



CITY NEWS
ROME
Q4 2020

ROME COMMERCIAL REAL ESTATE INVESTMENT MARKET AND OFFICE LEASING

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

THE OFFICE LEASING MARKET

In 2020, the Rome Office Leasing market recorded a negative performance with a total take-up equal to about 126,000 sqm: the record low value in the last five years, down approximately 55% compared to 2019 (which was the best year ever for take-up in Rome) and down approximately 32% and 16% compared to the annual averages of the last 5 and 10 years. The number of transactions completed in 2020 also declined significantly: 100 compared to nearly 150 in 2019 and 145 in 2018.

While the first three quarters of 2020 showed a reduction in take-up compared to 2019, Q4 2020 recorded a take-up of 64,000 sqm compared to about 30,200 sqm in Q4 2019. It should be noted that this result was impacted by the closing of an important deal for about 30,000 sqm in the Periphery & Out of GRA sub-market by a tenant operating in the public sector. Consequently, the value increased in Q4 2020 also compared to the Q4 averages of the last 5 and 10 years (approximately +12% and +57%, respectively).

In all Rome sub-markets, take-up in 2020 declined compared to 2019, with the only exception of the Periphery & Out of GRA which, thanks to the 30,000 sqm transaction mentioned above, totalled a take-up in 2020 equal to about 43,000 sqm

(approximately 35% of Rome total take-up), slightly increasing (approximately +6%) compared to 2019.

In 2020, take-up in the Centre and Greater EUR sub-markets was equal to 36,900 sqm and 35,800 sqm, respectively, both down approximately 60% vs. 2019. Finally, the CBD and the Semicentre recorded a take-up equal to about 5,000 sqm and 5,600 sqm, respectively, down approximately 80% compared to 2019.

The Rome leasing market confirmed, also in 2020, to be characterised by small-size transactions (below 1,000 sqm) in approximately 65% of the completed deals. It should be noted that only two transactions with a surface exceeding 6,000 sqm (both relating to Q4 2020) were closed in 2020: the above-mentioned transaction of 30,000 sqm in the Periphery & Out of GRA sub-market and another one of 6,000 sqm in the Centre.

With regard to rents, 2020 data show that the majority of the transactions were characterised by levels ranging between 125 and 375 €/sqm/year (in nearly 85% of the total deals closed in 2020 with known rent). Only three transactions with known rent exceeding 375 €/sqm/year were recorded in 2020.

As to Office prime rents, values recorded a stability on a q-o-q basis in all Rome sub-markets. More specifically, the Rome CBD remained stable at 450 €/sqm/year for the seventh consecutive quarter.

With regard to Rome Office supply, in Q4 2020 vacant spaces totalled about 885,000 sqm, slightly increasing compared to the data of the previous quarter, corresponding to an aggregate vacancy rate of 9.1%. In the central sub-markets, the vacancy rate remained at significantly lower levels (around 4%).

Most Office vacant spaces in Rome were concentrated in the Greater EUR and in the Periphery & Out of GRA with about 640,000 sqm in total. In Q4 2020, only 177,000 sqm in the city are of grade A, including nearly 40,000 sqm located in the CBD, Centre and Semicentre.

Take away Q4 2020

Closing of a large-size deal that resulted in an increase in the quarterly take-up compared to Q4 2019

Approximately 50% of the quarterly take-up in the Periphery & Out of GRA sub-market

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

THE INVESTMENT MARKET

Take away Q4 2020

Investments decrease with respect to Q4 2019: approximately -25%

Office volumes increase vs. Q4 2019

Prime net yields q-o-q: compression for Offices, stability for High Street Retail and Logistics

In 2020, in general, investments also dropped in the Rome commercial real estate market. The investments made in the year that just ended totalled about €900 million, declining compared to 2019 and also compared to the last 5-year and 10-year annual averages (approximately -50%, -40% and -25%, respectively).

Q4 2020 contributed with €393 million, primarily invested in the Office product (for about €310 million) while the residual amount was invested in the Hotel and in the Logistics sectors. The investment volumes recorded in Q4 were down approximately 25% compared to Q4 2019 and to the five-year average of reference, while they were in line with the reference ten-year average.

Also in 2020 the Office sector was the driver of the investment volumes in Rome, totalling about €680 million (75% of the total in the city and about 20% of the total Office volume in Italy), decreasing by approximately 12% compared to 2019 and down approximately 25% compared to the annual average of the last 5 years, but in line with the annual average of the last 10 years. Approximately 60% of these investments were concentrated in the Greater EUR.

The result in Q4 2020, with investments in the Office sector totalling approximately €310 million, doubled against Q4 2019, it decreased (approximately -15%) compared to the Q4 five-year average, but it increased (approximately +25%) compared to the Q4 ten-year average.

With regard to prime net yields in the Office sector, in Q4 2020 the values on a q-o-q basis compressed in the Rome CBD from 4% (stable since Q4 2018) to 3.90%, decompressed in the Semicentre and in the Periphery & Out of GRA to 5.85% (from 5.75%)

and to 7.70% (from 7.60%), respectively, while they remained stable in the Greater EUR and in the Centre at 5% for the eighth consecutive quarter.

In 2020, investment volumes in the Hotel sector in Rome dropped compared those recorded in 2019: -85% approximately for a total of €88 million investments. More specifically, in 2020 only two transactions were recorded in this sector, the most important of which was completed in Q4 2020 in the Rome CBD, for about €62 million. It should be noted that in 2018 and in 2019 about €480 million per year had been invested on average in the Hotel product in Rome.

In 2020, investments in the Retail sector in Rome totalled €49 million (approximately -90% vs. 2019), corresponding to two transactions completed in the second quarter of the year. In Q4 2020, prime net yields on a q-o-q basis in the High Street segment in Rome remained stable at 3.70%.

While in 2019 no deals had been recorded in Rome in Alternative products, in the first three quarters of 2020 three transactions were completed in this asset class for a total investment equal to €32 million.

Investment volumes in Mixed Products doubled in 2020 compared to 2019, recording about €29 million, in relation to only one transaction completed in Q1 2020.

While in the first nine months of 2020 no deals had been recorded in the city in the Logistics sector, in Q4 only one transaction was completed in this asset class for a total of about €22 million. With this result, the annual volumes in the Logistics sector dropped compared to about €50 million investments made 2019. Prime net yields in the Logistics in Rome remained stable on a q-o-q basis at 5.25%.

The investors who acted in Rome in 2020 were mainly international (approximately 55% of the total) with high predominance of German ones who allocated about €320 million, all invested in two transactions relating to the Office product in the Greater EUR.



ROME TOTAL 2020 €902 M

10% of Italy total
-50% vs. 2019



OFFICE

€682 M -12% vs. 2019
75% of Rome total
Prime net yield Q4 2020
3.90% -10 bp



HOTEL

€88 M -85% vs. 2019
10% of Rome total



RETAIL

€49 M -90% vs. 2019
6% of Rome total
Prime net yield Q4 2020
3.70% stable



ALTERNATIVE

€32 M vs. €0 in 2019
4% of Rome total



MIXED

€29 M +91% vs. 2019
3% of Rome total



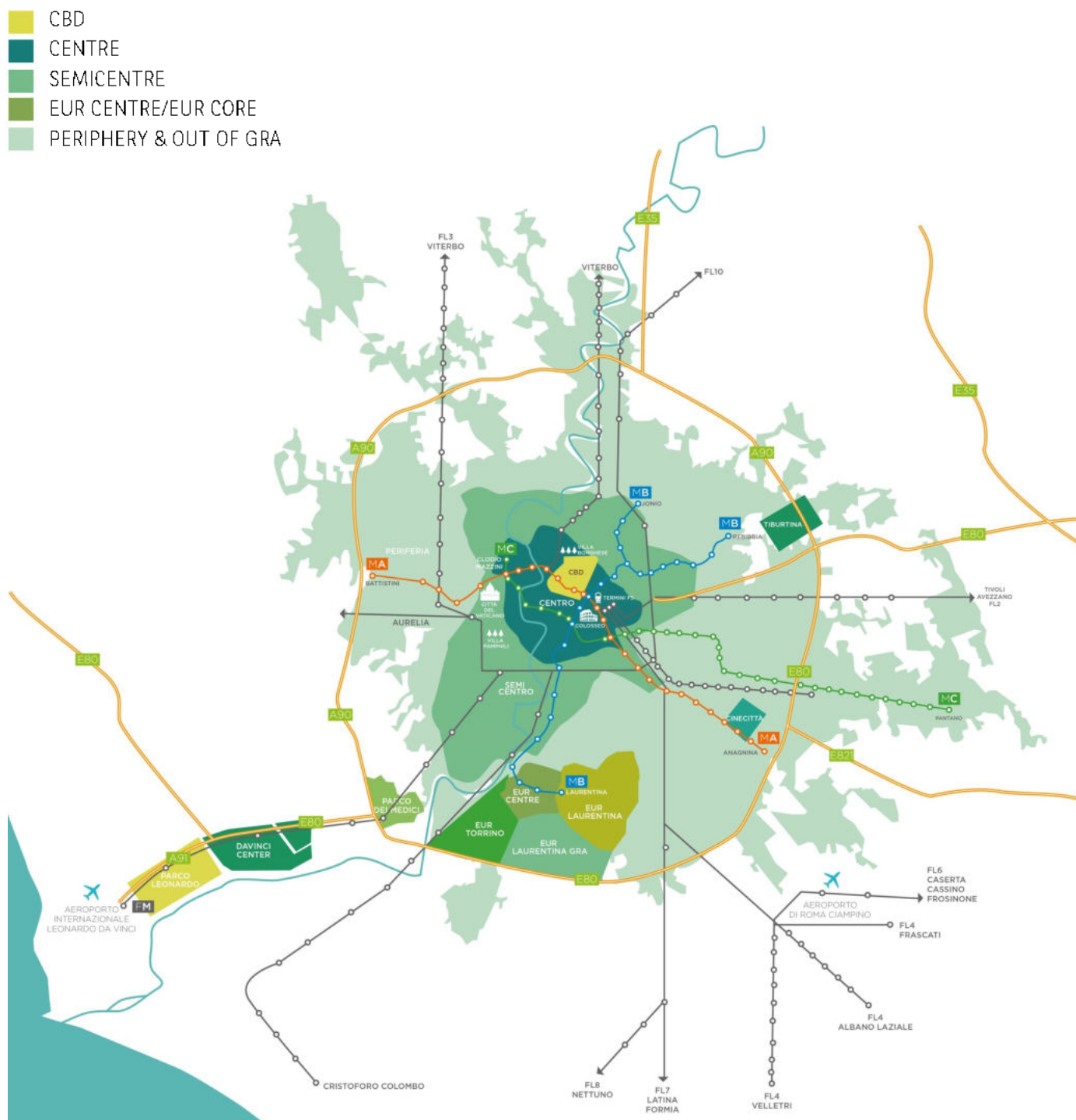
LOGISTICS

€22 M -60% vs. 2019
2% of Rome total
Prime net yield Q4 2020
5.25% stable

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.

OFFICE MARKET MAP—ROME



6 BUSINESS LINES in Europe

A 360° vision

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