



**AT A GLANCE
INVESTMENTS
YTD Q3 2020**

ITALY COMMERCIAL REAL ESTATE MARKET INVESTMENTS

In the first nine months of 2020 in Italy decreasing investments in commercial real estate: -20% compared to the same period of 2019

In the third quarter of 2020, a little more than €2 billion were invested in the Italian commercial real estate market, down 7% compared to Q3 2019 but up compared to the last 5-year and 10-year Q3 averages (approximately +5% and +40%, respectively). It should be noted also that the number of closed transactions dropped from 52 in Q3 2019 to 42 in Q3 2020.

The first nine months of 2020 recorded a 20% reduction in investments compared to the same period in 2019: approximately €5.8 billion in 2020 versus €7.2 billion in 2019. The result achieved in the third quarter of 2020 (the second best Q3 in the last 10 years) reduced the gap recorded on a half-yearly basis, when the decrease in volumes was equal to approximately 25%.

In Q3 2020, the Office sector recorded the largest share in investment volumes totalling approximately €870 million (approximately 43% of the quarterly total volume in Italy), up nearly +30% compared to Q3 2019 (approximately €680 million). This result brings the first nine months 2020 to about €2.6 billion investments in the Office sector (of which approximately €2.1 billion were concentrated in Milan), up approximately 13% compared to the first nine months of 2019.

In the quarter, the Logistics sector followed suit with investments of approximately €500 million (about 25% of the quarterly

total volume in Italy), up about 150% compared to the value recorded in Q3 2019 (approximately €200 million). YTD Q3 2020 investments amounted to just under €800 million, up nearly +55% compared to the same period in 2019.

In the first nine months of 2020, the performance of the Hotel sector slowed down with approximately €670 million invested, down nearly 70% compared to the same period in 2019. Q3 2020 posted nearly €260 million (approximately 13% of the quarterly total volume in Italy) in line with Q3 2019.

The analysis by asset class revealed that in Q3 2020 approximately 7% of total investments concentrated in the Retail sector for around €150 million, showing a downward trend (nearly -85%) compared to Q3 2019 (about €980 million). In the first nine months of 2020, the Retail sector recorded around €960 million of investments, down approximately 45% compared to the value of the first nine months of 2019. It should be noted that the YTD Q3 2020 Retail result was mainly attributable to the indirect Unicredit S.p.A./Esselunga S.p.A. deal worth €435 million recorded in Q1 2020.

In Q3 2020, investments in the Alternative Products sector confirmed the positive performance already recorded in the first half of 2020 with approximately €140 million (equal to approximately 7% of the

quarterly total volume in Italy), with a three-digit increase compared to Q3 2019 (equal to approximately €30 million). The YTD Q3 2020 value was just under €600 million, up approximately 300% compared to the first nine months of 2019. It should be noted that a significant part of the investments made in the Alternative Products sector in the period is attributable to the completion of transactions regarding residential developments.

Lastly, investments in the Mixed Products sector in Q3 2020 totaled about €100 million (equal to approximately 5% of the quarterly total volume in Italy), showing a growing trend compared to both Q3 2019 and Q2 2020 (the quarter in which no transaction was closed). The YTD Q3 2020 figure recorded just under €160 million, showing an increase compared to the same period in 2019.

Take away Q3 2020

Total investments €2 billion: -7% compared to Q3 2019

Offices: about €870 M including €650 M in Milan

Prime net yields stability q-o-q for Offices in Milan and Rome, decompression for Retail Shopping Centre and High Street, compression for Logistics

Office 43% - Logistics 25% - Hotel 13% - Retail 7% - Alternative 7% - Mixed 5%

As to the geographic breakdown, the analysis reveals that in Q3 2020 approximately 63% of the investments recorded in Italy were concentrated in Milan and about 11% in Rome.

More specifically, investments in Milan totaled just under €1.3 billion, up approximately 184% compared to the same quarter of 2019, nearly 75% compared to the last 5-year Q3 average and about 155% compared to the last 10-year Q3 average. The excellent result recorded in Milan in the third quarter of 2020 is 50% attributable to the investments made in the Office sector with approximately €650 million allocated in Q3 2020 (about 75% of total investments in the Office sector in Italy in the quarter) with a three-digit increase (+123%) compared to the figure recorded in Q3 2019. It should be noted that Q3 2020 (with approximately €650 million as mentioned above) and YTD Q3 2020 (with approximately €2.1 billion) were respectively the best Q3 and the best first nine months ever for investments in the Office sector in Milan.

In Q3 2020, the performance of the commercial real estate market in Rome was negative with investments totalling approximately €220 million, down approximately 52% compared to Q3 2019, nearly 32% compared to the last 5-year Q3 average and about 25% compared to the last 10-year Q3 average. Also in the first nine months of 2020, investments in Rome were undersized (approximately -60%) compared to the previous year, with just over €500 million compared to the approximately €1.3 billion recorded in the first nine months of 2019.

The breakdown of investors by nationality reveals that Q3 2020 volumes were generated by international capital for a total of approximately €1.6 billion. In Q3 2020, French and German investors were

the most dynamic in Italy with investments just under €1.2 billion in total. More specifically, German investors concentrated investments in the Office and Logistics sectors and French investors mainly in the Office and Hotel sectors. In the quarter, US investors allocated approximately €160 million mostly in Northern Italy.

Q3 IN DETAILS: PRODUCTS AND YIELDS

As already mentioned, Q3 2020 volumes were driven by investments in the Office sector with approximately €870 million (including just over 15 transactions), up compared to Q3 2019 (approximately +30%) and up also compared to the last 5-year and 10-year Q3 averages (approximately +25% and +65%, respectively). This is the best Q3 ever for the Office sector in Italy. In Q3 2020, international investors played the lion's share with approximately €635 million mainly allocated by French and German players. However, equally noteworthy is the significant contribution given in the quarter by Italian investors with approximately ten transactions totalling around €235 million in the Office sector. In terms of location, nearly 75% of the investments made in the Office sector in Q3 2020 were concentrated in Milan (as already mentioned) and about 25% in Rome. The prime net yields in the Office sector remained stable q-o-q in all sub-markets in Milan and in Rome, except for the more peripheral ones. More in detail, the prime net yield in the Hinterland in Milan decompressed from 7% to 7.10%, while the Periphery & Out of GRA in Rome from 7.50% to 7.60%. The prime net yields of CBD Duomo in Milan remained at 3.30% (for the ninth consecutive quarter) and the prime net yields of CBD in Rome remained at 4% (for the eighth consecutive quarter).

In Q3 2020, approximately €150 million were invested in the Retail sector, related to three portfolio transactions in various locations: a Retail Park portfolio worth approximately €87 million, a Supermarket portfolio worth approximately €50 million and a Shopping Centre portfolio worth approximately €17 million. Prime net yields in Retail decompressed in all the segments on a q-o-q basis: the High Street segment in Milan from 3.25% to 3.40%; the High Street segment in Rome from 3.50% to 3.70%; and Shopping Centres from 5.75% to 6%.

As to Logistics, investments in the third quarter of 2020 reached almost €500 million (the second best Q3 ever for the Logistics sector after 2017) with eleven transactions (including two portfolios) mostly located in Northern Italy and all completed by foreign investors (mainly German). Prime net yields in Logistics compressed q-o-q both in Milan (from 5.25% to 5%) and in Rome (from 5.50% to 5.25%).

In Q3 2020, investments in the Hotel sector totalled approximately €260 million related to the closing of one portfolio transaction in various locations by French investors.

The Alternative Products sector totalled investments of approximately €140 million in Q3 2020, mainly located in Milan and regarding ten transactions (four of which referred to residential developments). Approximately 70% of total investments in this sector were made by US investors.

Lastly, as mentioned above, in Q3 2020 the Mixed Products sector totalled just over €100 million, including one single transaction completed in Milan by French investors.

Prime net yields - Q3 2020

OFFICE



Milan 3.30%
Stable vs Q2 2020

Rome 4%
Stable vs Q2 2020

RETAIL



HS Milan 3.40%
+15 bp vs Q2 2020

HS Rome 3.70%
+20 bp vs Q2 2020

Shopping Centre 6%
+25 bp vs Q2 2020

LOGISTICS



Milan 5%
-25 bp vs Q2 2020

Rome 5.25%
-25 bp vs Q2 2020

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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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