



**AT A GLANCE
INVESTMENTS
Q4 2020**

ITALY COMMERCIAL REAL ESTATE MARKET INVESTMENTS

In Italy 2020 closed with about €8.8 billion of investments in the commercial RE market: -30% with respect to 2019

In Italy, 2020 closed with investments in the commercial real estate market amounting to approximately €8.8 billion, decreasing by approximately 30% against 2019 (a record year for the sector in Italy) and approximately 12% compared to the annual average of the last five years, but increasing by about 15% compared to the annual average of the last ten years. It should also be noted that the 2020 result was in line with 2018.

The last quarter of the year contributed with investments for nearly €3 billion, 34% of the total annual amount. Q4 2020 was down about 40% compared to Q4 2019 and about 25% compared to the Q4 average of the last 5 years but in line with the Q4 average of the last 10 years.

In 2020 foreign investors confirmed their interest in Italian real estate assets: about 56% of the investment volumes were made by international investors, decreasing, however, against the annual average value of the last 5 years which was equal to about 65%. More specifically, in 2020 European investors (led by French and German ones with €1.5 and €1.1 billion, respectively) invested about €3.4 billion in total,

dropping vs. 2019 (approx. -20%). The US investors allocated about €1 billion, one of the record lows over the last 10 years and down about 70% compared to 2019. Conversely, domestic capitals in 2020 amounted to approximately €3.8 billion, up about 30% vs. 2019 and representing the highest value ever recorded in the last 10 years for this type of capitals (together with the one of 2018).

As to the geographic background, also in 2020 Milan confirmed to be the most liquid market in Italy with approximately 45% of the total investment volume recorded in the year. More specifically, 2020 closed in Milan with about €3.9 billion, down nearly 23% compared to 2019, in line with the annual five-year average, and up about 37% compared to the annual ten-year average. The volume driver in the city confirmed to be the Office product with nearly €2.5 billion invested: about 63% of the total in Milan and about 75% of the total in the Office sector in Italy in 2020.

In Rome, investments in 2020 totalled about €900 million, down 50% compared to 2019 and decreasing compared to the annual five-year and ten-year averages

(approximately -40% and -25%, respectively). In terms of relative contribution to the 2020 volumes, the Office sector was also the driver of investments in Rome, with nearly €680 million (75% of the total in the city and about 20% of the total in the Office sector in Italy), mainly allocated in the Greater EUR sub-market.

In 2020, investments in other locations contributed with nearly €3.9 billion (about 45% of the total in Italy) mainly relating to the completion of indirect portfolio transactions in the Retail sector but also to portfolio deals concerning the Logistics product, followed by transactions in the Hotel, Mixed and Alternative Products sectors.

Take away Q4 2020

- Total investments €3 billion: approximately -40% vs. Q4 2019**
- Mixed Products drove quarterly volumes with about €890 M. Logistics totalled about €740 M and Offices about €680 M**
- Prime net yields compression q-o-q for Offices in Milan and Rome. Stability for Retail Shopping Centres, High Street and Logistics**

ASSETS PURCHASED IN THE YEAR: OFFICES STILL AT THE TOP

In Italy, in 2020, investments were mainly concentrated in the Office sector, confirming once again a structural characteristic of the market. More specifically, the Office product dominated in the year that just ended with volumes equal to nearly €3.3 billion (about 38% of the total), decreasing compared to 2019 (about -30%) and compared to the annual medium-term average (about -15%), but increasing compared to the annual long-term average (about +18%). Q4 2020 contributed to 2020 Office volumes with nearly €680 million, decreasing by approximately 70% compared to Q4 2019 (which was the best quarter ever for the Office sector in Italy).

In 2020 domestic capitals primarily contributed to Office investments with nearly €1.8 billion (about +15% vs. 2019) including an important transaction completed in the second quarter for nearly €450 million in the CBD Porta Nuova sub-market in Milan. Conversely, with regard to foreign capitals, it is worth noting the investments made by German investors for nearly €670 million, followed by US investors with nearly €325 million and French investors with nearly €310 million. In Q4 2020, the prime net yields in the Office sector compressed on a q-o-q basis: Milan went down from 3.30% (recorded since Q3 2018) to 3.20% and Rome from 4% (recorded since Q4 2018) to 3.90%.

In terms of volumes, the Office sector is followed, at a certain distance, by the Logistics sector which contributed to the total investments recorded in 2020 with nearly €1.5 billion of which about €740 million were registered in Q4 (down approximately 20% compared to Q4 2019). The 2020 Logistics data increased by about 6% compared to 2019, by about 30% compared to the annual average of the last 5 years and by about 115% compared to the annual average of the last 10 years. Therefore, this sector confirmed the growth trend observed over the last few years, also consolidating its relative share of the total market: 17% in 2020 compared to an annual average of 12% in the last 5 years. In 2020 the

foreign investors who mostly contributed to Logistics volumes were German (for nearly €470 million), followed by French (for about €305 million) and US investors (for about €255 million). Domestic capitals were almost absent in this sector, with investments amounting to slightly less than €50 million over the entire year, confirming in any case a structural characteristic of the Logistic market. In 2020 most transactions relating to the Logistics sector concerned Northern Italy (nearly 60% of total investments in this asset class). Prime net yields in the Logistics remained stable in Q4 on a q-o-q basis both in Milan and in Rome, at 5% and 5.25%, respectively.

The Retail followed suit in terms of relative contribution, with investments in 2020 totalling nearly €1.1 billion (including nearly €780 million relating to indirect deals), down approximately 40% compared to 2019 and also to the annual average of the last 5 and 10 years. The analysis of the Retail segments reveals in 2020 a higher volume of investments in Supermarkets for about €650 million (the best year ever for this segment thanks to the closing of a few relevant indirect deals) followed by Shopping Centres with nearly €300 million and Retail Park with nearly €90 million (relating to the completion of only one transaction). The closing of a few relevant indirect deals in the Retail sector by domestic investors (including the Unicredit/Esselunga deal) impacted the composition of the sector volumes in terms of origin of capital: in 2020 investments made by Italian investors totalled nearly €810 million (increasing by approximately 25% compared to 2019 and by approximately 17% compared to the annual average of the last 5 years). French investors led foreign investments in 2020 with nearly €180 million (corresponding to only one indirect deal closed in Q1 2020). The analysis of Q4 2020 reveals investments for nearly €180 million in the Retail sector (against approximately €135 million in Q4 2019), nearly all relating to an indirect deal closed in the Supermarket segment. Prime net yields in the Retail sector in Q4 remained stable, in general, on a q-o-

q basis. More specifically, the Shopping Centres remained stable at 6% while the High Street values in Milan and in Rome remained at 3.40% and 3.70%, respectively.

The analysis of the investment volumes in 2020 also reveals that Mixed Products and Alternative Products followed with slightly more than €1 billion each, recording a three-digit growth compared to 2019 and confirming the trend of the last few years. More specifically, the billion invested in Mixed Products also included the transfer of two assets for Office and Retail use located in the Milan CBD Duomo for a total of nearly €350 million. Investments in this sector were led by Italian (for about €530 million) and French investors (for about €450 million). Conversely, as to Alternative products the analysis clearly reveals the consolidation in 2020 of a new investment asset class, i.e. the institutional residential asset class that in the year which just ended concentrated nearly half of the total of the Alternative category with nearly €435 million investments. Among Alternative products, investments in Care homes with nearly €120 million, corresponding to 6 transactions, and in Datacenters with nearly €100 million, relating to 4 transactions, followed at a certain distance. Investments in this category were led by Italian (for nearly €530 million) and US investors (for nearly €400 million) and were mainly located in Northern Italy.

And lastly, the Hotel sector totalled investments for nearly €750 million, dropping by approximately 80% compared to 2019, the record year. This result brought back the asset class to the volumes recorded in 2015 and 2016. Two relevant transactions of nearly €250 million each impacted the 2020 total result: one relating to a portfolio of hotel assets located in Rome, Florence and Venice (completed by French investors) and one concerning a single asset in Venice (completed by Austrian investors). Domestic capitals contributed to the total annual investments in the Hotel sector with nearly €130 million.

DECREASING TREND FOR THE NUMBER OF DEALS

The result of the commercial real estate investment market recorded in Italy in 2020 was characterized by a decline in the number of completed transactions compared to most recent years: slightly less than 200 transactions were closed (including 70 completed in Q4 2020) compared to 285 in 2019 and 260 in 2018 (this year recorded investment volumes in line with 2020).

More in detail, it should be noted that in 2020 some 20 deals were completed with a size exceeding €100 million, including about 10 transactions of a value equal to or higher than €200 million.

From the analysis of the type of transactions completed, in 2020 it is observed a decreasing number of transactions relating to single assets (nearly 150 compared to 220 in 2019) with an average value in line with 2019 and equal to nearly €35 million.

Conversely, the number of portfolio transactions was equal to about 40 in 2020 (of which a dozen with a value exceeding €100 million) as in 2019. It should be noted, however, that a reduction was observed in the average value of portfolio deals from nearly €100 million in 2019 to about €90 million in 2020.



INVESTMENTS ITALY TOTAL 2020

€8,772 M
-30% vs. 2019



OFFICE
€3,313 M -30% vs. 2019
38% of Italy total



LOGISTICS
€1,510 M +6% vs. 2019
17% of Italy total



RETAIL
€1,134 M -40% vs. 2019
13% of Italy total



ALTERNATIVES
€1,023 M +1/0% vs. 2019
12% of Italy total



HOTEL
€746 M -80% vs. 2019
8% of Italy total

MIXED
€1,046 M +190% vs. 2019
12% of Italy total

PRIME NET YIELDS Q4 2020

Milan 3.20%
-10 bp vs. Q3 2020

Rome 3.90%
-10 bp vs. Q3 2020

Milan 5%
Stable vs. Q3 2020

Rome 5.25%
Stable vs. Q3 2020

HS Milan 3.40%
Stable vs. Q3 2020

HS Rome 3.70%
Stable vs. Q3 2020

Shopping Centres 6%
Stable vs. Q3 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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