



**AT A GLANCE
INVESTMENTS
Q1 2020**

**ITALY
COMMERCIAL REAL ESTATE MARKET
INVESTMENTS**

Q1 2020 recorded investments in the commercial Real Estate market for about €1.7 billion

In the first quarter of 2020, investments in the Italian commercial real estate market totalled about €1.7 billion (44 transactions), in line with the first quarter of 2019 and with the Q1 average value in the last 5 years and exceeding by 25% the Q1 average value in the last 10 years.

The Retail sector played the leading role, contributing with investments in Q1 2020 for about €680 million (approximately 40% of the total quarterly investment volume in Italy), increasing vs. Q1 2019. This result includes €435 million relating to the indirect transaction closed by Unicredit S.p.A. concerning the acquisition, by minority shareholders, of a 32.5% shareholding in La Villata S.p.A., a real estate company controlled by Esselunga S.p.A and owner of a large number of the Chain stores.

The Office sector followed with about €520 million (approximately 30% of the total investment volume), declining against Q1 2019.

In Q1 2020, the Logistics sector reported a positive performance with investments for about €225 million (approximately 13% of the total investment volume), up +65% approximately compared to Q1 2019.

The Hotel sector reported investments for slightly over €60 million (approximately -80% vs. Q1 2019), equal to about 4% of the

total quarterly volume.

In Q1 2020, investments in Alternative products were equal to about €170 million (10% of the total investment volume), increasing against Q1 2019.

The remaining investments made in Q1 2020 and amounting to about €55 million concerned transactions relating to mixed-use assets.

With regard to geographical allocation, in Q1 2020 nearly 40% of the investment volumes reported in Italy were concentrated in Milan, while investments in Rome were only about 6%. More specifically, in Q1 2020 investments in Milan were equal to about €665 million, down about 30% compared to the same period of 2019, but in line with the Q1 average values in the last 5 and 10 years. The downtrend observed in Milan, compared to Q1 2019, is mainly due to a drop in investments totalling about €440 million in Q1 2020 (approximately -45% vs. Q1 2019) and to a lower number of transactions reported in the Office sector, i.e. 6 transactions completed against 11 transactions in Q1 2019. It is worth noting however, that the first quarter of 2019 had been the best Q1 ever for the Milan Office product. In the first quarter of 2020, investments in Rome totalled about €110 million (approximately -50% against the same period of 2019), including about 70%

of investments in the Office sector.

Finally, investment volumes in the first quarter of 2020 originated from domestic investors for about €930 million (approximately 55% of Q1 2020 total volume). It should be noted that the national investments included €435 million relating to the aforementioned indirect transaction closed by Unicredit S.p.A. in the Retail Supermarket segment. Among foreign investors, European investors were the most dynamic, covering approximately 75% of the total international capital volumes invested in Italy. More specifically, in Q1 2020 German and French investors played a leading role with investments for about €210 million and €180 million, respectively.

Take away Q1 2020

€1.7 billion: Q1 2020 in alignment with Q1 2019

For Logistics Q1 2020 was the best first quarter ever

Prime net yields stability q-o-q for all asset classes

Retail 40% - Office 30% - Logistics 13% - Hotel 4% - Alternative 10% - Mixed 3%

THE PURCHASED ASSETS

As already mentioned, in Q1 2020, investments in the Retail sector totalled about €680 million. More specifically, they included the indirect transaction worth €435 million completed by Unicredit S.p.A.. For this reason, the result for the Retail sector in Q1 2020 quadrupled against €165 million approximately in Q1 2019 and exceeded Q1 5-year and 10-year average values (by approximately +35% and +70%, respectively). Investments in Shopping Centres amounted to about €240 million while High Street investments were equal to about €2 million. In Q1 2020, Retail prime net yields were generally stable q-o-q. More specifically, High Street values in Milan and in Rome remained unchanged from Q2 2019 at 3.10% and 3.35%, respectively, while the Shopping Centre prime net yields remained stable at 5.50% for the fifth consecutive quarter.

In the first quarter of 2020, the Office product reported investments for nearly €520 million, down 50% vs. Q1 2019 (about €1.035 billion). The Q1 2020 result is in line with the Q1 10-year average and down approximately 30% compared to the Q1 5-year average value. As to location, about 85% of the Office investment volume was concentrated in Milan and about 15% in Rome. Prime net yields in the Office sector

remained stable at 3.30% for CBD Duomo in Milan (for the seventh consecutive quarter) and at 4.00% for CBD in Rome (for the sixth consecutive quarter).

With regard to the Logistics, in the first quarter of this year investments reached about €225 million, increasing by about 65% compared to Q1 2019. It should be noted that the first quarter of 2020 has been the best Q1 ever for the logistics investment volumes. Q1 2020 Logistics volumes were concentrated almost exclusively in Northern Italy (about 95% of the total volume). Due to the completion of 4 transactions in Q1 2020, British investors contributed to Logistics volumes with about 55% of total investments. Prime net yields remained stable both in Milan and Rome at 5.25% and 5.50%, respectively, since Q2 2018.

The Hotel product followed, by contributing to total investments in Italy with slightly over €60 million in Q1 2020, decreasing compared to about €320 million in Q1 2019 (which included a Hotel transaction in Venice for about €270 million). The volumes recorded in this sector in Q1 2020 are attributable to foreign investors for about 75% and, in particular, to Swiss investors (about €35 million) and U.S. investors (about €13 million).

It is worth noting the good performance of

the Alternative products that in Q1 2020 totalled investments for about €170 million, that more than tripled the investments reported in the same period of 2019. More specifically, 13 transactions were closed in this asset class, including deals related to two care homes and to three real estate developments, all located in Northern Italy.

Finally, investments for about €55 million were reported in mixed-use products, corresponding to two transactions.

DEALS TYPOLOGY

As already said, in Q1 2020 the commercial real estate market performance in Italy was in line with Q1 2019 in terms of investment volumes (about €1.7 billion) and number of transactions (44).

In particular, in Q1 2020 35 single asset transactions were reported (of an average size of approximately €25 million) as well as 8 portfolio transactions (of an average size of approximately €55 million). The latter type concerned all asset classes, except for mixed-use products.

Prime net yields - Q1 2020

OFFICE



Milan 3.30%
Stable vs Q4 2019

Rome 4.00%
Stable vs Q4 2019

RETAIL



HS Milan 3.10%
Stable vs Q4 2019

HS Rome 3.35%
Stable vs Q4 2019

Shopping Centre 5.50%
Stable vs Q4 2019

LOGISTICS



Milan 5.25%
Stable vs Q4 2019

Rome 5.50%
Stable vs Q4 2019

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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