



**AT A GLANCE
INVESTMENTS
Q1 2021**

**ITALY
COMMERCIAL REAL ESTATE MARKET
INVESTMENTS**

**In Italy in Q1 2021 decreasing investments in the commercial RE market:
-30% with respect to Q1 2020**

The decline in investments in the commercial real estate market recorded in Italy in 2020 (-30% compared to 2019) was confirmed in the first quarter of 2021, on a y-o-y basis.

In Q1 2021 investments totalled approximately €1.2 billion, down by around 30% compared to the Q1 2020 figure and the Q1 average over the last 5 years. The Q1 2021 volume drop is also visible when compared to the Q1 average of the last 10 years (around -15%). 42 deals were concluded in Q1 2021, recording a decrease compared to Q1 2020 (44) but in line with the Q1 average over the last 5 years.

Unlike the past, the Q1 2021 volumes were driven by the Mixed Products as opposed to Office product, with the former recording about €350 million (approximately 30% of the quarterly total), and three-digit growth compared to Q1 2020.

In Q1 2021, the Logistics sector also performed well with investments totalling approximately €260 million (around 22% of the quarterly total), up by 17% compared to Q1 2020.

In Q1 2021, the Alternative Products sector recorded investments totalling approximately €206 million (around 17% of the quarterly total), up by 18% compared to Q1 2020.

Similarly, in Q1 2021, the Office sector attracted investments totalling approximately €200 million (around 17% of the quarterly total), down by about 60% compared to Q1 2020.

The Hotel sector followed with approximately €130 million in investments (around 11% of the quarterly total), double that of Q1 2020.

The Retail sector trailed behind, with investments totalling approximately €30 million in Q1 2021 (around 3% of the quarterly total), down by about 95% compared to Q1 2020. To be signalled, however, that the 2020 figure essentially encompassed two indirect deals involving share purchases totalling around €600 million.

An analysis by geographical background shows that in Q1 2021 around 56% of the investments in Italy were concentrated in Milan and approximately 11% in Rome. The remainder concerned other locations.

More specifically, approximately €665 million were invested in Milan, in line with the Q1 2020 figure and with the Q1 average of the last 5 and 10 years. In Q1 2021, Mixed Products drove the volumes in Milan with about €260 million invested (approximately 40% of the quarterly total of the city) after 5 consecutive years with no investments in Q1 for this type of product.

The investment market showed an upward trend in Rome in Q1 2021 with about €130 million invested, up by around 17% on the same period of 2020. However, the Q1 2021 figure is lower than the Q1 average of the last 5 and 10 years (-35% and -40%). The volumes recorded in the city during the quarter are attributable to only two types of asset classes: Offices (€70 million) and Logistics (€58 million).

Take away Q1 2021

€1.2 billion: approximately -30% vs. Q1 2020

Mixed Products drove volumes with about €350 M. Logistics totalled about €260 M

Prime net yields stability q-o-q for Offices, Retail High Street and Shopping Centres. Compression for Logistics Milan

Mixed 30% - Logistics 22% - Alternative 17% - Office 17% - Hotel 11% - Retail 3%

After the reduction in the percentage of investments generated by international capital in 2020 compared to previous years (56% compared to 65% on average over the last 5 years), in Q1 2021 international capital was again the main source of investment in the Italian commercial real estate market, accounting for around 85% of the quarterly total. Among international investors, the US was the most dynamic in the quarter, allocating approximately €430 million (with about ten deals involving Mixed Products, Logistics, Offices and Datacenters). UK investors allocated about €200 million in total (for around ten deals in the Hotel sector, but also Offices and Logistics). Asian capital followed with about €160 million and German capital totalled about €85 million. In Q1 2021 domestic capital totalled approximately €190 million (for about fifteen deals) almost half of which was invested in the Office product in Milan and Rome.

PRODUCTS AND YIELDS

As already mentioned, the volumes in Q1 2021 were driven by the Mixed Products sector: approximately €350 million, with three-digit growth compared to Q1 2020 for 6 deals, including one located in the CBD Duomo in Milan for approximately €160 million and 2 in the CBD Porta Nuova in Milan totalling approximately €100 million. In Q1, the Mixed Products sector attracted mainly international capital (approximately €320 million) led by the US (approximately €160 million) and Germany (approximately €80 million). Only about €30 million in investments in this sector came from domestic capital. In terms of locations, approximately 75% of the investments in Mixed Products in Q1 2021 were concentrated in Milan, while the remainder concerned other locations mostly in

Northern Italy.

The Logistics sector followed Mixed Products, with recorded volumes of approximately €260 million in Q1 2021 for about ten deals, including a portfolio deal totalling about €160 million for assets located in various areas of Northern Italy (macro area of Milan) and Central Italy (macro area of Rome). Investments in this asset class increased by around 17% compared to Q1 2020, around 38% compared to the Q1 average of the last 5 years, and around 85% compared to the Q1 average of the last 10 years. The capital invested in Logistics was almost entirely international capital, from Asia (approximately €160 million) and the US (approximately €85 million). In terms of Logistics prime net yields, in Q1 2021 there was a q-o-q compression in Milan, from 5.00% to 4.75%, while they remained stable in Rome at 5.25% (for the third consecutive quarter).

In Q1 2021, the Alternative Products sector recorded investments totalling approximately €206 million, up compared to Q1 2020 and the Q1 average over the last 5 and 10 years (approximately +18%, +56% and +158%). In this sector, 12 deals were closed, including 2 relating to portfolios in mixed locations and 7 located in the North West. Of the capital invested in this asset class about €145 million was international capital, in particular from the US (approximately €100 million), the UK (approximately €25 million) and France (approximately €20 million).

In Q1 2021, the Office sector attracted investments totalling approximately €200 million, down around 60% compared to Q1 2020 and the Q1 average of the last 10 years, and around 67% compared to the Q1 average of the last 5 years. 7 deals were closed which all involved single assets located in Rome (CBD and Centre) and in

Milan (in semi-central and peripheral areas). 55% of the investors in the Office sector were international, led by US investors (around €90 million) and UK ones (around €20 million). In Q1 2021, Office prime net yields were stable in all the sub-markets, whether in Milan or Rome. In particular, the CBD Duomo in Milan remained at 3.20% and the CBD in Rome at 3.90% for the second consecutive quarter.

In Q1 2021, investments in the Hotel sector totalled approximately €130 million, which is double the Q1 2020 figure. This is in line with the Q1 average over the last 10 years and down compared to the Q1 average of the last 5 years (by approximately -30%). The volumes recorded in Q1 2021 refer to 4 deals on single assets including a large deal of about €100 million closed in Venice with capital from the UK.

The Retail sector trailed behind, with investments totalling approximately €30 million in Q1 2021, down by about 95% compared to Q1 2020. As mentioned above, this 2020 figure essentially encompassed two indirect deals involving share purchases totalling around €600 million. However, the undersizing of this asset class shows structural characteristics: in Q1 2021 investments were down by about 90% compared to the Q1 ten-year and five-year averages. The Q1 2021 volumes relate to 4 deals, including the acquisition of a Retail Box in Veneto for about half of the total, two deals in the Supermarket segment in Lombardy and Emilia-Romagna for about €8 million, and a High Street Retail deal in the CBD Duomo in Milan for around €6 million. In Q1 2021, Retail prime net yields were stable in all sub-segments: for the third consecutive quarter, the Milan High Street segment remained at 3.40%, the Rome High Street segment at 3.70% and Shopping Centres at 6.00%.

Prime net yields - Q1 2021

OFFICE



Milan 3.20%
Stable vs. Q4 2020

Rome 3.90%
Stable vs. Q4 2020

RETAIL



HS Milan 3.40%
Stable vs. Q4 2020

HS Rome 3.70%
Stable vs. Q4 2020

Shopping Centre 6.00%
Stable vs. Q4 2020

LOGISTICS



Milan 4.75%
-25 bp vs. Q4 2020

Rome 5.25%
Stable vs. Q4 2020

BNP Paribas Real Estate Research Italy

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.

6 BUSINESS LINES in Europe A 360° vision

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