AT A GLANCE 2023
ITALY CAPITAL MARKETS

CONTRACTING INVESTMENT VOLUMES TOTAL 6.1 €BN AT YEAR END

INVESTMENT VOLUMES REMAIN TIGHT AT -49% END-2023

Italy's investment volume contracted y-o-y throughout 2023 and the year ended with total volumes down by -49% Y-o-Y. This trend was common across all asset classes, although to varying degrees reflecting underlying drivers as well as the amount of growth seen previously.

Deal sizes also saw a shift. Whereas the previous year deals over €100 mn represented the size bracket with the greatest weighting, in 2023 the €40-100mn size bracket accounted for over a third of total investment volume.

The fall in international capital was highest in 2023 (-63%) despite continuing to dominate the marketplace. As a result, the weighting of domestic capital grew during the year, having fallen by a more limited -31% Y-o-Y.

In 2023 over a quarter of the total investment volume (26%) related to Logistics assets, followed by Office and Alternatives (23% and 22% respectively).

YIELD DECOMPRESSION DECELERATES, DIFFERENTIATED BY ASSET CLASS

The 10Y Italian Government Bond yield stood at 3.7% by year end, after peaking in 2022, and averaged 4.5% in 2023.

Repricing has been underway over recent quarters although interest in real estate but may fail to crystalize, with transaction levels remaining limited by uncertainty. Equity remains preferable over financing in the current climate.

The Purchasing Manager's Indices (PMIs) –closely followed by decision makers and investors –shifted upwards slightly in Q4 2023 after contracting in the earlier part of the year. Due to interest rate increases and client uncertainty the manufacturing index remained below the 50 points threshold at the end 2023 reflecting concerns regarding protracted weakness of demand, weighing on growth expectations. The services index reached the 50 points level by year end, as optimism in the Italian service sector improved despite remaining below its long-term average.

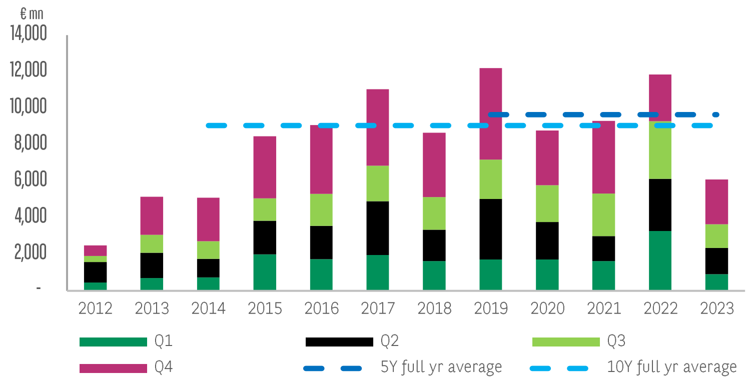
Continuous yield decompression was a feature of 2023, although the rate of growth slowed at the end of the year, leading to hopes of greater stability, repricing and a resumption of transaction activity.

By the end of the year prime net yields stood at 4.25% and 4.50% for the Milan and Rome Office CBDs respectively and 5.50% for Italy Logistics. In the retail sector, High Street prime net yields moved up to 4.00% and 4.10% for Milan and Rome respectively, stable at 7.50% for Italian Shopping Centres.

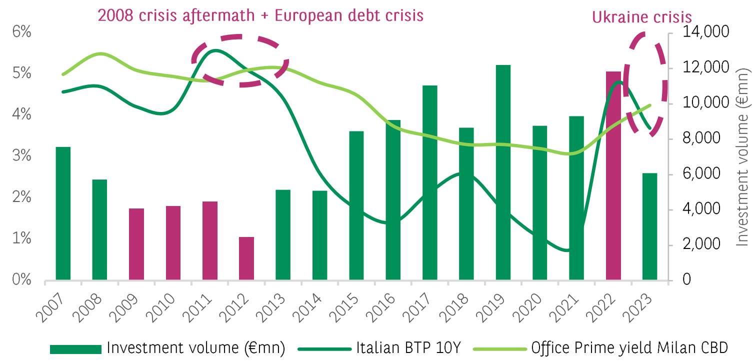
TOTALS IN 2023

2023	AVG. 2014-2023
6,100 M€ -49% vs. 2022	9,060 M€

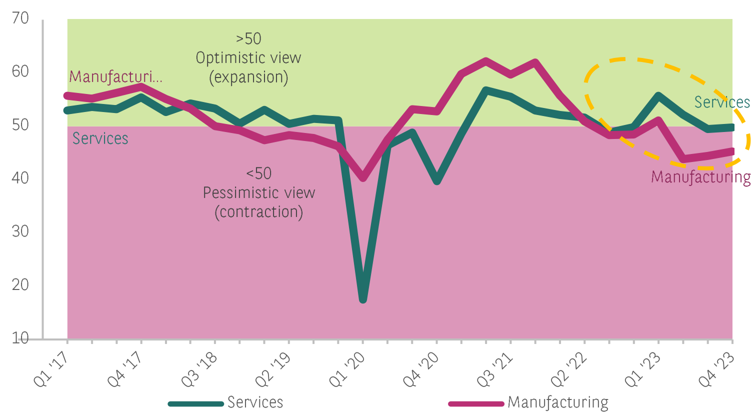
TOTAL INVESTMENT VOLUME



10Y GOVERNMENT BOND > PRIME YIELD CBD, NEGATIVELY AFFECTING ASSET PRICING LEVELS



THE ITALIAN PMI INDICES FALL BELOW 50



OFFICE

CAUTIOUS APPROACH TO THE OFFICE SECTOR LIMITS INVESTMENT ACTIVITY

The Office sector accounted for 23% of total Italy investment volume in 2023, falling to second place after dominating investment volumes in 2022 in line with a historic trend. 2023 office investment volumes thus totaled ca 1.4 €BN, just 43% of the 10-yearly average, and down by -68% Y-o-Y.

The investor focus remains firmly on office product in Milan, which accounted for 58% of total office investment in 2023, or 800 €M. However the 20% weighting of Rome represented a notable increase Y-o-Y, in line with the growth seen in other locations outside Milan (22%).

These shifting weightings reflect a combination of limited product and an attempt by investors to identify suitable investment-grade assets with more attractive yields, by considering alternative locations.

Independently of location, prime covenants remain of significant importance to investors.

INTEREST FOCUSES ON QUALITY AND SUSTAINABILITY CRITERIA

ESG criteria are now fundamental for investors in Italian real estate and assets which do not meet these requirements are greatly penalized, polarizing the sector in terms of asset quality.

Suitable existing product is limited in all locations, restricting investment volumes. Furthermore, for non-compliant assets, the awareness that refurbishment will be required can also render the possibility of a change of use a feasible alternative.

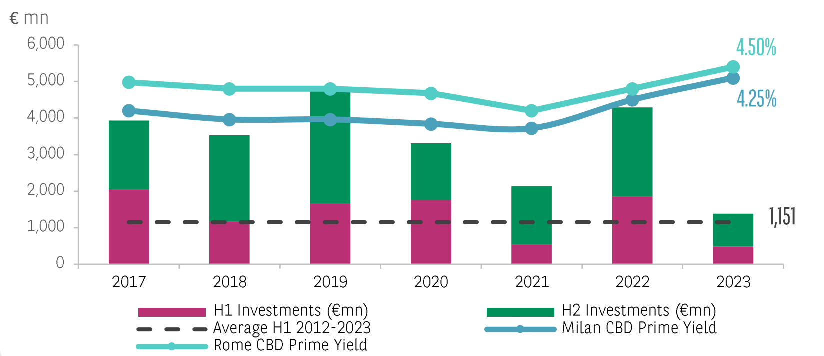
As yields moved upwards during the course of the year, transaction volumes were penalized by the perception that repricing had not yet fully concluded. However prime office yields in Milan and Rome were stable or experienced limited growth in Q4 2023, improving expectations for coming quarters.

TOTALS IN 2023

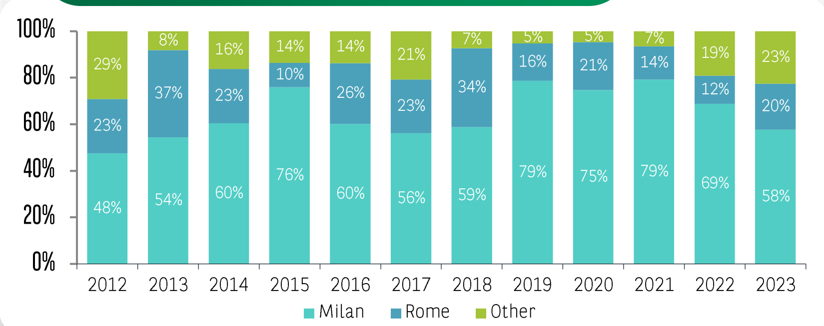
2023
1,390 M€
-68%
vs. 2022

AVG. 2014-2023
3,250 M€

OFFICE INVESTMENT VOLUME AND CBD PRIME YIELDS



INVESTOR FOCUS REMAINS ON MILAN, GROWING INTEREST IN OTHER MARKETS



OFFICE INVESTMENTS 2023

vs. 2022

Milan	Rome
-73%	-47%
800M€	270M€

PRIME YIELDS 2023

Decompression vs. 2022

Milan CBD	Rome CBD
4.25%	4.50%

KEY OFFICE DEALS IN 2023

ASSET	LOCATION	DISTRICT	INVESTMENT PROFILE	VOLUME (M€)
Piazza San Fedele, 1/3	Milan	CBD Duomo	Core	ca 210
Piazza Affari, 2	Milan	CBD Duomo	Core	93.6
Via de' Vecchietti	Florence	Historic Centre	Core plus	60

LOGISTICS

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SUSTAINED OCCUPIER DEMAND FOR LOGISTICS SPACE

High levels of investor interest in Italian logistics are sustained by strong occupier dynamics as the sector continues to benefit from the expansion of online commerce in particular, in turn supported by demographic and technological megatrends.

As a result, Logistics was Italy's asset class with the greatest weighting in 2023 in terms of investment volume (26%).

Over half of volume in the period was within a virtual 'golden triangle' running from Lombardy to Veneto to Emilia Romagna. The Piedmont region also contributed significantly to the total annual Logistics investment volume.

With reference to newly developed and well-located assets of 5,000 sqm or above, prime Logistics yields expanded significantly throughout 2023 but Q4 saw stability Q-o-Q. Thus, after decompression of 110 bps Y-o-Y, at year end prime yields stood at 5.50% for the Milan area and at 5.70% for Rome. Urban logistics commands a slightly lower prime yield of 5.10% (with reference to the Milan area).

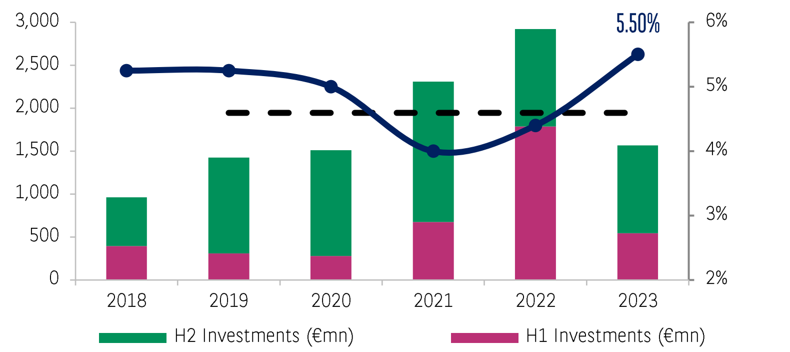
ESG CRITERIA COMMAND INVESTOR AND OCCUPIER ATTENTION ALIKE

ESG-compliance is a key criteria for attracting the potential interest of investor capital in Logistics assets. However high construction costs and financing issues have combined to contain the new supply of such premises to both investors and occupiers. As a result interest may sometimes be redirected towards existing and second-hand stock.

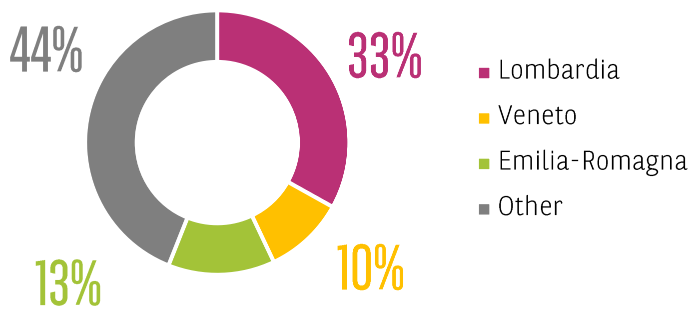
TOTALS IN 2023

2023	AVG. 2014-2023
1,570 M€	1,350 M€
-46% vs. 2022	

LOGISTICS INVESTMENT VOLUME AND PRIME YIELDS



FOCUS ON THE THREE KEY 'GOLDEN TRIANGLE' MARKETS



LOGISTICS INVESTMENTS 2023

vs. 2022

Lombardy	Veneto	Other
520M€	155M€	895M€
-40%	-74%	-39%

PRIME YIELDS 2023

Decompression vs. 2022

Warehouses	Last-mile
5.50%	5.10%

KEY LOGISTICS DEALS IN 2023

ASSET LOCATION	LOCATION	REGION	VOLUME (M€)
Logiman Portfolio	Mantua	Lombardy	170
Logistics portfolio	North-west Italy	Mixed	155
Project Tag	Mixed	Mixed	90

RETAIL

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INTEREST SPREAD ACROSS RETAIL SEGMENTS

Retail investment volumes have been contracting since 2018 and as a result were very limited in 2023, totaling ca 690 €M nationwide. This represented a fall both Y-o-Y and compared to the 10-year average, by -23% and -59% respectively. However Retail investment in Q4 2023 achieved the highest quarterly total for the previous two years.

The year saw investment in a range of retail types, with a focus on Retail Box assets followed by Shopping Centres. Investor interest also includes secondary assets or locations; as well as yield considerations, limited availability of prime product can shift attention to such assets.

Today's consumption patterns focus, on the one hand, on the shopping experience and, on the other, on cost savings for shoppers. Indeed, in the light of current economic concerns, interest is strong in segments offering cost savings and in the food sector. Space productivity remains a key consideration for retailers.

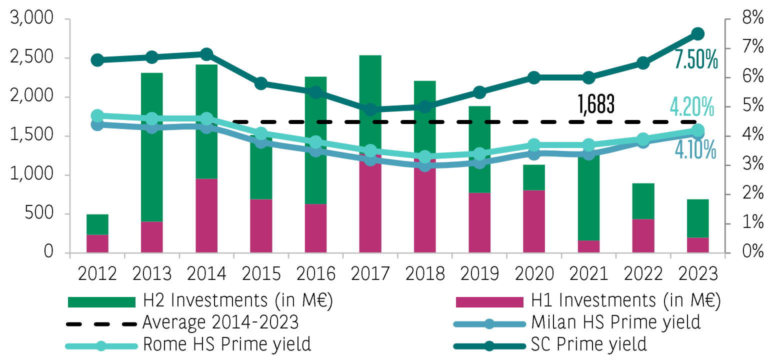
At the other end of the scale, Luxury retail tends to be less affected by economic difficulties and demand is strong in this segment. This is contrasted by tight supply as opportunities are limited by the restricted number of streets comprising luxury retail destinations.

The Retail capital markets sector also experienced repricing throughout 2023. Prime yield decompression was least significant in the High Street segment, given the more limited volumes achieved. Thus, in Q4 2023, Milan and Rome High Street prime retail yields edged up slightly to reach 4.10% and 4.20% respectively, remaining stable at 7.50% for prime Italian Shopping Centres.

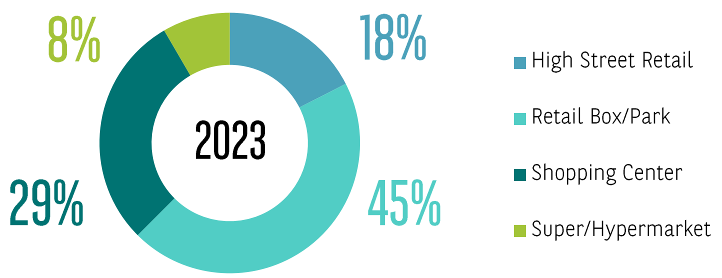
TOTALS IN 2023

2023	AVG. 2014-2023
690 M€	1,680 M€
-23% vs. 2022	

RETAIL INVESTMENT VOLUME AND PRIME YIELDS



2023 RETAIL INVESTMENTS BY PRODUCT



RETAIL INVESTMENTS 2023

vs. 2022

Milan	Rome
-32%	-45%
150M€	30M€

PRIME YIELDS 2023

Decompression vs. 2022

Milan High Street	Rome High Street	Shopping Centres
4.10%	4.20%	7.50%

KEY RETAIL DEALS IN 2023

ASSET	LOCATION	TYPE	VOLUME (M€)
Portfolio Decathlon	Mixed	Retail Box	88
Portfolio OBI	Mixed	Retail Box	ca 70
Portfolio of 5 retail warehouses	Mixed	Retail Park	70

ALTERNATIVES

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ALTERNATIVES DRIVEN PRIMARILY BY LIVING AND HEALTHCARE

The Alternatives sector accounted for the third greatest share of investment volume in 2023 (22%) after Logistics and Office. At the end of the year the sector also featured the smallest Y-o-Y contraction of all asset classes in the Italian market.

Living was the most active segment, accounting for almost half of the Alternatives investment volume (49%). Energy ratings, which favour new build, are scheduled to play a significant role in coming years and the segment benefits from the effects of ESG compliance requirements. However as the cost of a home increases, especially in Italy's larger cities, falling mortgage numbers due to increased costs also attract interest to the rental sector.

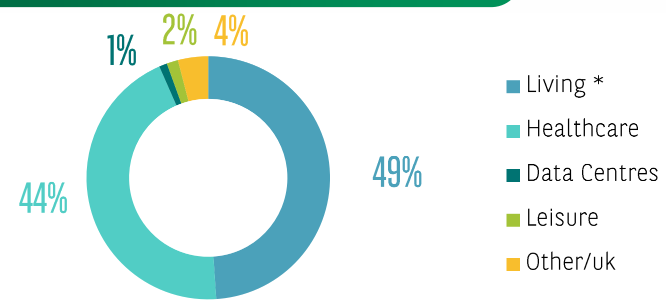
Healthcare followed closely in second place (44%), also fuelled by underlying demographic trends at both domestic and global levels.

It is worth noting that investment volume calculations do not take into consideration changes of use; the Living sector weighting would increase further if deals involving a change to Living from other asset classes were also taken into account.

TOTALS IN 2023

2023	AVG. 2014-2023
1,320 M€	1,010 M€
-20% vs. 2022	

2023 ALTERNATIVES INVESTMENTS BY PRODUCT



*Living includes: Residential, BTR/Co-Living, Senior Housing, Student Housing

KEY ALTERNATIVES DEALS IN 2023

ASSET	CITY	REGION	PRICE (M€)
Student Housing in Via Giovenale, 13	Milan	Lombardy	130
Portfolio of 6 care homes	Mixed	Mixed	ca 125
Ex-Trotto urban regeneration	Milan	Lombardy	ca 68

NON-INSTITUTIONAL RESIDENTIAL SECTOR EXPERIENCES A CONTRACTION

Activity in the non-institutional residential market remained strong. Over 780,000 transactions* were closed in 2022 (+4.8% Y-o-Y) albeit with some disparities across key cities.

However, Y-o-Y growth was absent from all 8 of the key cities tracked. At end-Q3 2023 the no. of transactions* was down by -10.3% in these cities, and by -10.4% nationwide. These contractions were slightly less severe than those seen Y-o-Y in the previous quarter.

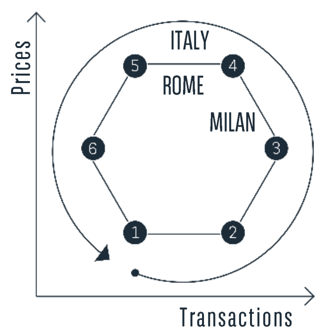
Both Bologna and Milan saw the greatest fall in the number of transactions* (-19.3% and -16.8% respectively), followed by Rome and Florence (-15.5% and -14.3% respectively). The remaining cities saw progressively less negative Y-o-Y variations.

The «Hexagon model» below 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. In Milan house prices can be seen to be growing, although transactions are slowing down, whereas Rome is reaching the end of the cycle with transactions falling and prices stable.

CITY	2022*	Q3 2022*	Q3 2023*	VAR % Q3
Rome	40,065	8,892	7,739	-13.0%
Milan	28,595	5,815	5,323	-8.5%
Turin	16,126	3,509	3,149	-10.3%
Naples	8,316	1,717	1,685	-1.9%
Genoa	9,182	2,075	1,910	-8.0%
Palermo	6,785	1,535	1,380	-10.1%
Bologna	6,788	1,478	1,338	-9.5%
Florence	5,551	1,207	991	-17.9%
Top 8	121,408	26,229	157,024	-10.3%
Total Italy	784,486	175,267	157,024	-10.4%

*Source : BNP Paribas Real Estate Research, Agenzia delle Entrate (OMI)
NTN = Normalised no. of transactions

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

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