



**AT A GLANCE  
INVESTMENTS  
YTD Q2 2020**

**ITALY  
COMMERCIAL REAL ESTATE MARKET  
INVESTMENTS**

**In Italy in the first half of 2020 investments in the commercial real estate market decreased: -25% compared to the same period of 2019**

In Q2 2020, investments in the Italian commercial real estate market were just above €2 billion, down approximately 38% against the value recorded in Q2 2019 and nearly 13% compared to the last 5-year Q2 averages, but up approximately 17% compared to the last 10-year Q2 average. It should also be noted that a lower number of deals were closed in Q2 2020: slightly more than 30 in total compared to 60 in Q2 2019.

The result of the second quarter was reflected in the reduced volume recorded on a half-year basis. The performance in Q1 2020 indeed was in line with the value registered in the same period of the previous year, totalling approximately €1.7 billion. The first half of this year posted a 25% reduction in investments: approximately €3.8 billion versus approximately €5 billion recorded in H1 2019.

In Q2 2020, the majority of investments were made in the Office sector with a total of approximately €1.2 billion (approx. 60% of the total amount on a quarterly basis in Italy), twice the value recorded in Q2 2019 (approx. €620 million). This result was reflected in the half-year performance of the Office sector, which ended at approximately €1.8 billion (of which slightly less of €1.5 billion concentrated in Milan), almost 7% above the value of H1 2019.

Investments in the Hotel sector come next, even if at a certain distance: approximately €350 million (17% of the total amount on a quarterly basis), down nearly 80% compared to Q2 2019. Also, H1 data for this sector, making for approximately €410 million, show a reduction of about 80% vs the first half of 2019. A decreased amount of investments in the Hotel sector (significant in 2019 in defining the record amount of €12.2 billion totally invested) that however brought the performance for the first half of 2020 back to the levels of 2017 and 2018.

Approximately 14% of total investments in Q2 2020 concentrated in the Alternative Products sector, accounting for €280 million and showing a strong uptrend against the same period of the previous year. The performance in this sector was very positive also on a half-year basis with a three-digit growth rate compared to the first half of 2019, thanks to investments of approximately €450 million. In this sector, the result reached in the first six months of 2020 has already exceeded the value recorded in the whole year of 2019. It should be noted that half of the total amount of this category in the first half of 2020 is attributable to the completion of transactions regarding residential development projects.

Retail totalled 6% of the quarterly volumes with approximately €125 million, resulting in a half-year performance of approximately €800 million (almost +6% vs H1 2019). It should be noted that the result is mainly attributable to the Unicredit S.p.A./Esselunga S.p.A. indirect deal completed in Q1 for a total of €435 million.

In Q2 2020, Logistics posted investments worth approximately €55 million (nearly -68% vs Q2 2019) regarding the completion of two deals. The performance of the first half of 2020 included investments of approximately €280 million, down about 10% against the same period of the previous year.

In Q2 2020, there were no transactions regarding Mixed Products.

**Take away Q2 2020**

**€2 bn: about -38% compared to Q2 2019**

**Office: about €1.2 bn including €1 bn in Milan**

**Prime net yields stability q-o-q for Office and Logistics. Decompression for Retail Shopping Centres and High Street**

**Office 60% - Hotel 17% - Alternative 14% - Retail 6% - Logistics 3%**

The breakdown by geographical regions reveals that approximately 57% of investments made in Italy in Q2 2020 concentrated in Milan and only 9% in Rome.

More specifically, investments in Milan totalled approximately €1.2 billion, up almost 23% against the same quarter of 2019, up approximately 33% compared to the last 5-year Q2 average and up nearly 80% of the last 10-year Q2 average. The excellent performance of the second quarter recorded in Milan can be almost exclusively attributed to the investments made in the Office sector: in Q2 2020 investments totalled slightly more than €1 billion (approximately 85% of the total investments in Office spaces in Italy in the quarter), up nearly 92% vs Q2 2019. It should be noted that Q2 2020 (with approx. €1 billion as mentioned) and H1 2020 (with slightly less than € 1.5 billion) confirmed to be the best Q2 and the best H1 ever in terms of investments in the Milan Office sector.

In Rome, on the contrary, the performance of investments in Q2 2020 was negative (similarly to the first quarter 2020) with just less than €180 million comprehensively invested, down approximately 70% compared to the same period of 2019, nearly 52% compared to Q2 average of the last 5 years and approximately 40% compared to the Q2 averages of the last 10 years. Also the first half of 2020 in Rome recorded investments below the average of the same period of the previous year with just less than €300 million invested versus approximately €800 million in the first half of 2019.

As to the nationality of investors, volumes generated in Q2 2020 were covered by

Italian investors for a total of €1.1 billion mainly concentrated in the Office sector. In terms of foreign investors, the EU countries (Austria and Germany in the lead) were the most performing in the quarter, with approximately €480 million invested in total. US investors allocated approximately €350 million in Q2 2020 in Italy, investing in the Office sector but also in Logistics and Alternative Products (including residential development projects).

**PRODUCTS AND YIELDS**

As mentioned above, Q2 2020 volumes were driven by investments in the Office sector with approximately €1.2 billion, twice the amount invested in Q2 2019 and than the last 10-year Q2 average and nearly 29% above the last 5-year Q2 average. In Q2 2020, investments in the Office sector were above all covered by Italian investors (for approximately €1 billion), followed by German investors (with a deal worth almost €140 million) and US investors (with a portfolio deal of approximately €94 million). In terms of location, nearly 85% of the total Office volumes in Q2 2020 concentrated in Milan (as mentioned above) and approximately 7% in Rome. Prime net yields in the Office sector remained stable across all sub-markets both in Milan and in Rome. In particular, the Milan CBD Duomo stands at 3.30% (for the eighth consecutive quarter) and the Rome CBD at 4.00% (for the seventh consecutive quarter).

In Q2 2020, investments in the Retail sector totalled approximately €125 million and referred to six deals. Specifically, approximately €40 million were invested for the acquisition of a Shopping Center in Rome, €44 million for the transfer of a

Cash&Carry portfolio including various locations and the remaining amount in transactions concerning the High-Street segment and the bank agency segment. Prime net yields in the Retail sector decompressed across all segments on a q-o-q basis: High Street went from 3.10% to 3.25% in Milan and from 3.35% to 3.50% in Rome; Shopping Centers went from 5.50% to 5.75%.

With regard to Logistics, investments in the second quarter reached – as already mentioned – approximately €55 million and concerned two deals closed in Verona (by Italian investors) and Florence (by US investors). With regard to prime net yields in the Logistics sector, the values have remained stable since Q2 2018 both in Milan and in Rome at 5.25% and 5.50%, respectively.

In the Hotel segment, investments made in the quarter of reference totalled approximately €350 million and concerned five deals closed in different Italian locations, including the most significant one worth approximately €250 million, closed in Venice by Austrian investors.

Lastly, as already mentioned, approximately 14% of total investments made in the quarter of reference, corresponding to nearly €280 million, concerned Alternative Products. In particular, eight transactions (of which 4 in Milan) were closed in this category. The deals mainly concerned residential development projects. US investors accounted for approximately 75% of total investments in this sector.

**Prime net yields - Q2 2020**

**OFFICE**



**Milan 3.30%**  
*Stable vs Q1 2020*

**Rome 4.00%**  
*Stable vs Q1 2020*

**RETAIL**



**HS Milan 3.25%**  
*+15 bp vs Q1 2020*

**HS Rome 3.50%**  
*+15 bp vs Q1 2020*

**Shopping Centres 5.75%**  
*+25 bp vs Q1 2020*

**LOGISTICS**



**Milan 5.25%**  
*Stable vs Q1 2020*

**Rome 5.50%**  
*Stable vs Q1 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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