



**CITY NEWS ROME
YTD Q4 2019**

COMMERCIAL REAL ESTATE INVESTMENT MARKET AND OFFICE LEASING

2019: POSITIVE YEAR FOR THE REAL ESTATE MARKET IN ROME

**2019 is the second best year ever for the commercial real estate investments market in Rome.
Record also for the Office leasing market**

THE OFFICE LEASING MARKET

2019 has been the best year ever for the Office leasing market in Rome, with a take-up of nearly 273,000 sqm (+58% on 2018), that exceeded the record take-up attained in 2017 (about 220,000 sqm). The 2019 result is due to a few major transactions including, in particular, the lease in Q2 of about 50,000 sqm in the Centre sub-market. 2019 take-up is higher than the five-year and ten-year annual averages (about +50% and +75%, respectively).

While the first three quarters of 2019 significantly contributed to the record performance of the year, take-up in Q4 was subdued: nearly 24,000 sqm compared to about 60,000 sqm in Q4 2018. In addition, in the last quarter of 2019 take-up was down about 50% against the relevant five-year average and about 45% against the relevant ten-year average.

The analysis of the different sub-markets reveals a buoyant performance for take-up in 2019 in all Rome areas (except for the CBD). In particular, 2019 has been the best

year ever for the Centre and Semicentre, where take-up recorded a three-digit growth with respect to 2018. In detail, from the beginning of the year the spaces leased in the Centre, covering a surface of about 90,000 sqm, were influenced by two major transactions which accounted for about 75% of the total yearly take-up of this sub-market (these are the aforementioned

transaction of 50,000 sqm and the deal of nearly 18,000 sqm relating to a tenant operating in the real estate services). In the Semicentre, a take-up of about 30,000 sqm in the year is due to a record number of closed transactions: 25 in 2019 against an average of about 10 deals per year since 2010. In 2019, a positive performance is observed in the Greater Eur that, with a



272,619 sqm

TAKE-UP 2019
+58% ON 2018



450 €/sqm/y

PRIME RENT Q4
STABLE ON Q3 2019



8.0%

**VACANCY RATE
OF TOTAL CITY Q4**
-20 BP ON Q3 2019

Prime rents 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.

take-up of nearly 97,000 sqm (about +50% on 2018), has achieved one of the best results in the last years. It should be noted, however, that the Greater Eur was influenced during the year by a set of large transactions, including a pre-let of about 27,000 sqm in the Eur Torino. Conversely, in 2019 the Rome CBD recorded a take-up of nearly 23,000 sqm, down about 40% on 2018. Finally, as for the last quarter, it is worth noting that, in general, the underperformance observed in the city in Q4 also impacted the individual sub-markets which, consequently, reduced their quarterly take-up against Q4 2018 (except for the Semicentre).

In the city about half of 2019 take-up regarded grade A spaces (for a total of about 134,500 sqm).

In 2019, the structural data of the Rome leasing market, which is characterised by small surface transactions (below 1,000

sqm), is also confirmed for about 70% of the transactions closed in 2019. As anticipated, it is worth noting the completion in 2019 of about ten transactions of over 6,000 sqm (no transaction of this kind occurred in Q4).

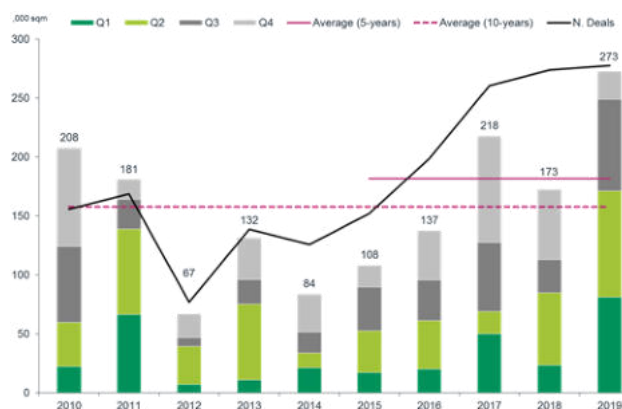
As for rents, in Rome most lease contracts were closed at levels in a range of 125-375 €/sqm/year (for nearly 90% of all deals closed in 2019 with known rent amount).

With regard to prime rents, in Q4 2019 the prime rents already observed in the previous quarter were confirmed in all the sub-markets of the city. More specifically, prime rents in Rome CBD were stable at 450 €/sqm/year for the third consecutive quarter.

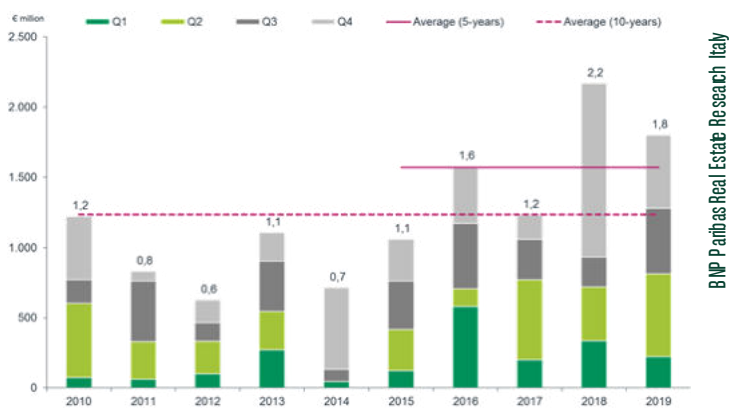
As to Office supply in Rome, in Q4 2019 there were vacant spaces for about 783,500 sqm in total, slightly declining against the previous quarter. The aggregate

vacancy rate in the city reached 8% in Q4 (with respect to 8.2% in Q3 2019), although central sub-markets showed lower vacancy rates (between 3.5% and 4%). With regard to the quality of vacant spaces, only about 15% of the total vacant spaces in the city are of grade A: these are equal to nearly 116,000 sqm in total, of which only about 22,000 sqm in total are located in the CBD, Centre and Semicentre. Conversely, most vacant spaces are of a lower quality and located in the Greater Eur and in the Periphery and & Out of GRA. In particular, in these sub-markets the total vacant spaces are equal to about 560,000 sqm, including about 80% of grade B and C.

Rome, Take-up Office by quarter



Rome, Investments commercial real estate market (all asset classes) by quarter



THE INVESTMENT MARKET

2019 recorded a positive performance in the commercial real estate investments market in Rome which, with volumes for about €1.8 billion, is the second best year ever for the city after 2018 (in which investments totalled nearly €2.2 billion). The 2019 result is about 15% higher than the five-year annual average and about 45% higher than the ten-year annual average.

The last quarter of the year contributed with about €520 million, mainly invested in the Hotel sector, followed by the Office segment. The investment volumes in Q4 were up about 30% against the reference ten-year average, while they were in line with the reference five-year average. Q4 2019 was down nearly 60% against the last quarter of the previous year; it should be noted, however, that Q4 2018 had been the best quarter ever for the Rome market.

In terms of relative contribution of the various sectors to the Rome investments market in 2019, the Office segment accounted for slightly over 40% of total invested in the year: approximately €780 million (about -35% on

2018) of which about 80% in the Greater Eur and CBD. The Office volume in 2019 exceeded by about 20% the ten-year annual average of the Rome Office market. Q4 2019, with investments in Office spaces for about €155 million, is below the relevant average values of the period. As to yields, Office prime net yields in Q4 2019 were stable q-o-q in all sub-markets. In particular, the CBD remained stable at 4% and the Centre at 5%.

In 2019 the investment volume in the Hotel sector in Rome totalled approximately €550 million (about +30% vs. 2018): a record level never reached before in Rome for this sector. During 2019, the most central sub-markets of the city attracted the highest number of transactions and capitals in the Hotel segment.

The Retail segment followed with investments in the city for about €415 million relating to five transactions (none of these was made in Q4). 2019 Retail volumes doubled the result of 2018 and the reference five-year annual average, while they were nearly 75% higher than the reference ten-year annual average.

It is worth noting the significant contribution in 2019 of the two transactions closed in the city relating to Shopping Centres, while residual investments were made in the High Street segment. In Q4 2019, the Rome High Street prime net yields remained stable at 3.35% for the third quarter in a row.

While in the first nine months of 2019 no transaction in the Logistics sector was completed in the Rome market, in Q4 four transactions were closed in this asset class for a total of about €53 million. The Logistics annual volumes decreased compared to about €260 million in 2018. As to yields, the prime net yields of Rome Logistics products remained stable at 5.50% from Q2 2018.

Finally, in 2019 one transaction was completed in Rome in the Centre sub-market, relating to a mixed use asset (for a total of about €15 million).

The operators who invested in Rome in 2019 were mainly foreign investors (about 55% of the total), with a great prevalence of US investors allocating about €635 million mainly in the Office product.

ROME TOTAL 2019

€1,801 M

15% of Italy total (equal to about €12.2 bn) - -17% vs 2018

43% of city total



OFFICE
€775 M

-35% on 2018

30%



HOSPITALITY
€545 M

+31%

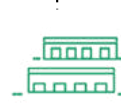
23%



RETAIL
€414 M

+165%

3%



LOGISTICS
€53 M

-80%

1%



MIXED
€15 M

on €0 M in 2018

0%



ALTERNATIVE
€0 M

on €141 M in 2018

BNP Paribas Real Estate Research Italy

Prime net
yield Q4 2019

4,00% =

HS

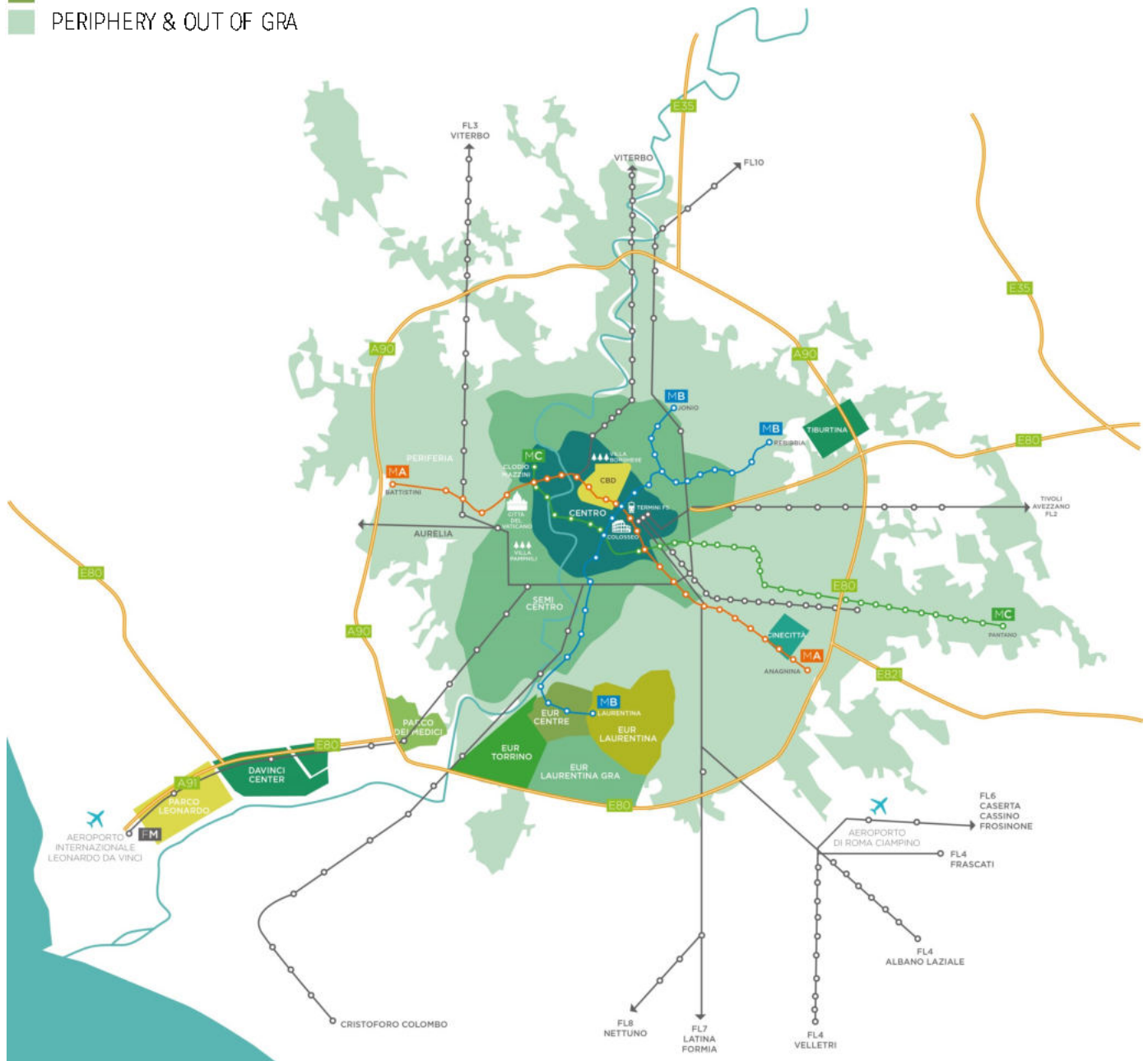
3,35% =

5,50% =

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.

OFFICE MARKET MAP—ROME

- CBD
- CENTRE
- SEMICENTRE
- EUR CENTRE/EUR CORE
- PERIPHERY & OUT OF GRA



6 BUSINESS LINES in Europe A 360° vision

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