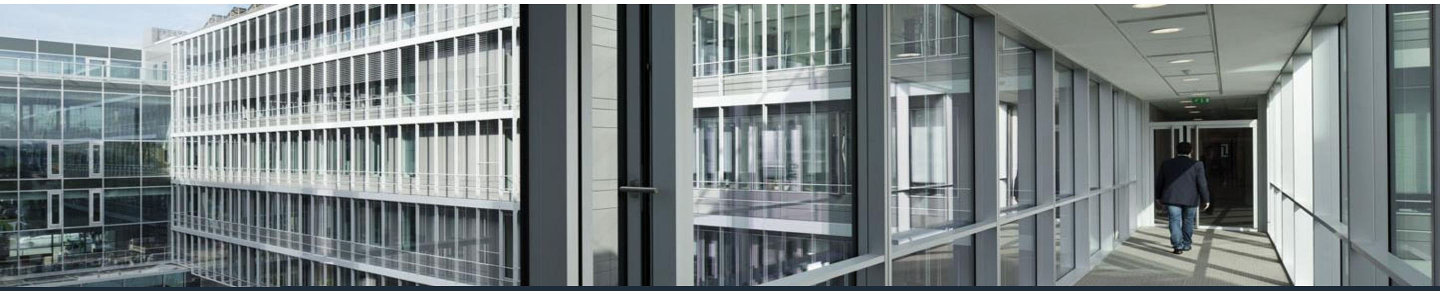
Real Estate
for a changing
world



ITALY Q2 2022

HISTORICAL INVESTMENT VOLUMES IN H1 2022 BUT H2 WILL BE DIFFERENT

€6BN INVESTED IN SIX MONTHS : +102% vs. H1 2021

RECORD FIGURES FOR H1 2022…

Real Estate investment volumes in Italy reached **6BN€ during H1 2022** for the first time in History. This represents an **increase of 102% compared to H1 2021** and way above the H1 average of the last ten years (+83%).

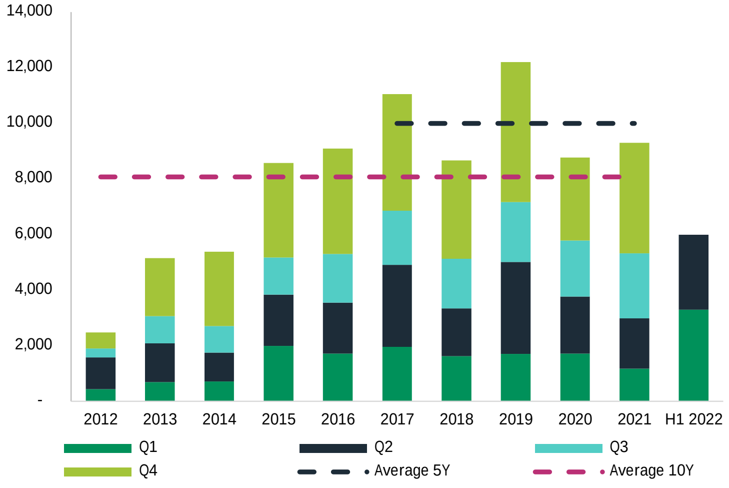
Offices experienced a strong resilience over the semester with **1,850M€** invested mostly in Milan (960M€) and Rome (480M€).
Logistics continues to demonstrate its attractivity with **1,790M€ of investments** with deals in Q2 significantly larger than in recent quarters.

Q2 itself accounted for **2,720M€** with a large dominance from **Logistics (€1,160M – the highest ever volume for a single quarter - +192% YoY)** and **Offices (€610M, +81% YoY).**

Stability across all sectors for prime yields compared to Q1, with **Milan Office CBD** remaining at **3%** and **Italian Logistics at 3.90%.**

As anticipated at the end of Q1, first six months of 2022 showed solid investment figures for the Italian market, with numerous deals initiated in 2020-2021 and concluded in H1.

Investment in Italian Real Estate (M**€)**



… BUT ECONOMIC UNCERTAINTY WILL INFLUENCE SECOND SEMESTER

For the second time since 2007, 10Y Italian Government Bond yield established itself **higher than the Office CBD prime yield** (3.40% at the end of June 2022 vs. 3%).
It is true that Real Estate can still be seen as an hedge against inflation (which does not provide Fixed Income) and as a diversification tool in portfolios, but it raises question on future investment volumes.

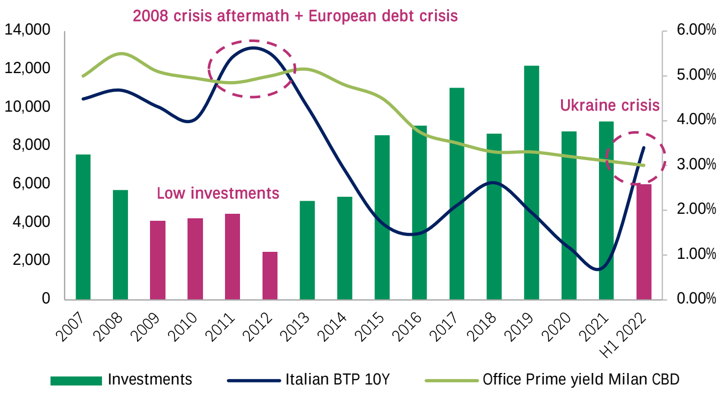
Current and expected economic conditions are set to worsen : **high inflation** (6.4% in June 2022), **lower 2022 GDP forecast** (Italy forecast 2.6% for 2022 vs. 4.2% in March 2022), **interest rates increase** (ECB should rise interest rates by 50/75 bps by end 2022).

Given the time lag between Real Estate transactions versus traditional liquid investments the negative impact of this situation is not obvious yet, but signs may start to appear during H2.

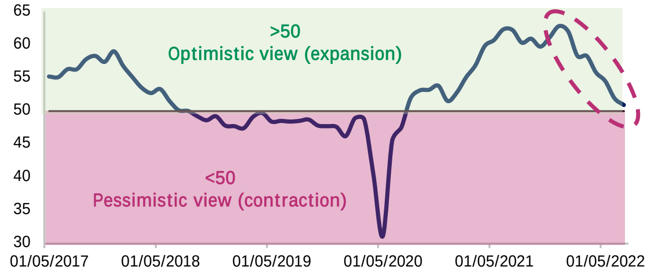
The Manufacturing Purchasing Manager's Index (PMI) – one of the economic indexes most followed by decision makers and investors – **dropped from 62 points in January to 51 in June.** We believe that this tendency should continue and that it should go below the 50 points threshold in H2, indicating economic contraction.

All these factors lead us to hold the view that investments in Real Estate should be less important in H2 than in H1 and should diversely affect asset classes (preferences for Offices and Logistics).

10Y Government Bond > Prime Yield CBD, a warning signal for asset pricing levels ?



The Italian PMI Index is falling and should be <50 in H2



Source : BNP Paribas Real Estate Research, IHS Markit (PMI index)

OFFICE

Q2 2022	AVG. H1 2012-2021	H1 2022
610M€	1,150 M€	1,850 M€
+81 %	+62 %	+247 %
vs. Q2 2021		vs. H1 2021

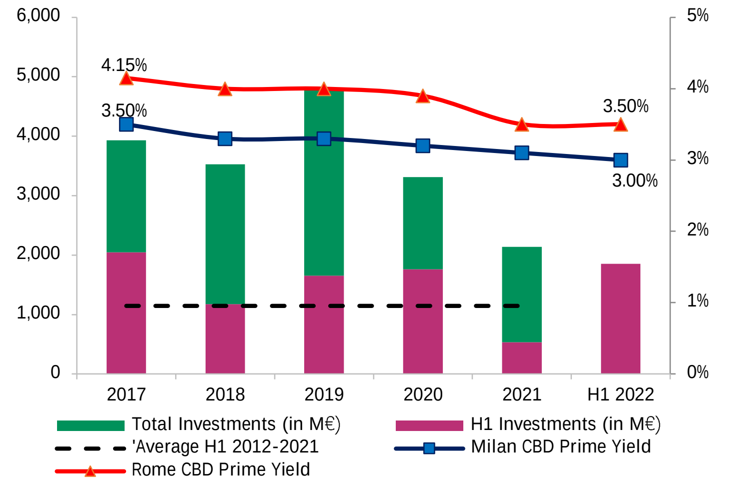
A RESILIENT SEMESTER

Investments in the Office sector reached **610M€ in Q2** (+81% YoY) and **1,850M€ in H1** (+247% YoY) the second best first semester after 2017.

Milan attracted **930M€ of capital** in the first semester, a net increase compared to H1 2021 (+107%), with a dominance of deals located in **prime locations (573M€ for CBD Duomo itself)**.
Rome showed significantly higher investments than H1 2021, with figures close to **480M€ (+497%).**

Prime yields remain stable this quarter : **3%** for CBD Duomo in **Milan** and **3.50% in Rome** despite one significant deal executed below this figure.

Office investment trend and CBD prime yields



« A FLIGHT-TO-QUALITY » APPROACH ALREADY UNDERWAY

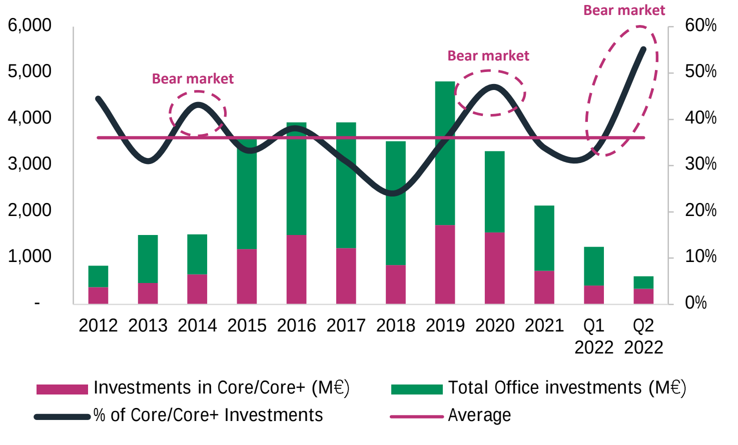
Given the macroeconomics uncertainty, a "flight-to-quality" approach is being implemented by investors. During this period, investors are becoming more averse to risk and **are looking for security of income** : Core and Core+ office assets located in established districts.

During bear market periods, the percentage of investments in Core and Core+ assets is higher than the 10Y average (36%). A similar trend has been visible in Q2, with a total of 335M€ invested in such products (**which represents 55% of total Office investments).** We believe that this tendency should continue in Q3/Q4, as we are already witnessing significant Core and Core+ deals closed in early July.

Despite lack of product in CBD locations and the large investment tickets required, such product allows owners to benefit from strong rent indexation levels.

In some areas, Core+ products could allow some pricing opportunities.

The story repeats : During bear markets, investors are searching security



Office Investments H1 2022

Milan	Rome
	
930M€	480M€
+107 %	+497 %

vs. H1 2021

Prime yields Q2 2022

Milan CBD	Rome CBD
	
3,00%	3,50%

Stable vs. Q1 2022

KEY OFFICE DEALS IN Q2 2022

Asset	Location	District	Investment profile	Volume (M€)
Via Curtatone, 3	Rome	Centre	Core	174
Palazzo Mancini – Via del Corso, 270	Rome	CBD	Core	139
Via Mazzini, 9/11	Milan	CBD Duomo	Core	121

Source : BNP Paribas Real Estate Research

LOGISTICS

Q2 2022	AVG. H1 2012-2021	H1 2022
1,160M€	259M€	1,760 M€
+192% vs. Q2 2021	+590 %	+171 % vs. H1 2021

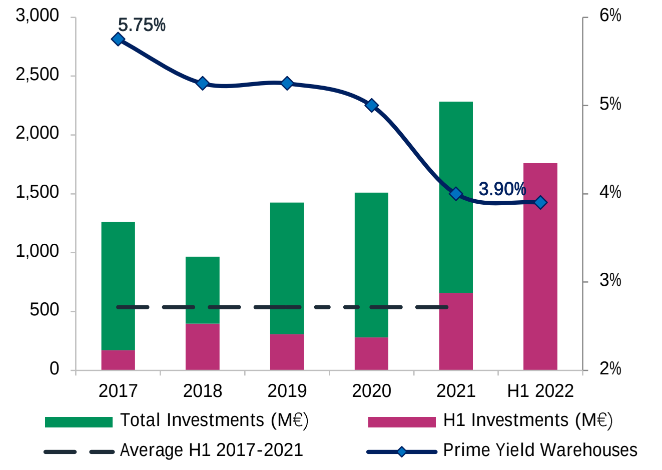
SECTOR CONTINUING TO ATTRACT CAPITAL

1,160M€ were invested in Logistics during Q2 (+192% YoY), it represents the highest investment volumes for a single quarter in this asset class, helped by large portfolio deals (4 portfolios >90M€)

H1 2022 investments in Logistics represent now **1,760M€** (+171% vs. H1 2021), with a strong dominance for prime markets (mainly Lombardy and Veneto).

Investments in the Italian Logistics are – so far – still robust because the market is still in the phase of development and because Italy is catching up the pace in the e-commerce sector (CAGR 21-25 estimated at 6%, current online penetration only standing at 52%).

Logistics investment trend and prime yields



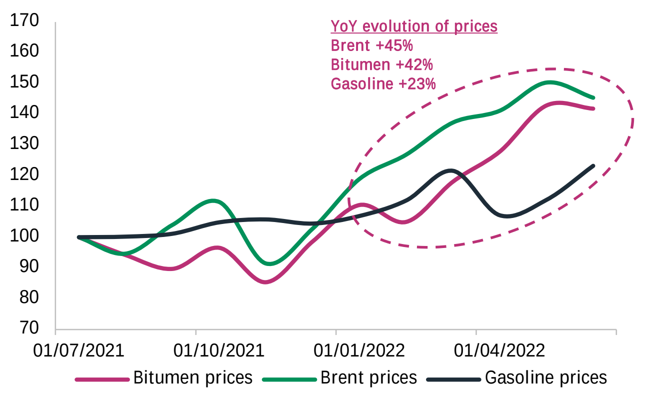
URBAN LOGISTICS SHOULD PROVE MOST RESILIENT

In previous quarters, we have seen a significant drop in the big box yield (from 5.75% to 3.90% in 2022) : it has now almost reached levels of urban logistics yield (stable at 3.80% in H1 2022).

Given actual and future economic conditions, we believe that **yields should stabilize at current levels before witnessing a decompression towards end 2022/beginning 2023**.

However, this decompression should not be common across all subsectors of the asset class. We believe that Urban logistics will prove more resilient from economic turmoil for many reasons: stronger rental growth expected as demand is more resilient, a higher capital value/sqm and greater alternative use value in most locations.

Increasing cost of raw materials should have a negative impact on speculative developments (07/21 = Base 100)



Logistics Investments H1 2022

Lombardy

630M€

+189 %

Veneto

530M€

x47

Other

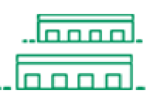
600M€

+40 %

vs. H1 2021

Prime yields Q2 2022

Warehouses



3,90%

Last-mile

3,80%

Stable vs. Q1 2022

KEY LOGISTICS DEALS IN Q2 2022

Asset	Location	Region	Volume (M€)
Logistics Park in Oppeano – 2 assets	Oppeano	Veneto	274
Portfolio SNATT – 20 assets	Mixed location	Emilia-Romagna	125
Portfolio Barings – 2 assets	Cavenago & Cambiago	Lombardy	125

Source : BNP Paribas Real Estate Research, Trading economics (raw materials)

HOSPITALITY

Q2 2022	AVG. H1 2012-2021	H1 2022
320M€	560 M€	860 M€
+23%	+52 %	+119 %
vs. Q2 2021		vs. H1 2021

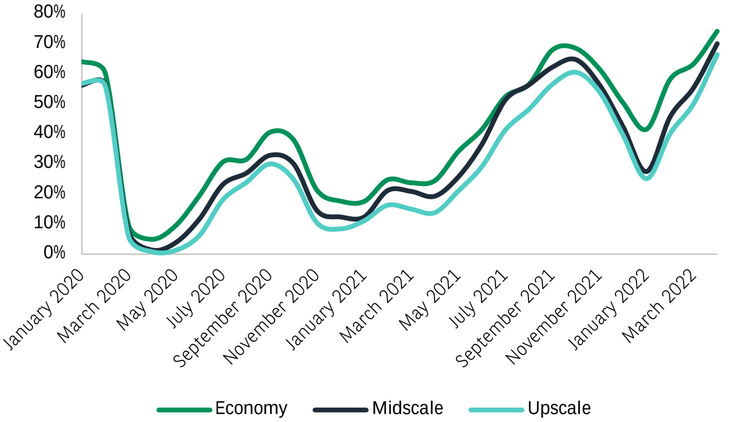
« NOTHING BUT THE BEST IS GOOD ENOUGH FOR ME »

Investments in Hospitality reached 860M€ during H1 2022 (+119% YoY) and 320M€ only for Q2 (+23% YoY). As demonstrated by the top 3 largest deals during this quarter (representing 90% of total investments in Hospitality in Q2), **investors opted for high-quality assets : 5 Stars Hotels located in touristic areas (Rome, Forte di Marmi).**

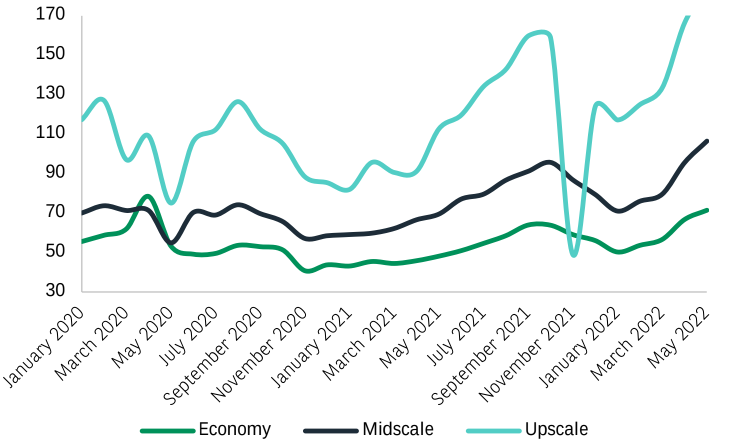
The Hospitality sector is continuing its recovery : **higher occupancy levels, higher ADR and higher RevPAR in all major touristic cities** (Florence, Rome, Venice) **are being witnessed** compared to 2021 data.

Hospitality indicators are progressively turning back to pre-COVID levels helped by easing restrictions and by the development of tourism.
Q3 figures will give a good indication on what to expect for the sector going forward, the rise of energy prices may negatively affect the 3rd quarter that is usually performing strongly.

Occupancy rate¹ (%) for Italian Hotels



ADR² for Italian Hotels, taxes excluded (€)

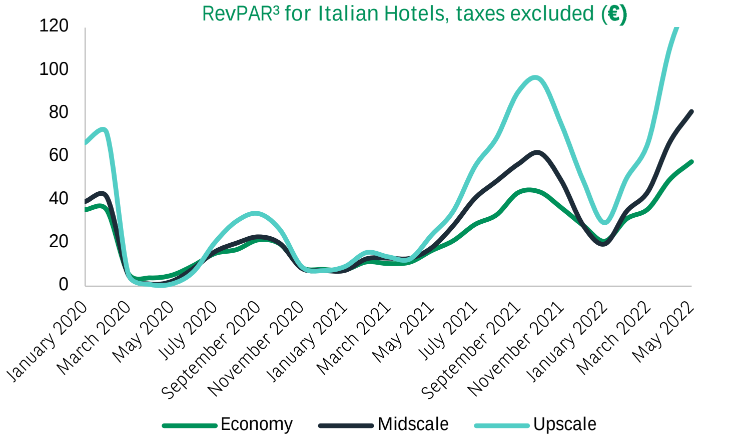


KEY DATA AS OF MAY 2022

Milan	Occupancy rate	ADR	RevPAR
	77,1%	137,8€	106,3€
vs. May 2021	+57 pts	+48 %	+458 %

Rome	Occupancy rate	ADR	RevPAR
	81,7%	185,5€	151,6€
vs. May 2021	+61 pts	+66 %	+561 %

RevPAR³ for Italian Hotels, taxes excluded (€)



DEFINITIONS

- Occupancy rate¹ : Number of sold rooms divided by number of available rooms
- ADR² : Room revenue divided by number of sold rooms
- RevPAR³ : Occupancy rate x average price or room revenue divided by available rooms

KEY HOSPITALITY DEALS IN Q2 2022

Asset	Location	District	Category	Volume (M€)
Palazzo Marini	Rome	CBD	5 stars	170
Hotel Majestic	Rome	CBD	5 stars*	83
Grand Hotel Imperiale	Forte dei Marmi		5 stars	35

*will be refurbished

Source : BNP Paribas Real Estate Research, MKG Destination

ALTERNATIVES

Q2 2022	AVG. H1 2012-2021	H1 2022
130M€	321 M€	755 M€
-77%	+135 %	-4 %
vs. Q2 2021		vs. H1 2021

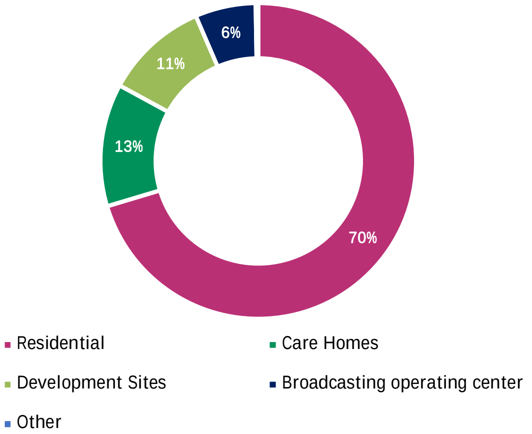
ALTERNATIVES ARE STILL DRIVEN BY RESIDENTIAL

130M€ were invested in **Alternative asset classes during Q2 2022,** representing a decrease of 77% year-on-year. Despite a lower Q2 than last year, the first semester shows a strong progression compared to the average of the last 10Y's H1 with **755M€ invested.**

Residential remains the main component within Alternatives with 70% of total investments (530M€ in H1), mostly in Build-to-Rent as an end use. **Senior Housing represented a little less than 100M€** during H1 with investments in Rome, Turin and Tuscany.

The Residential pipeline for 2022 is solid but high levels of uncertainty prevail as the escalation cost of raw materials should impact the developers' margins.

H1 2022 Alternatives investments by product



KEY ALTERNATIVES DEALS IN Q2 2022

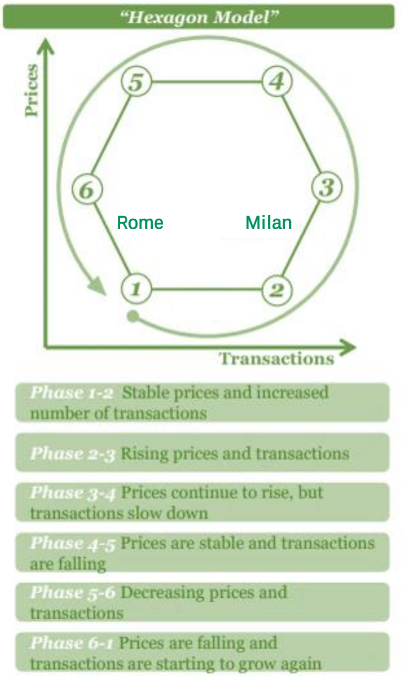
Asset	City	District	Price (M€)
Portfolio Wizard – 3 assets (Residential)	Milan	Gambara	53
Build to Rent in Rome (Residential)	Rome	Talenti	30
Nizzoli, 68 (Residential)	Milan	Lorenteggio	24

STRONG RESIDENTIAL ACTIVITY ACROSS MAIN CITIES

Italy showed a strong activity overall with **181,767 Residential transactions in Q1 2022** (+12% YoY) but with some disparities. Milan remains the most attractive city as it witnessed **an increase of 36% of transactions** from 5,647 to 7,681 in Q1 2022. From all the major 8 Italian cities, Rome is experiencing growth of "only" 6% - only Genoa is doing worse - while Bologna (+11%), Florence (+10%) and Turin (+9%) showed strong performance.

The « Hexagon model » illustrates the different phases of cities in terms of Residential transactions. Not all the cities in Italy are in the same cycle : **Milan is currently between phases 2 and 3,** as we witness a rise in prices and number of transactions. **Rome towards the end of the cycle** (between phases 6 and 1) because transactions are still growing – at a slower pace – but prices are falling in some districts.

City	Q1 2021	Q1 2022	Variation (%)
Milan	5,647	7,681	+36%
Palermo	1,447	1,671	+15%
Bologna	1,495	1,661	+11%
Florence	1,210	1,333	+10%
Turin	3,515	3,822	+9%
Naples	1,923	2,099	+9%
Rome	8,673	9,226	+6%
Genoa	2,079	2,153	+4%
Top 8	**25,989**	**29,646**	**+14%**
Total Italy	**162,258**	**181,767**	**+12%**



Source : BNP Paribas Real Estate Research, Agenzia delle Entrate (OMI)

RETAIL

Q2 2022	AVG. H1 2012-2021	H1 2022
230M€	712M€	420 M€
+78% vs. Q2 2021	-41%	+162 % vs. H1 2021

UNCERTAINTIES ARE STILL WEIGHING ON THE SECTOR

Retail registered **230M€ of investments in Q2**, 78% higher than Q2 2021.

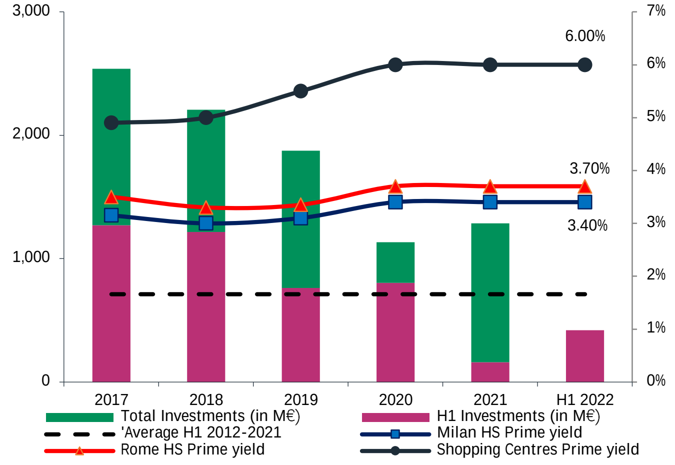
420M€ was invested in H1 2022, far more than H1 2021 (+162%) but **still below the H1 10Y average of 712M€ (-41%).**

High Street Retail continues in first position with 250M€ invested during H1, but Shopping Centres (26%, 3 deals, all located in secondary locations) are also starting to attract investors.

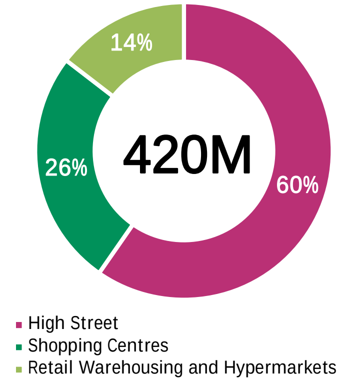
We maintain our prime yields for the moment for all Retail products : 3.40% for Milan High Street, 3.70% for Rome High Street and 6% for Shopping Centres. The lack of transactions makes a detailed analysis difficult but prime yields may decompress in the upcoming quarters given the economic uncertainties and the yield premium that investors would require for Retail assets.

As stated in Q1, sporadic large deals may positively affect the asset class (like in Q4 2021). However, Retail should continue to remain at low overall volumes, as some of the uncertainties remain.
ECB's policy to fight inflation (and then leading to a probable recession) will not help the global picture.

Retail investment trend and prime yields



H1 2022 Retail investments by product



Retail Investments H1 2022

Milan	Rome
70M€	19M€
+153 %	N/A

vs. H1 2021


Prime yields Q2 2022

Milan High Street	Rome High Street	Shopping Centres
3,40%	3,70%	6,00%

Stable vs. Q1 2022



KEY RETAIL DEALS IN Q2 2022

Asset	Location	Type	Volume (M€)
Portfolio Dinamico BNP Paribas REIM – 15 assets	Mixed	Mixed Retail	62
Project FOOD - 3 assets	Mixed	Supermarkets & Hypermarkets	38
Portfolio DeA Capital – 7 assets	Mixed	Bank Agencies	28

Source : BNP Paribas Real Estate Research

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