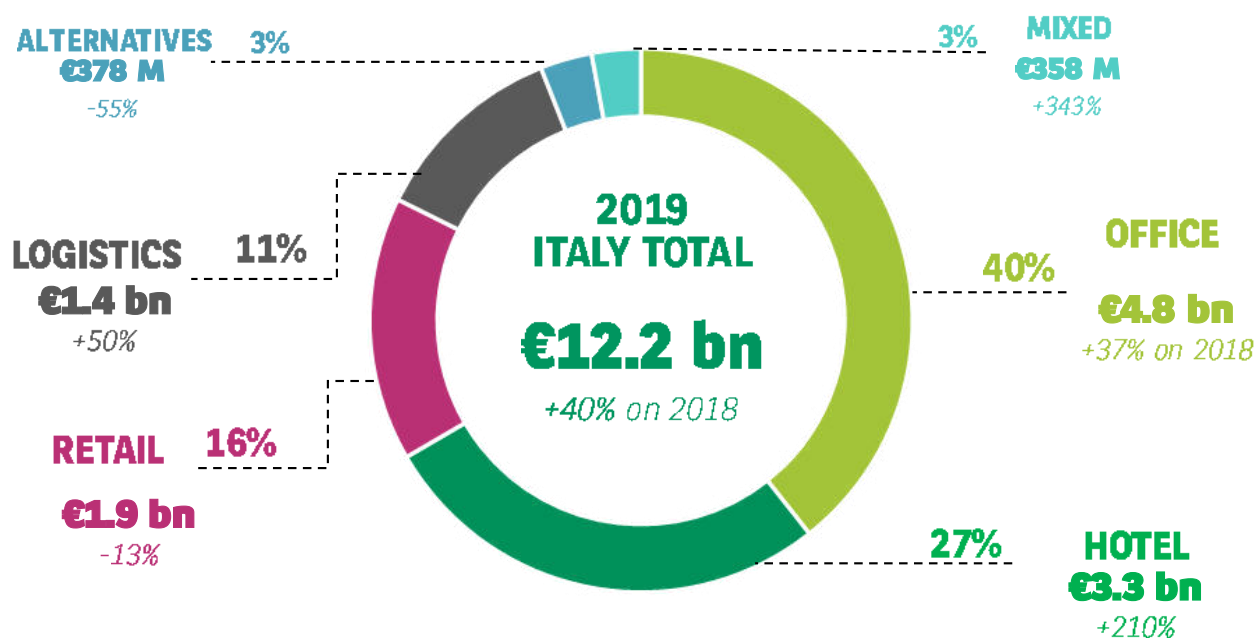
In particular, compared to 2018, single asset transactions in 2019 increased in both the number (nearly 225 transactions were recorded in 2019 versus 175

in 2018) and average value (approximately €35 million in 2019 versus approximately €30 million in 2018). It should be noted, among these single asset deals, that in 2019 four significant transactions were recorded (each worth between €250 million and €300 million), involving the Retail, Hotel and Office sectors.

In 2019, the overall number of portfolio deals decreased on a y-o-y basis: approximately 40 portfolio deals were completed in 2019 (most of which related to the Logistics sector) compared to just over 50 in 2018. However, it should be noted that, in terms of size, the aver-

age value of portfolio deals increased from approximately €65 million in 2018 to approximately €100 million in 2019. In particular, nearly ten portfolios worth more than €100 million were acquired in Italy in 2019. Among these, the most significant transactions by volume are the ones already mentioned regarding the Hotel sector (a corporate deal with an estimated value for Italy of approximately €1 billion and a portfolio comprising 15 facilities with a total value of approximately €300 million) and the Logistics sector (a corporate pan-European logistics portfolio deal with an estimated value for Italy of approximately €320 million).

### Investments - Commercial RE market - 2019



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### Prime net yields - Q4 2019



Prime net yields have to be read as an indication of market trends. The levels are established as a mix between market sentiment and values of deals actually closed during the reference period.



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