AT A GLANCE Q1 2024

ITALY CAPITAL MARKETS

INVESTMENT VOLUMES GROW TO 1.9 €BN BY END Q1 2024

INVESTMENT VOLUMES REPRESENT 113% Y-o-Y INCREASE

The first quarter of 2024 saw a significant improvement in activity levels, resulting in total volumes more than doubling compared to Q1 2023.

Although this trend was common across most asset classes, the Mixed use category saw most growth thanks in particular to a large development transaction, which will also include an element of Living. At the same time the Alternatives asset class, which includes Living, saw a contraction.

The Office sector returned to hold pole position (33%) in Q1 2024, followed by Mixed (27%), then Logistics and Industrial (19%), with Hospitality accounting for 10% of the total investment volume, with Alternatives (including Living) and Retail at 7% and 3% respectively.

Of note is the growing number of transactions on assets destined for a change of use subsequent to sale.

Domestic capital returned to dominate the marketplace in Q1 2024, accounting to 53% of deals where the origin of capital is known.

YIELD DECOMPRESSION DECELERATES, DIFFERENTIATED BY ASSET CLASS

The Purchasing Manager's Indices (PMIs) – closely followed by decision makers and investors – continued to move upwards in Q1 2024 after contracting for the majority of 2023, with the composite rate standing at 53.5 by the end of Q1 2024. The Services PMI reflected improved demand and client interest and suggests recovery in the service sector economy, and the Manufacturing PMI even exceeded market forecasts.

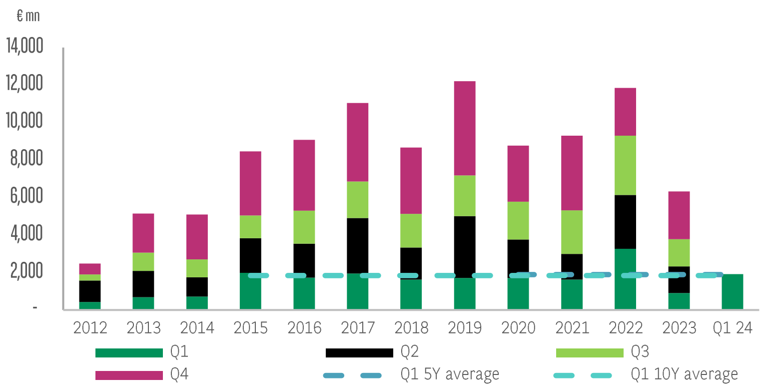
The 10Y Italian Government Bond yield stood had stabilised at 3.7% at the end of Q1 2024, after peaking in 2022 and averaging 4.5% across 2023.

The resulting expansion in prime net yields slowed significantly over Q1 024, and repricing had a positive impact on investment activity, with improvements in investment volumes over the quarter leading to some cautious optimism.

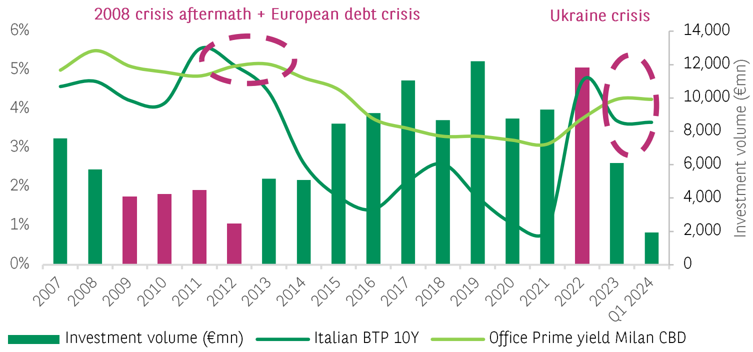
TOTALS IN Q1 2024

Q1 2024	AVG. Q1 2015-2024
1,930 M€	1,850 M€
+113% vs. Q1 2023	

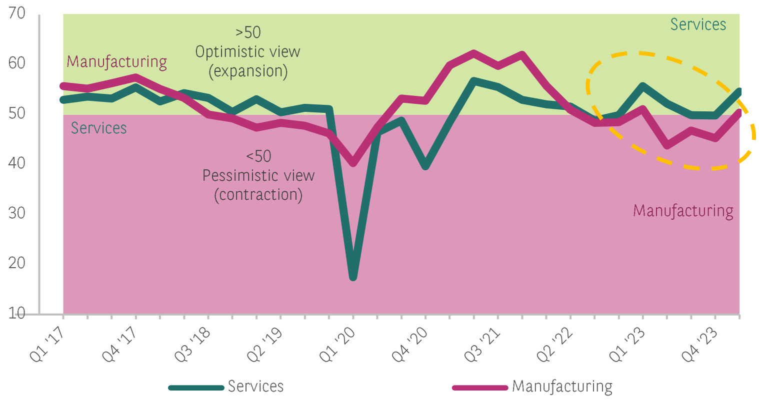
TOTAL INVESTMENT VOLUME



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



ITALIAN PMI INDICES EXCEED 50



OFFICE

OFFICE SECTOR DOMINATES Q1 2024 INVESTMENT VOLUME

The Office asset class returned to pole position, accounting for 33% of the total quarterly investment value, up four-fold compared to Q1 2023 and broadly in line with the Q1 average for a three-year period.

Four large deals contributed to these results; two in Rome including the largest Q1 office deal of all, and two in Milan including a centrally located occupier purchase.

Indeed, owner occupier activity represented 21% of all quarterly office investment volume.

Thanks to these dynamics, Rome represented over half (58%) of office investment volume in Q1 2024, with Milan falling to second place in a first which also saw other submarkets contract almost completely.

Thus, a combination of evolving investment criteria as investors attempt to identify suitable investment-grade assets and yields, combined with a strong owner occupier sector, fuelled the office sector in Q1.

SUSTAINABILITY CRITERIA AND USE CHANGES INFLUENCE DYNAMICS

The majority of office investment volume referred to assets with green credentials as ESG criteria remain a fundamental for investors in Italian real estate.

Suitable existing product can be limited, having the effect of restricting investment volumes whilst polarizing the sector in terms of asset quality.

The refurbishment which is also required to non-compliant assets can also often justify a change of use. Of the total office investment volume tracked for Q1 2024, 23% related to assets on which a change of use – often to Living – was expected subsequent to sale.

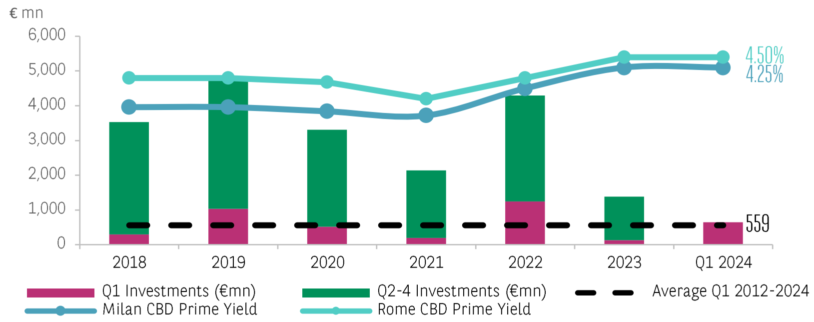
Office yields remained stable Q-o-Q in Q1 2024 for prime locations and assets in both Milan and Rome, after constant expansion throughout the previous year. Secondary submarkets in both cities continued to see decompression in Q1, albeit to a limited extent.

TOTALS IN Q1 2024

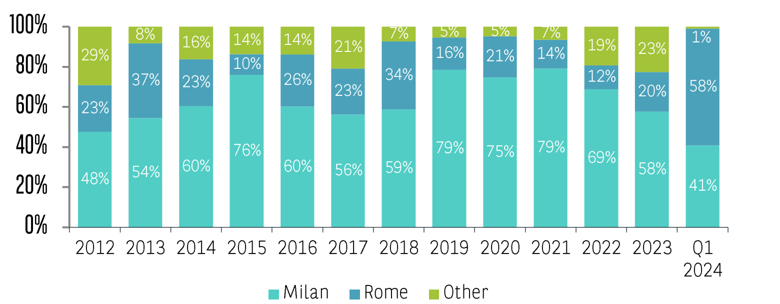
Q1 2024
645 M€
+396%
vs. Q1 2023

AVG. Q1 2015-2024
650 M€

OFFICE INVESTMENT VOLUME AND CBD PRIME YIELDS



INVESTOR FOCUS IN ROME INCREASES, CLOSELY FOLLOWED BY MILAN



OFFICE INVESTMENTS Q1 2024

Growth vs. Q1 2023

Milan	Rome
+392%	+1,076%
265M€	375M€

PRIME YIELDS Q1 2024

Decompression vs. Q1 2023

Milan CBD	Rome CBD
4.25%	4.50%

KEY OFFICE DEALS IN Q1 2024

ASSET	LOCATION	DISTRICT	INVESTMENT PROFILE	VOLUME (M€)
Deloitte HQ – Via Vittorio Veneto	Rome	CBD	Core	ca 275
Campari Building – Corso Europa	Milan	CBD Duomo	Owner occupier	110
Via Paolo di Dono, 223	Rome	EUR Laurentina	Opportunistic	ca 80

LOGISTICS

BNP PARIBAS REAL ESTATE

SUSTAINED OCCUPIER DEMAND FOR LOGISTICS SPACE

Logistics continued to benefit from ongoing interest, sustained by strong occupier dynamics. After demographic and technological megatrends boosted the sector during the pandemic, they continue to benefit online commerce in particular.

Thus, despite the weighting of Italy's Logistics sector moving down to third place in Q1 2024, the sector still saw 15% Y-o-Y growth.

Traditionally the Logistics investment volume has been concentrated within a virtual 'golden triangle' defined by Lombardy - Veneto - Emilia Romagna. However in Q1 2024 the majority (61%) of Logistics volume related to portfolio transactions featuring a mix of locations.

With reference to newly developed and well-located assets of 5,000 sqm or above, the prime Logistics yield, after expanding significantly throughout 2023 remained stable in Q1 2024 to stand 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).

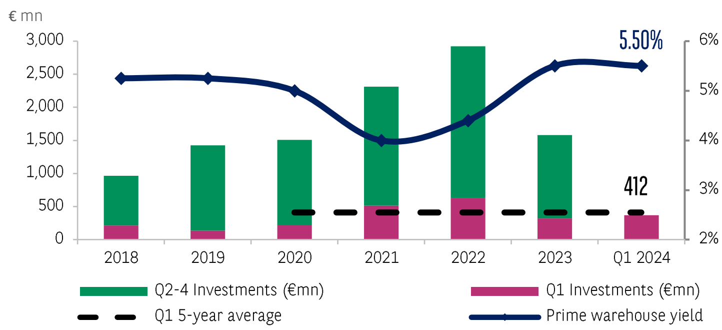
ESG CRITERIA COMMAND INVESTOR AND OCCUPIER ATTENTION ALIKE

High construction costs and financing issues have combined to limit the supply of newly developed premises which tend to be those featuring ESG-compliant criteria. Interest may thus be redirected towards existing and second-hand stock.

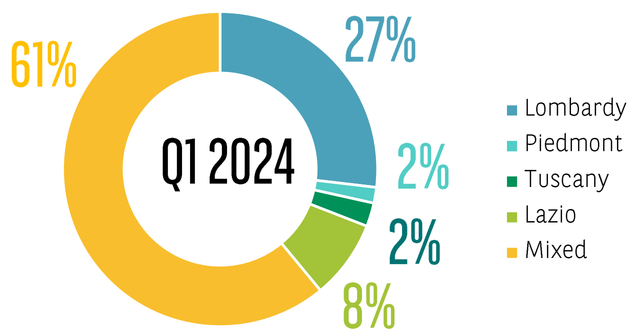
TOTALS IN Q1 2024

Q1 2024	AVG. Q1 2015-2024
370 M€	265 M€
+15% vs. Q1 2023	

LOGISTICS INVESTMENT VOLUME AND PRIME YIELDS



PORTFOLIOS IN MIXED REGIONS GAIN MARKET SHARE



LOGISTICS INVESTMENTS Q1 2024

vs. Q1 2023

Lombardy	Lazio	Other
100M€	30M€	240M€
-24%	+30M	+27%

PRIME YIELDS Q1 2024

Decompression vs. Q1 2023

Warehouses	Last-mile
5.50%	5.10%

KEY LOGISTICS DEALS IN Q1 2024

ASSET LOCATION	LOCATION	REGION	VOLUME (M€)
Project Tag – 2nd tranche	Mixed	Mixed	136
Logistics portfolio (Brescia, Verona, Pistoia, Alessandria)	North Italy	Mixed	90
Logistics portfolio in Borgo San Giovanni	Borgo San Giovanni	Lombardy	ca 50

RETAIL

INTEREST SPREAD ACROSS RETAIL SEGMENTS

Annual Retail investment volumes have been contracting since 2018 and remained limited in Q1 2024 in line with this longer term trend. However the quarterly total reached €66 mn which did represent a more than three-fold increase Y-o-Y suggesting improved interest in the sector.

The quarter saw a primary focus on large store retail, followed by Retail Box/Park and Hyper/Supermarkets in equal measure. Investor interest also takes into account yield considerations and the limited availability of prime product can affect volumes.

Today's consumption patterns focus on the shopping experience as well as on cost savings for shoppers, with retailers themselves also focusing on space productivity.

At the other end of the scale, demand is strong in the Luxury segment which is less affected by economic difficulties. The supply of opportunities is limited by the restricted number of streets comprising luxury retail destinations.

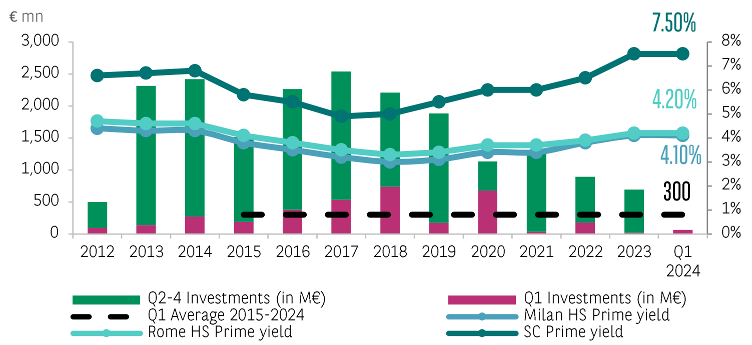
After ongoing prime yield decompression in 2023 the Retail sector also saw stability in Q1 2024. Thus in Q1 2023, Milan and Rome High Street prime retail yields stood at 4.10% and 4.20% respectively, stable at 7.50% for prime Italian Shopping Centres.

TOTALS IN Q1 2024

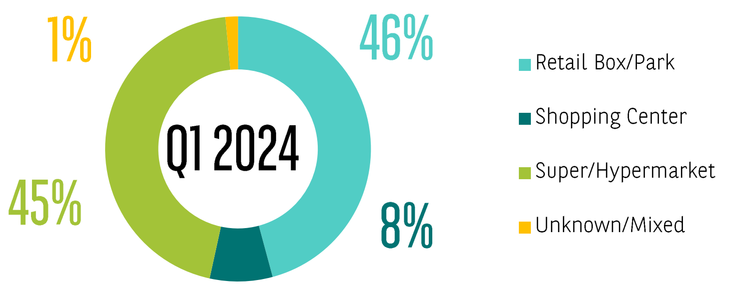
Q1 2024
66 M€
+264%
vs. Q1 2023

AVG. Q1 2015-2024
300 M€

RETAIL INVESTMENT VOLUME AND PRIME YIELDS



Q1 2024 RETAIL INVESTMENTS BY PRODUCT



RETAIL INVESTMENTS Q1 2024

vs. Q1 2023

Milan	Rome
-	10M€ (-25%)

PRIME YIELDS Q1 2024

Decompression vs. Q1 2023

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

KEY RETAIL DEALS IN Q1 2024

ASSET	LOCATION	TYPE	VOLUME (M€)
Tecnomat Portfolio – phase 2	Mixed	Retail Box	ca 15
Tecnomat Portfolio – phase 2	Altavilla Vicentina	Retail Box	ca 15
Tecnomat Portfolio – phase 2	Capodrise	Retail Box	12

ALTERNATIVES

ALTERNATIVES AND MIXED USE FOLLOW CONTRASTING TRENDS

In Q1 2024 the Alternatives sector featured a significant component liked to the Educational sector, which therefore accounted for most quarterly investment volume within this asset class and a significant increase Y-o-Y.

Whilst the Living segment saw an apparent contraction Y-o-Y, this does not take into account either the assets due for conversion from another use to Living nor does it include any of the Mixed use development sale closed in Q1 2024, which represented the quarter's largest investment deal and which will include a significant Living portion.

Energy ratings continue to play an important role, redirecting a certain amount of interest from existing second hands assets towards new build and often also towards new living formats as a result.

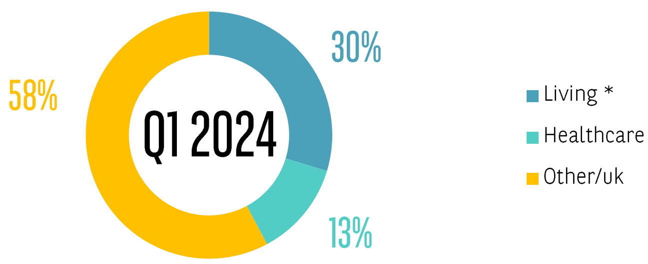
The Healthcare segment saw limited transactional activity in Q1 2024.

TOTALS IN Q1 2024

Q1 2024
130 M€
-51%
vs. Q1 2023

AVG. Q1 2015-2024
190 M€

Q1 2024 ALTERNATIVES INVESTMENTS BY PRODUCT



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

KEY ALTERNATIVES DEALS IN Q1 2024

ASSET	CITY	REGION	PRICE (M€)
ICS International School HQ	Milan	Lombardy	25
Agriturismo La Fattoria	Grosseto	Tuscany	ca 25
Student Housing - Scalo Farini	Milan	Lombardy	ca 20

NON-INSTITUTIONAL RESIDENTIAL SECTOR EXPERIENCES A CONTRACTION

Activity in the non-institutional residential market remained strong. Over 700,000 transactions* were closed in 2023 (-9.6% 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. The contractions in the no. of transactions* at end-Q4 2023 were slightly less severe than those seen Y-o-Y in the previous quarter, down by -5.7% in these cities, and by -3.3% nationwide.

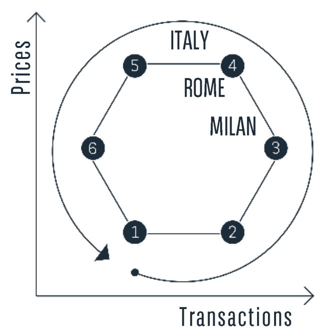
With reference to full year volumes, both Bologna and Rome saw the greatest fall in the number of transactions* (-16.0% and -14.3% respectively), followed by Milan and Florence (-13.2% and -12.6% respectively). The remaining cities saw progressively less negative variations.

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	2023*	Q4 2022*	Q4 2023*	VAR % Q4
Rome	34,342	10,311	9,181	-11.0%
Milan	24,832	7,183	7,020	-2.3%
Turin	14,882	4,352	4,214	-3.2%
Naples	7,962	2,210	2,150	-2.7%
Genoa	8,468	2,330	2,276	-2.3%
Palermo	6,441	1,778	1,749	-1.6%
Bologna	5,700	1,650	1,556	-5.7%
Florence	4,850	1,432	1,318	-8.0%
Top 8	107,477	31,246	29,464	-5.7%
Total Italy	709,591	208,565	201,623	-3.3%

*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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