



**CITY NEWS  
ROME  
Q1 2020**

# ROME COMMERCIAL REAL ESTATE INVESTMENT MARKET AND OFFICE LEASING

**Q1 2020 vs. Q1 2019: decreasing performance both for the commercial real estate investment market and for the Office leasing market**

## THE OFFICE LEASING MARKET

In the first quarter of 2020, take-up of Office spaces in Rome was equal to about 29,300 sqm, down approximately 65% compared to Q1 2019, but exceeding by approximately 25% the value reported in Q4 2019. The Q1 2020 result was below the Q1 last 5 year and 10 year averages (approximately -30% and -10%, respectively).

The analysis of the various sub-markets reveals that the only district in Rome reporting an increasing Office take-up was the Periphery & Out of GRA that, due to a high number of transactions closed (10 in Q1 2020 vs. 4 in Q1 2019) reached a take-up of about 8,500 sqm (+10% vs. Q1 2019).

Conversely, in Q1 2020, take-up went down in all the other Rome sub-markets. More specifically, the Centre reported a take-up of about 10,300 sqm, down about 65% compared to Q1 2019.

Also the Greater EUR and Semicentre sub-markets underperformed in terms of take-up against Q1 2019: in particular, with about 5,400 sqm the Greater EUR recorded a decrease of approximately 75%, while the Semicentre, with about 3,700 sqm, dropped

by approximately 72%. The largest transaction in the quarter, for about 3,500 sqm, was completed in the Semicentre, relating to a tenant operating in the Service sector. Finally, also in Rome CBD take-up in Q1 2020 underperformed compared to Q1 2019 (-85% approximately) and was equal to slightly less than 1,500 sqm.

In the first quarter of 2020 about 83% of transactions in Rome concerned grade B spaces, while the residual deals closed concerned grade A spaces.

Rome confirmed to be a city characterized by small surface deals: in Q1 2020, 65% of the transactions closed regarded spaces below 1,000 sqm.

As to rents, the data analysed in Q1 show that most transactions were closed with a rent below 250 €/sqm/year (about 65% of the deals closed in first quarter of this year with a known rent amount). In Q1 2020, no transactions exceeding 375 €/sqm/year were reported.

As to prime rents, all sub-markets remained stable except for EUR Laurentina where

prime rent increased from 290 €/sqm/year to 300 €/sqm/year. Rome CBD confirmed a prime rent at 450 €/sqm/year for the fourth consecutive quarter.

As to Office supply, the aggregate vacancy rate slightly increased to 8.2% from 8% in Q4 2019. In the central sub-markets the vacancy rate was in a range between 3.5% and 4%. The total Office vacant spaces are currently equal to 804,800 sqm, 45% of which are in the Periphery & Out GRA. Only about 15% of vacant spaces are related to A grade, including about 7,300 sqm in CBD.

### Take away Q1 2020

Office take-up decrease with respect to Q1 2019

Positive take-up vs. Q1 2019 only in the Periphery & Fuori GRA sub-market

Office prime rent increase q-o-q in the EUR Laurentina. Stability in all other sub-markets

## THE INVESTMENT MARKET

### Take away Q1 2020

Investments decrease with respect to Q1 2019

Office volumes decrease. No deal recorded in the Retail, Logistics and Hotel sectors

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

In the first quarter of 2020, the Rome commercial real estate investment market reported a downtrend, with total investments for about €110 million (about 6% of the quarterly total volume in Italy), down 50% approximately compared to the same period of 2019, 60% approximately compared to the last 5 year Q1 average and 45% approximately compared to the last 10 year Q1 average.

In Q1 2020, 4 transactions were closed in Rome: one portfolio transaction in the Office sector and 3 transactions relating to single assets (one in the Office sector, one relating to Mixed Use products and one to alternative investments).

The analysis of the contributions of the various asset classes reveals that in Q1 2020 about 70% of total volumes was concentrated in the Office segment (€76 million), dropping against about €225 million in the same period of the previous year and against the last 5 year and 10 year Q1 averages (approximately -55% and -35%, respectively).

The Office performance in the first quarter of this year is attributable to a deal relating to a single asset in the Centre sub-market and to the completion of the aforementioned portfolio transaction relating to two properties located in CBD. In both cases, the capitals for the acquisitions originated from domestic investors. As to yields, in Q1 2020 prime net yields in the Office sector were stable q-o-q in all sub-markets. More specifically, CBD in Rome remained stable at 4.00% (for the sixth consecutive quarter) and the Centre at 5.00% (for the fifth consecutive quarter).

As to investments in Q1 2020, the sector of Mixed Use products followed reporting volumes for about €30 million, corresponding to one transaction relating to a single asset completed in the Centre sub-market by Dutch investors.

To conclude, in Q1 2020 a single transaction was recorded in Rome for a value of about €4 million in the sector of Alternative products (relating, in particular, to the residential sector) that was completed by an Italian developer in the Greater EUR sub-market.

It should be noted that in the first quarter of the year no transactions were reported in Rome in the Retail, Logistics and Hotel sectors.

It is worth noting that prime net yields reported in Q1 2020 for the High Street and Logistics sectors in Rome remained stable at 3.35% (from Q2 2019) and at 5.50% (from Q2 2018), respectively.



**ROME Q1 2020**  
**€109 M**

**6%** of Italy total

**-50%** vs. Q1 2019



**OFFICE**

**€76 M** -66% vs. Q1 2019

**70%** of Rome total

Prime net yield **4,00%** =



**MIXED USE**

**€29 M** vs. 0 M in Q1 2019

**26%**



**ALTERNATIVE**

**€4 M** vs. 0 M in Q1 2019

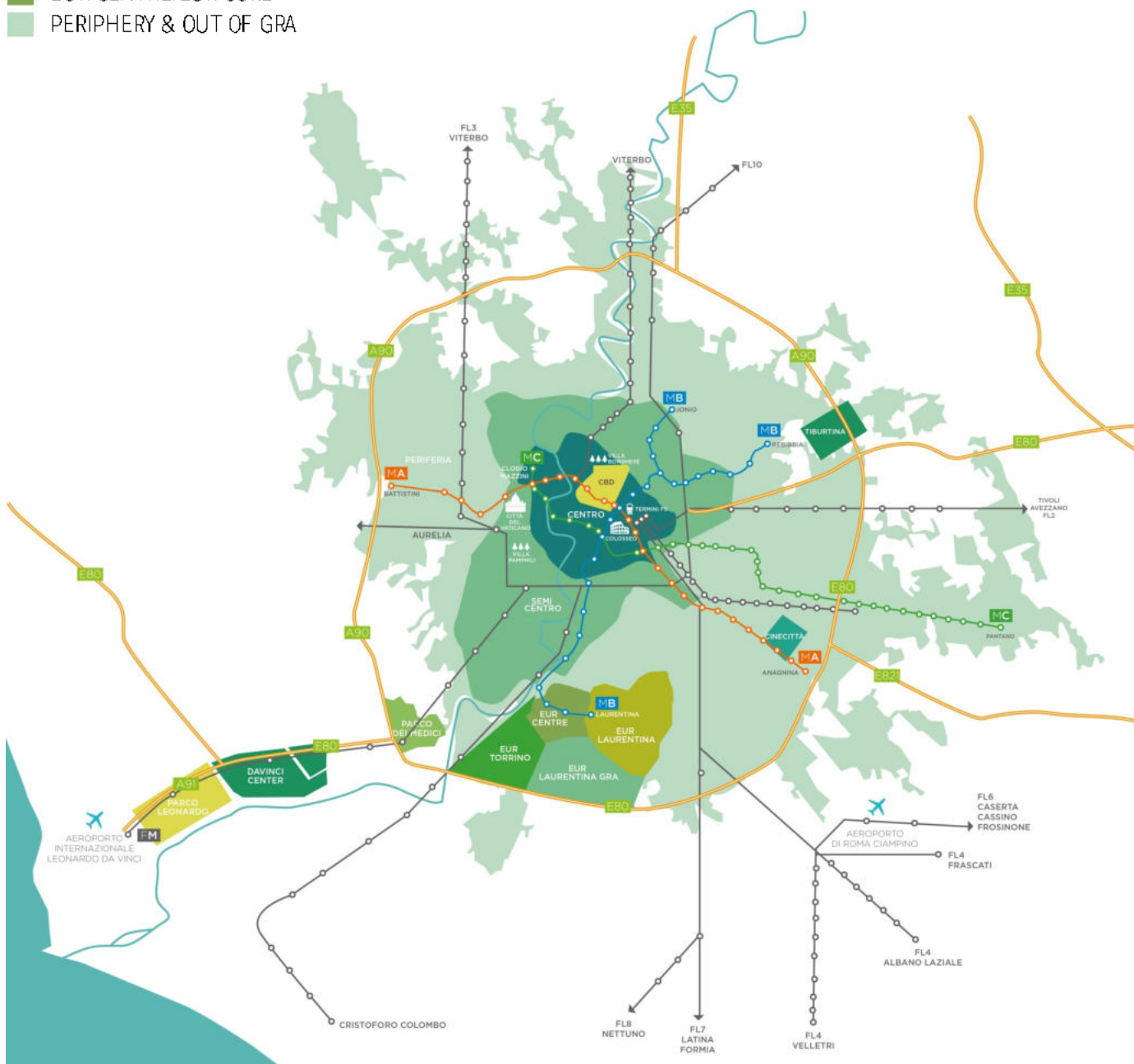
**4%**

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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.

# OFFICE MARKET MAP—ROME

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



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