CITY NEWS ROME Q2 2021

ROME COMMERCIAL REAL ESTATE INVESTMENT MARKET AND OFFICE LEASING

Q2 2021 vs Q2 2020: positive performance for the Office leasing market but undersized trend for the commercial real estate investment market

THE OFFICE LEASING MARKET

In Rome, the second quarter of 2021 recorded a take-up for around 42,700 sqm, a double value (around +120%) compared to that recorded in Q2 2020, a slight decrease (around -8%) compared to the average of the Q2 of the last 5 years but in line with the Q2 average of the last 10 years. Significant increase also in the number of closed transactions: 33 in Q2 2021 compared to 19 in Q2 2020.

With this result, the first half of 2021 recorded a level of absorption of Office spaces in the city of about 68,600 sqm, an increase of around 40% compared to that of the same period of 2020, a decrease of about 20% compared to the average of H1 of the last 5 years but in line with the H1 average of the last 10 years.

In Q2 2021 in all sub-markets of the city the take-up recorded positive changes, even very significant, compared to Q2 2020 with the exception of Greater EUR (around -10%).

In Q2 2021, the transactions carried out were concentrated in the Periphery & Out of GRA sub-market which, thanks to 11 deals, recorded an absorption of around 14,700 sqm (around 35% of the total city). This was followed by the Greater EUR sub-market which in Q2 2021 recorded an absorption of Office spaces equal to around 11,000 sqm (around 26% of the total city) for 9 deals. In detail, the most significant transaction of the quarter was closed in this sub-market for around 6,400 sqm by a tenant belonging to the financial sector. The CBD and Centre sub-markets recorded an absorption in the quarter of around 8,300 sqm (around 19% of the total city) and 7,300 sqm (around 17% of the total city), respectively. Finally, the Semicentre sub-market absorbed around 1,500 sqm in Q2 2021 (around 3% of the total city).

Rome confirms to be a city characterised by small-size deals: in H1 2021, 62% of the closed deals referred to a sized below 1,000 sqm. This value is equal to 64% in Q2. It should be noted that a transaction of a size greater than 6,000 sqm (already mentioned above) was finalized in Q2 2021.

With regard to rents, the data observed in Q2 show a majority of transactions with rents lower than 250 €/sqm/year (around 55% of the number of closed deals with known rents). Also in Q2 2021 (as in Q1), there were 2 transactions closed between 375 €/sqm/year and 500 €/sqm/year.

In terms of Office prime rents, in Q2 2021 an increase in the prime values of the CBD and Greater EUR was recorded, reaching 470 €/sqm/year (from 450) and 350 €/sqm/year (from 340), respectively. Stability for the other sub-markets at the same levels observed in Q1 2021.

An analysis of the Offices supply in Rome showed that in Q2 2021 there were around 888,750 sqm of vacant spaces in total. The aggregate vacancy rate in the city increased in Q2 2021 to 9.1% (from 8.9% in Q1 2021). In the central, CBD and Centre sub-markets, there are significantly lower vacancy levels (4.5% and 3.5%, respectively). In Rome about 23% of the total availability (with known grade) is of grade A: it is about 189,000 sqm of which about 38,000 sqm located between the CBD and the Centre and about 94,000 sqm located in the Greater EUR sub-market.

Take away Q2 2021

Office take-up increase compared to Q2 2020

Approximately 35% of the quarterly take-up in the Periphery & Out of GRA

Office prime rents increase q-o-q in the CBD and in the Greater EUR sub-markets

THE INVESTMENT MARKET

Take away Q2 2021

Investments decrease with respect to Q2 2020

No deals recorded in Logistics, Hotel, Mixed and Retail

Prime net yields stability q-o-q in all the asset classes

In the second quarter of 2021, a negative trend was observed for the commercial real estate investment market in Rome: only about €33 million invested (about 2% of the total Italy in the quarter), with a decrease by about 80% compared to the same period of 2020 and by about 90% compared to the average of the Q2 of the last 5 and 10 years. In Q2 2021 in Rome 3 transactions in total and all related to individual assets were closed.

Even the first half of 2021 is therefore reduced (around -45%) in terms of investments compared to the first half of last year: around €160 million invested in the city compared to around €290 million recorded in H1 2020. This is also a lower result than the average of the first semesters of the last 5 and 10 years: about -70%, respectively.

Analysing the contribution of the different asset classes, the total volumes in Q2 2021 in Rome are attributable only to two asset classes: Alternatives and Offices.

In Q2 2021 around €23 million were recorded in the Alternative Products sector, an increase of around 55% compared to Q2 2020, a double value compared to the average of the Q2 of the last 5 years and down (around -35%) compared to the average of the Q2 of the last 10 years. The result of Q2 2021 is attributable to 2 single asset transactions: around €21 million relating to the acquisition, by Dutch capitals, of an area to be redeveloped to carry out a student housing in the Centre and around €2 million are attributable to the Residential product located in the Periphery & Out of GRA submarket, a deal completed by domestic capital.

In Q2 2021, the remaining €10 million are attributable to the Office sector and are related to a single transaction of a single asset located in the Greater EUR submarket and purchased by domestic capital. The Office result for the quarter just ended is reduced by 90% approximately both compared to the same quarter of 2020 and compared to the average of the Q2 of the last 5 and 10 years. In terms of prime net yields for the Office sector, Q2 2021 recorded q-o-q stability in all sub-markets with the exception of the Semicentre and the Periphery & Out of GRA which recorded a decompression and reached levels of 5.95% (from 5.85%) and 7.80% (from 7.70%), respectively. In detail, the Roman CBD remains at 3.90% (for the third consecutive quarter), the Centre and the Greater EUR at 5.00% (for the tenth consecutive quarter).

It should be noted that in the second quarter of the current year in the city there is no evidence of closed transactions in the asset classes: Logistics, Hospitality, Mixed Products and Retail.

In Rome, however, the stability of prime net yields for the Logistics product at 5.25% and for the High Street Retail segment at 3.70% (both stable from Q3 2020) is recorded.

ROME Q2 2021
€33 M

2% *of Italy total*

-80% *vs. Q2 2020*

ALTERNATIVE

€23 M *+55% vs. Q2 2020*

70% *of Rome total*

OFFICE

€10 M *-90% vs. Q2 2020*

30% *of Rome total*

Prime net yield **3.90%** **=**

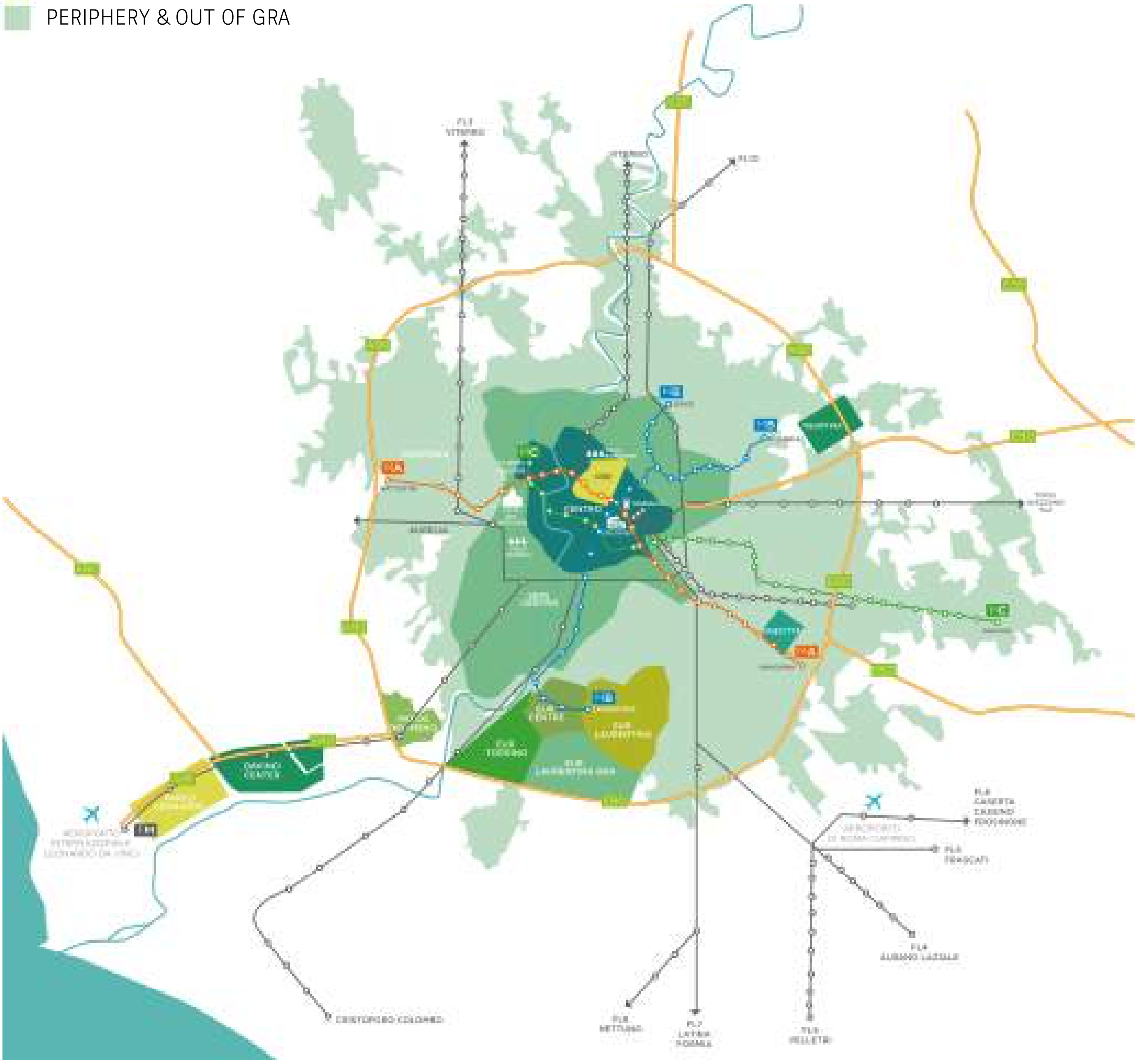
Logistics €0 M as in Q2 2020; Hotel €0 M vs. €26 M in Q2 2020; Mixed Products €0 M as in Q2 2020; Retail €0 M vs. €49 M in Q2 2020.

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.

OFFICE MARKET MAP—ROME

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



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BNP Paribas Real Estate Italy

MILAN
Piazza Lina Bo Bardi, 3
20124 Milan
Phone: +39 02 5833 141

ROME
Via Salandra, 13
00187 Rome
Phone: +39 06 4200 6020

Contact

RESEARCH

Cristiana Zanzottera
Head of Research Department
Phone: +39 02 3211 5357
cristiana.zanzottera@bnpparibas.com

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