

**AT A GLANCE  
INVESTMENTS  
Q1 2021**

# ITALY COMMERCIAL REAL ESTATE MARKET INVESTMENTS

**In Italy the decline in investments in the commercial RE market continues: in Q2 2021 a reduction of 10% with respect to Q2 2020**

In the second quarter of 2021, about €1.8 billion were invested in the Italian commercial real estate market, down by about 10% compared to Q2 2020 and by about 25% compared to the average of the Q2 of the last 5 years but substantially aligned with the average of the Q2 of the last 10 years. However, there was greater dynamism in terms of the number of transactions closed in the second quarter of 2021: 66 compared to 32 in Q2 2020. The result of the second quarter led to undersizing which was recorded on a half-yearly basis: about €3 billion invested in H1 2021, down both compared to H1 2020 and compared to the H1 average of the last 5 and 10 years (-20%, -25% and -7%, respectively).

The volumes in the second quarter of the year were driven by the Alternative Products sector which recorded about €580 million (about 32% of the quarterly total), with a three-digit increase compared to Q2 2020 and the average of the Q2 of the last 10 years and about 70% compared to the average of the Q2 of the last 5 years. This result brings the half-yearly basis values for this sector to approximately €790 million (26% of the half-yearly total), a value approximately 70% higher than that recorded in H1 2020.

Positive trend also for the Logistics sector which totalled investments of about €400 million in Q2 2021 (about 22% of the total), recording a three-digit growth compared

to Q2 2020 and compared to the Q2 average of the last 5 and 10 years. A positive trend was also recorded for this asset class at half-yearly basis level: approximately €660 million invested (22% of the half-yearly total), up by approximately 135% compared to H1 2020.

This is followed by the Offices sector which recorded investments for about €340 million in Q2 2021 (about 19% of the total), down both compared to Q2 2020 and to the Q2 average of the last 5 and 10 years (-70%, -60% and -45% approximately). The half-year figure for this sector, equal to approximately €535 million (about 18% of the total), also indicates a decrease (approximately -70%) compared to H1 2020.

The Hotel sector follows with about €260 million of investments (about 14% of the total), down both compared to Q2 2020 and to the average of the Q2 of the last 5 and 10 years (-25%, -55% and -30% approximately). At half-year basis level for this sector, approximately €390 million were recorded (about 13% of the total), a value in line compared to that recorded in H1 2020.

In the second quarter of 2021, Retail totalled investments of about €130 million (about 7% of the total), a value in line with what was recorded in Q2 2020 but down compared to the average of the Q2 of the

last 5 and 10 years (-70% approximately). Negative performance also on a half-yearly basis: around €160 million invested (5% of the total), down by around 80% compared to H1 2020.

Mixed Products sector is in the back totalling in the quarter investments of about €106 million (about 6% of the total). In Q2 2020 there were no investments in this sector while the trend is better than the Q2 average of the last 5 years (+150% approximately) and instead underpowered compared to the Q2 average of the last 10 years (-10% approximately). At half-yearly basis level, about €460 million of investments were recorded in this sector (about 15% of the total), a value exponentially growing compared to what was recorded in H1 2020.

## Take away Q2 2021

**€1.8 billion: approximately -10% vs. Q2 2020**

**Alternative Products drove volumes with about €580 M. Logistics totalled about €400 M**

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

**Alternative 32% - Logistics 22% - Office 19% - Hotel 14% - Retail 7% - Mixed 6%**

An analysis by geography shows that in Q2 2021 about 40% of the investments recorded in Italy was concentrated in Milan and only about 2% in Rome. The remainder concerned other locations.

More specifically, about €724 million were invested in the city of Milan, a value down by about 38% compared to Q2 2020 and by about 18% compared to the average of the Q2 of the last 5 years but in line with the average of the Q2 of the last 10 years. The volume driver in Milan in the second quarter of the year is represented by the Offices: about €322 million invested (about 45% of the total invested in the city in the quarter), down by about 70% compared to Q2 2020. The H1 2021 also closes for the city of Milan with a decrease in investments compared to the previous year: -25% for approximately €1.4 billion.

In Rome, in Q2 2021, the reduction in the investments was stronger than in Milan: about €33 million were invested compared to the €180 million in Q2 2020 (around -80%). Moreover, the Q2 2021 figure is down compared to the average of the Q2 of the last 5 years and 10 years (about -90%). The volumes recorded in the city during the quarter are attributable to only two asset classes: Alternatives (€23 million) and Offices (€10 million). Even the first half of the year in the city is underpowered: approximately €160 million invested (about -45% compared to H1 2020).

As already recorded in Q1 2021, the quarter just ended saw the return of international capitals which prevailed over the total invested (with a share of about 70%). Among international investors, the US were the most dynamic in the quarter, allocating about €470 million (for a dozen transactions in Hotel, Alternatives and Logistics). German investors allocated a total of around €205 million in Q2 2021 (for 4 transactions), Belgians around €190 mil-

lion (on a single Senior Housing portfolio deal) and UK investors about €155 million (for 6 transactions). Domestic capitals in Q2 2021 amounted to about €520 million in total (for about 30 transactions), almost half of which were invested in Offices mainly located in Milan.

Returning to the asset classes, as already mentioned, the quarter saw the prevalence of investments in Alternative Products (approximately €580 million) thanks to the closure of about 20 transactions including a Senior Housing portfolio deal in mixed locations for approximately €190 million (finalized, as already mentioned, by Belgian capitals) and 6 Residential deals mainly located in Northern Italy for a total of approximately €160 million. In addition to Belgian investors, the US investors should also be mentioned with approximately €160 million invested contributing to the total of €460 million allocated by international capitals in Alternative Products in the quarter.

In Q2 2021, approximately €400 million were invested in Logistics and referring to about 10 transactions including a portfolio deal for about €130 million related to assets located in Piedmont. The capital invested in Logistics, as traditionally, was mainly of international origin and for the most from US (for about €285 million). In terms of the prime net yields of Logistics, in Q2 2021 there was a q-o-q stability both in Milan and Rome at 4.75% (for the second consecutive quarter) and 5.25% (for the fourth consecutive quarter).

The Office sector, which recorded investments of approximately €340 million in Q2 2021, saw the closure of 11 transactions including a relevant indirect deal for the acquisition of shares for approximately €160 million. Domestic capital allocated prevailed in this asset class for a total of approximately €230 million. International

capitals were mainly of German origin for about €60 million and related to a single asset transaction closed in the CBD Duomo in Milan. As regards prime net yields in the Office sector, stability was recorded in Milan and Rome. In particular, for the third consecutive quarter, the CBD Duomo in Milan remains at 3.20% and the CBD in Rome at 3.90%.

In the Hotel sector, which recorded in Q2 2021 around €260 million in investments, there were 10 closed transactions and mainly concerned single assets located in Northern Italy as well as a portfolio of 2 hotels in Florence. The capitals were almost entirely of international origin with a predominance of Germans (for approximately €90 million related to a hotel deal in Venice) and British (for approximately €80 million relating to the closure of the already mentioned portfolio in Florence as well as 2 deals on single assets in Northern Italy).

Retail, which follows in Q2 with approximately €130 million invested, recorded the closure of 10 transactions all relating to single assets including 4 High Street assets (for approximately €41 million), 2 Shopping Centres in Veneto and Sicily (for a total of approximately €37 million), a Retail Park in Veneto (for approximately €35 million), 2 Supermarkets in Lombardy and Liguria (for a total of approximately €15 million). The capitals allocated to Retail in Q2 is equally attributable to domestic and international investors. Finally, in terms of prime net yields, all sub-segments recorded stability for the fourth consecutive quarter: the Milan High Street segment at 3.40%, the Rome High Street segment at 3.70% and Shopping Centres at 6.00%.

Finally, approximately €106 million invested in Q2 in Mixed Products are due to the closure of 3 transactions: 2 closed in Milan by domestic capitals and one closed in Turin by British capitals (for approximately €50 million).

## Prime net yields - Q2 2021

### OFFICE



**Milan 3.20%**  
Stable vs. Q1 2021

**Rome 3.90%**  
Stable vs. Q1 2021

### RETAIL



**HS Milan 3.40%**  
Stable vs. Q1 2021

**HS Rome 3.70%**  
Stable vs. Q1 2021

**Shopping Centre 6.00%**  
Stable vs. Q1 2021

### LOGISTICS



**Milan 4.75%**  
Stable vs. Q1 2021

**Rome 5.25%**  
Stable vs. Q1 2021

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.