



RESEARCH

**CITY NEWS
ROME
Q3 2020**

**ROME
COMMERCIAL REAL ESTATE INVESTMENT
MARKET AND OFFICE LEASING**

Q3 2020 vs. Q3 2019: decreasing performance both for the commercial real estate investment market and for the Office leasing market

THE OFFICE LEASING MARKET

In Q3 the Rome Office leasing market recorded a take-up of slightly more than 13,000 sqm, down nearly 80% compared to the value of Q3 2019, down approximately 70% compared to the 5-year Q3 average and -60% compared to the 10-year Q3 average. The number of completed transactions also dropped: 16 in Q3 2020 vs 41 in Q3 2019, while the Q3 average of the past ten years was approximately 25 transactions.

In the first nine months of 2020, the Rome Office take-up amounted to nearly 62,000 sqm, down almost 75% compared to the value recorded in the same period of 2019 and also below the 9-month average of the last 5 years and 10 years (approximately -52% and -43%, respectively).

The analysis of the sub-markets reveals that, compared to the same period in 2019, the only area in Rome which recorded an increased Office take-up in Q3 2020 was the Centre with slightly less than 10,000 sqm in Q3 2020 against approximately 2,200 sqm in Q3 2019. Conversely, all the other areas in Rome recorded decreasing take-up values compared to the third quarter of 2019: approximately -100% for the CBD, nearly -95% for the Greater EUR and the Periphery & Out of GRA and about -90% for the Semicentre. Considering the first nine-months of 2020, on the contrary all the

Rome sub-markets confirmed a negative take-up performance compared to the previous year.

The detailed take-up analysis of the Rome Office market reveals that in Q3 2020 transactions concentrated in the Centre sub-market with eight deals accounting for – as anticipated above – slightly less than 10,000 sqm. This sub-market recorded the most significant transaction completed in the quarter: approximately 3,000 sqm leased to a tenant operating in the sector of institutional banking services. It should be noted that no transactions for Office spaces were completed in the CBD in the third quarter of 2020.

Rome confirms to be a city characterised by small-size deals: in Q3 2020, 75% of the closed deals referred to sizes below 1,000 sqm. Four deals were completed in the quarter with a size exceeding 1,000 sqm and no transactions were recorded regarding spaces above 3,000 sqm.

With regard to rents, Q3 data show that the majority of the deals included rents below 375 €/sqm/year (for approximately 90% of the deals with known rent amount closed in the quarter of reference). It should also be noted that in Q3 the first deal of the year was closed with a rent exceeding 375 €/sqm/year (the already mentioned

transaction referring to the Centre sub-market and relating to approximately 3,000 sqm).

As to Office prime rents, values remained in line with Q2 2020 ones across all sub-markets. In particular, the CBD has remained at 450 €/sqm/year for the sixth consecutive quarter.

With regard to Office supply, the aggregate vacancy rate remained stable at 9% on a q-o-q basis. The central sub-markets, CBD and Centre, showed vacancy rates of approximately 4%. Comprehensively, at present, Office total vacant spaces are nearly 879,300 sqm and are concentrated in the Periphery & Out of GRA (approximately 45% of total). It should be noted that most of the Office vacant spaces are grade B. Only approximately 21% of the current vacant spaces are grade A, including about 12,300 sqm located in the CBD.

Take away Q3 2020

Office take-up decrease with respect to Q3 2019

Positive take-up vs. Q3 2019 only in the Centre

Office prime rents stability q-o-q in all sub-markets

THE INVESTMENT MARKET

Take away Q3 2020

Investments decrease with respect to Q3 2019

Decrease in y-o-y Office volumes. No deal recorded in Hotel, Logistics, Mixed Products and Retail

Prime net yields stability q-o-q for Office (except for the Periphery & Out of GRA), decompression for High Street Retail, compression for Logistics

Similarly to the first half of 2020, in Q3 2020 the performance of investments in the commercial real estate market in Rome was negative with approximately €220 million comprehensively invested (approximately 11% of the total in Italy in the quarter), down approximately 52% compared to the same period of 2019, nearly 32% compared to the Q3 average of the last 5 years and approximately 25% compared to the Q3 average of the last 10 years. In Q3 2020, a total of four deals were closed in Rome relating to single assets.

Also the first nine months of 2020 recorded investments below the average of the same period of the previous year (approximately -60%) with just slightly more than €500 million invested compared to nearly €1.3 billion recorded in the first nine months of 2019. This value is also lower than the average of the first nine months of the last 5-year and 10-year: approximately -50% and -35%, respectively.

The analysis of the different asset classes reveals that approximately 94% of total volumes in Q3 2020 in Rome concentrated in the Office sector, corresponding to €209 million. The value shows a 40% reduction

compared to Q3 2019, but an increase compared to the 5-year and 10-year Q3 averages (approximately +22% and +40%, respectively). More specifically, the result of the Office sector in the quarter just ended can be attributed to the completion of three deals. The majority of the investments in the Office sector in Rome were covered by German investors with a single asset deal worth approximately €200 million. The remaining €9 million can be attributed to two deals closed by domestic investors. With regard to prime net yields in the Office sector, Q3 2020 recorded stable values on a q-o-q basis across all sub-markets except for the Periphery & Out of GRA, that decompressed from 7.50% in Q2 2020 to 7.60% in Q3 2020. In particular, the CBD stands at 4% (for the eighth consecutive quarter) and the Centre at 5% (for the seventh consecutive quarter).

In terms of Q3 2020 investments, the Alternative Products sector followed suit at distance with volumes totalling approximately €13 million, corresponding to one single deal closed in the Periphery & Out of GRA.

It should be noted that in the third quarter of 2020 there were no deals completed in Rome in the Hotel, Logistics, Mixed Products and Retail sectors.

However, it should also be noted that prime net yields in the Logistics sector compressed from 5.50% (stable since Q2 2018) to the current 5.25%.

Conversely, prime net yields in the High Street Retail segment in Rome decompressed from 3.50% recorded in Q2 2020 to 3.70% in Q3 2020.



ROME Q3 2020
€222 M

11% of Italy total
-52% vs. Q3 2019



OFFICE

€209 M -40% vs. Q3 2019

94% of Rome total

Prime net yield 4% =



ALTERNATIVE

€13 M vs. €0 M in Q3 2019

6%

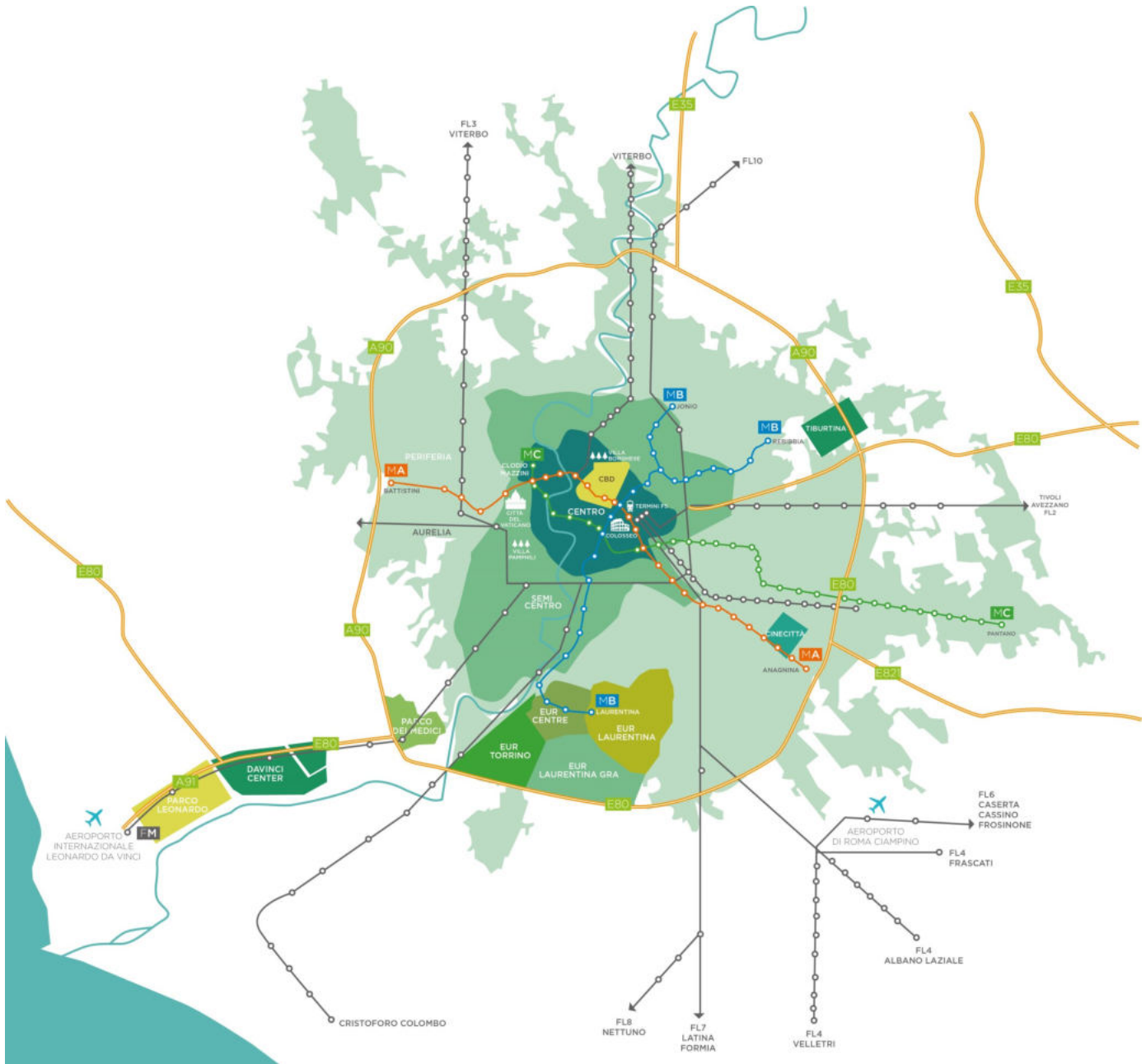
Hotel €0 vs. €25 M in Q3 2019; Logistics €0 as in Q3 2019; Mixed Products €0 as in Q3 2019; Retail €0 vs. €103 M in Q3 2019.

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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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