

AT A GLANCE 2022

ANNUAL INVESTMENT VOLUMES IN ITALY REACH 11.8 BN€ DESPITE SHARP FALL IN Q4 2022

> GOOD YEAR-END TOTALS IN 2022

Real Estate investment volumes in Italy totaled 11.8 BN€ in 2022, a 27% increase compared to 2021 and very significantly exceeding the full year average for the last ten years (+32%).

With 4,32 M€ invested over the course of the year, Offices held the strongest investment volume weighting once again and the majority (69%) was in the Milan marketplace. Logistics remained attractive with investments totaling 2,92 M€ in 2022, of which only 16% were closed in Q4 however. The retail segment, with a 2022 investment volume totaling 910 M€, continued to contract. Although the Hospitality asset class showed improvements, following sharp pandemic contraction, investment volumes were down on 2021 reaching 1.33 M€ in 2022.

Total investment volumes were supported by strong activity in the first 6-9 months of the year whereas in Q4 volumes contracted significantly compared to the previous quarter and y-o-y across all sectors. The total Italian Q4 investment volume was ca -35% less than 5-year Q4 average.

> ... BUT YIELD DECOMPRESSION COUPLED WITH ONGOING UNCERTAINTY NEGATIVELY INFLUENCED PERFORMANCE

The 10Y Italian Government Bond yield, at 4.69% at end 2022, grew in line with the trend seen in previous quarters to exceed the Office CBD prime yield. This caused a sharp brake in investment activity, as many investors adopted a 'wait and see' approach and the market began to take stock of changing economic conditions in anticipation of the repricing, which was already underway by Q4 2022.

Economic conditions are set to worsen, albeit to a lesser degree than feared at the start of Q4 2022. Continuing into 2022, Italy will continue to see relatively high inflation with 5.0% forecast for end-2023, falling to 2.3% in 2024. GDP is due to fall into negative territory in 2023 after Italy stood at 3.8% for 2022.

Due to the less dynamic nature of the market, the Italian real estate market began to see yield decompression, repricing and a contraction in investment volumes only in the second half of the year, forecast to continue into the start of 2023.

The Manufacturing Purchasing Manager's Index (PMI) - one of the economic indexes most followed by decision makers and investors - dropped to below the 50 points threshold by the end of the year in both the Services and Manufacturing sectors, indicating economic contraction.

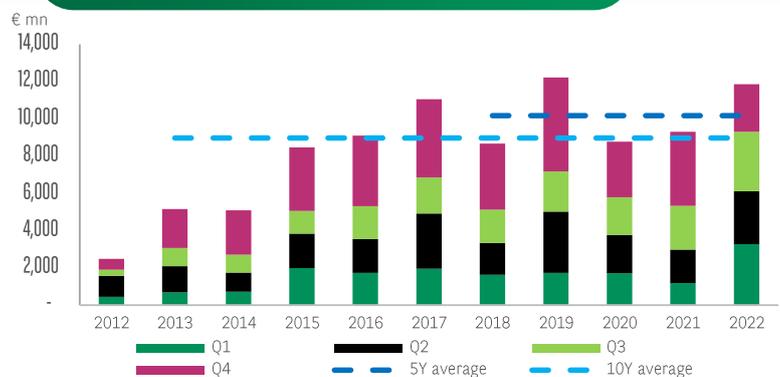
Decompression of prime real estate yields was already underway across all sectors and throughout Italy by the end of 2022, with the Milan Office (CBD) reaching 3.75% (vs. 3.10% in Q4 2021) and Italian Logistics at 4.20% (vs. 4.0% in Q4 2021).

All these factors lead us to hold the view that investments in Real Estate should continue to be subdued as we move into 2023, although different sectors will be diversely affected.

TOTALS IN 2022



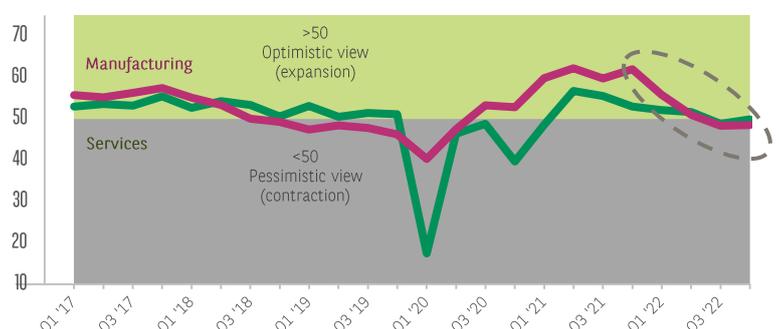
OFFICE INVESTMENT VOLUME AND CBD PRIME YIELDS



10Y GOVERNMENT BOND > PRIME YIELD CBD, A WARNING SIGNAL FOR ASSET PRICING LEVELS



THE ITALIAN PMI INDICES FALLING BELOW 50



> 2022 INVESTMENTS STRONG DESPITE Q4 CONTRACTION

In 2022 Offices returned to dominate investment volumes, both in terms of weighting volumes invested. The total invested in the Office sector grew by 102% y-o-y to 4,320 M€ by the end of the year, representing over a third of the total investment volume across all asset classes.

Thus, in line with the trend for the wider real estate marketplace, in 2022 investments in offices reached their highest total since records commenced, second only to 2019, although this hid a contraction in Q4.

Milan attracted 2,980M€ of capital, a significant increase compared to 2021 (+76%). Investments in the Rome office market had also grown y-o-y by 70% to reach 520 M€ by year end. Other, secondary marketplaces, accounted for the remaining 19% of office investments, the highest weighting in five years.

> YIELD DECOMPRESSION AS REPRICING BEGINS

In Q4 2022 the market continued to experience overall yield decompression as the 'wait and see' approach previously adopted began to give way to repricing. Thus at year-end prime office yields had reached 3.75% for Milan and 4.00% in Rome and decompression is expected to continue into the start of 2023.

Investors express a strong preference for Core/Core-product and locations in the face of uncertainty regarding macroeconomic conditions. The number of larger transactions has also been limited at the end of 2022. Overall there is an ever stronger preference for quality locations and, despite restricted supply, product respecting ESG-criteria is often an important requirement.

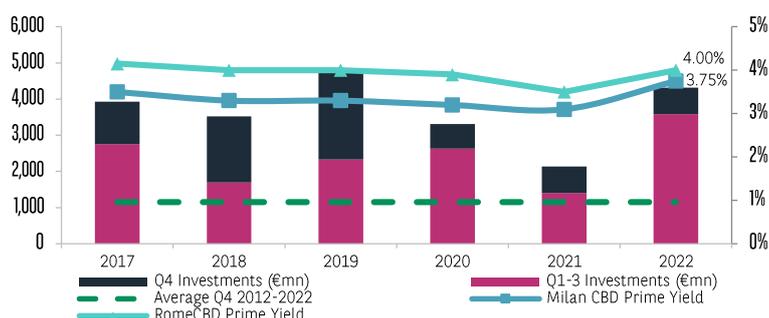
TOTALS IN 2022

Q4 2022
730 M€
stable
vs. Q4 2021

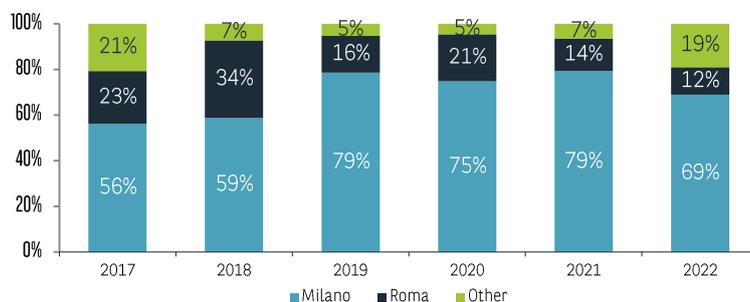
AVG. 2013-2022
3,260 M€

2022
4,320 M€
+102%
vs. 2021

OFFICE INVESTMENT VOLUME AND CBD PRIME YIELDS



INVESTOR FOCUS REMAINS ON MILAN, GROWING INTEREST IN OTHER MARKETS



OFFICE INVESTMENTS 2022

vs. 2021

+76%
2,980M€

Milan

+70%
520M€

Rome

PRIME YIELDS Q4 2022

Decompression vs. H1 2022

3.75%

Milan CBD

4.00%

Rome CBD

KEY OFFICE DEALS IN Q4 2022

ASSET	LOCATION	DISTRICT	INVESTMENT PROFILE	VOLUME (M€)
RCS HQ - Block 2 - Via Balzan/Via Solferino, 28	Milan	CBD Porta Nuova	Core	210
Piazzale Lodi, 3	Milan	Semicentre	Core	119
Viale dell'Innovazione, 3	Milan	Periphery	Value add	80

LOGISTICS INTEREST IS UNDERPINNED BY OCCUPIER DEMAND

Logistics has become an established consolidated asset class and this is confirmed by investment volumes during 2022 which were up by 26% on 2021. In line with the other asset classes, however, during Q4 investment volumes contracted significantly (-43% y-o-y).

Investor interest in Logistics is underpinned by ongoing occupier demand. Although the explosive growth seen immediately after the onset of the Covid-19 pandemic is not expected again, underlying demographic megatrends will continue to fuel growth in digital and online commerce, to the benefit of the Logistics asset class.

URBAN LOGISTICS MAY PROVE MOST RESILIENT

The Lombardy-Veneto-Emilia Romagna triangle represents the focus for investor as well as occupier interest, accounting for over half of all the Logistics investment volume in 2022.

After a very significant and continuous contraction in prime logistics yields over recent years, in line with yield movements across markets the logistics sector saw yield decompression to 4.40% by the end of 2022.

Repricing of logistics assets has commenced and, given current economic conditions and forecasts, prime yields are expected to continue increasing at the start of 2023.

However, the extent of this decompression will differ between subsectors. Urban logistics for example is expected to prove more resilient to economic turmoil thanks to factors including the stronger rental growth expected, as demand is in turn more resilient, as well as a higher capital value/sqm and a greater alternative use value in the majority of locations.

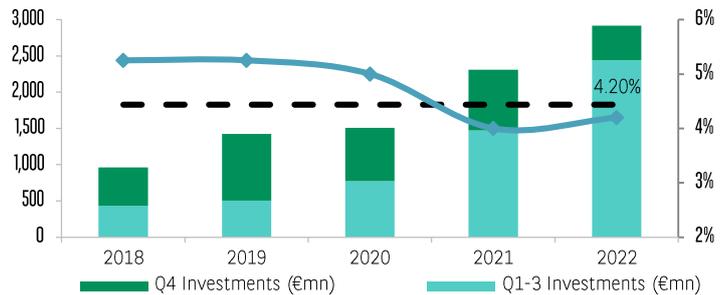
TOTALS IN 2022

Q4 2022
480 M€
-43%
vs. Q4 2021

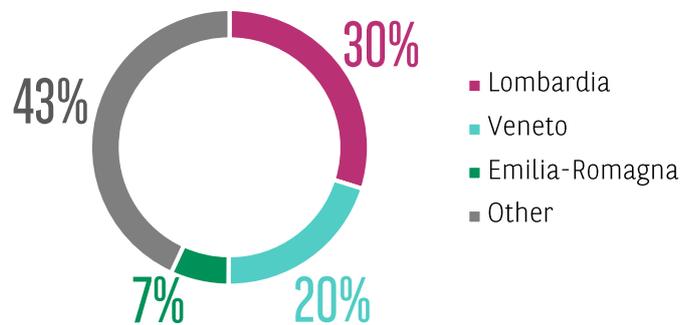
AVG. 2013-2022
1,210 M€

2022
2,920 M€
+26%
vs. 2021

LOGISTICS INVESTMENT VOLUME AND PRIME YIELDS



FOCUS ON THREE KEY 'GOLDEN TRIANGLE' MARKETS



LOGISTICS INVESTMENTS 2022



PRIME YIELDS Q4 2022

Decompression vs. H1 2022



KEY LOGISTICS DEALS IN Q3 2022

ASSET	LOCATION	REGION	VOLUME (M€)
Portfolio in northern Italy - 2 assets	Mixed locations	Mixed regions	150
Logistics development	Vigasio (Verona)	Veneto	54
Logistics asset	Vidigulfo (Pavia)	Lombardy	30

HIGH STREET RETAIL RETAINS MOST INVESTOR INTEREST

In 2022 the Retail sector registered 910 M€ of investments in Italy, down by -29% compared to 2021. Of this, 290 M€ of which were invested in Q4 2022, significantly less than the same period in 2021 (-72%).

In line with the trend of 2021, High Street Retail commanded the majority of investor interest throughout 2022, accounting for 44% of annual Retail investment activity, with the best quality assets of greatest interest to investors. Top locations catering for higher end Retail demand are less affected by economic difficulties

The food sector also remains under strong demand, especially in top locations, with a focus on supermarkets, cash&carry, and discount store assets, which meet demand for cost savings. In contrast, the market weighting of the Shopping Centres segment had begun contracting even before the Covid-19 outbreak and in 2022 accounted for just 15% of total Retail investment volume.

As in other use sectors, prime Retail yields edged upwards slightly for High Street Retail product, to 3.80% for Milan High Street, 3.90% for Rome High Street, and 6.50% for Shopping Centres nationally, despite a lack of investment activity in the latter. Yields are expected to decompress further in upcoming quarters.

Overall, Retail investment volumes should remain limited in the short term, as economic uncertainties continue to persist, although the impact on higher end retail should be more limited.

TOTALS IN 2022



RETAIL INVESTMENT VOLUME AND PRIME YIELDS



2022 RETAIL INVESTMENTS BY PRODUCT



RETAIL INVESTMENTS 2022

Vs. 2021

-75%
217M€

Milan

-11%
58M€

Rome

PRIME YIELDS Q4 2022

Decompression vs. 2021

3.80%

Milan High Street

3.90%

Rome High Street

6.50%

Shopping Centres

KEY RETAIL DEALS IN Q4 2022

ASSET	LOCATION	TYPE	VOLUME (M€)
Venti M portfolio - Metro Cash&Carry	[Mixed]	Cash&Carry	210
Coin store, Piazzale Appio	Rome	Department store	42
Via Rizzoli, 7	Bologna	High Street	40
Retail park	Alessandria	Retail Park	21.7

ALTERNATIVES ARE STILL DRIVEN BY RESIDENTIAL

A total of 1,640 M€ was invested across 2022 in what is classified as the Alternatives asset classes, representing 4% y-o-y growth on 2021.

This asset class continues to be dominated by the Residential segment, which totaled an investment volume of 950 M€ in 2022 and accounted for the largest weighting ever achieved. Residential as a sub-sector had already been experiencing continuous growth in investment volumes over recent years, fuelled by underlying demographic trends, which should persist to a certain extent even in the face of a possible downturn in economic conditions.

The second greatest weighting was held by the Senior Housing / Care Homes asset class, which totaled an annual investment for 2022 of almost 340 M€.

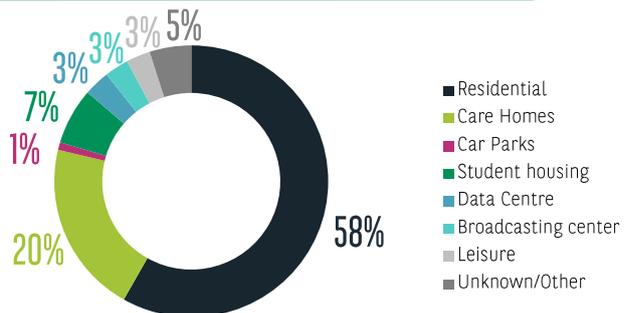
TOTALS IN 2022

Q4 2022
400 M€
-34%
vs. Q4 2021

AVG. 2013-2022
1,100 M€

2022
1,640 M€
+4%
vs. 2021

2022 ALTERNATIVES INVESTMENTS BY PRODUCT



KEY ALTERNATIVES DEALS IN Q4 2022

ASSET	CITY	REGION	PRICE (M€)
'Clinica Maria Cecilia' clinic, 170 beds	Cotignola (Ravenna)	Emilia Romagna	85.8
"SeiMilano" new residential development	Milan	Lombardy	46
Two care homes 'Caraglio' and 'Issiglio', 400 beds in total	Turin	Piedmont	44.9

STRONG RESIDENTIAL ACTIVITY ACROSS MAIN CITIES

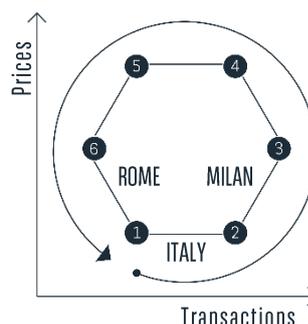
Activity remained strong overall with over 400,000 transactions* closed in the first 9 months of 2022 (+10.2% YoY) but with some disparities. Rome replaces Milan as the most attractive city after it witnessed a 9% increase in the number of transactions, from 19,153 at the end of Q3 2021 to 20,868 in Q1-3 2022. However, out of all the major 8 Italian cities, Milan grew most (17.5%) followed by Palermo and Bologna which grew by 11.9% and 11.5% respectively, and Rome by 9%. The remaining key markets fared a little worse but still showed strong performance: Turin (6.7%), Naples (6.1%) and Florence (up 5.8%).

CITY	Q1-3 2021*	Q1-3 2022*	VARIATION
Rome	19,153	20,868	9.0%
Milan	13,274	15,600	17.5%
Turin	7,678	8,189	6.7%
Genoa	4,544	4,779	5.2%
Naples	4,142	4,394	6.1%
Palermo	3,103	3,473	11.9%
Bologna	3,282	3,659	11.5%
Florence	2,752	2,912	5.8%
Top 8	38,775	43,006	10.9%
Total Italy	363,750	400,850	10.2%

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

The «Hexagon model» illustrates the different market phases of cities in terms of Residential transactions; not all Italian cities are at the same point within the cycle at any one time. Milan is currently between phases 3 and 4, as we witness a rise in prices but transactions are slowing down. Rome is 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.

HEXAGON MODEL



Phase 1-2

Stable prices and increased number of transactions

Phase 2-3

Rising prices and transactions

Phase 3-4

Prices continue to rise, but transactions slow down

Phase 4-5

Prices are stable and transactions are falling

Phase 5-6

Decreasing prices and transactions

Phase 6-1

Prices fall and transactions start to grow again

* NTN = Normalised no. of transactions



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www.realestate.bnpparibas.it

MILAN

Piazza Lina Bo Bardi
3 - 20124 Milan
Phone: +39 02 58 33 141

ROMA

Via Salandra
13 - 00187 Rome
Phone: +39 06 9826 2112

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> CONTACTS

RESEARCH



SUSAN A. TREVOR-BRISCOE
Head of Market Research & Analysis

Phone +39 335 1718200
susan.trevor-briscoe@realestate.bnpparibas.com

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