

AT A GLANCE Q3 2024

ITALY CAPITAL MARKETS

INVESTMENT VOLUMES REACH HIGH OF 6.49 €BN BY END-Q3 2024

> INVESTMENT ACTIVITY GROW 69% Y-o-Y

Investment volumes continued to recover throughout Q3 2024 as prime yield stability and repricing benefitted activity levels.

Growth was differentiated, with the Mixed Use and the Office asset classes experiencing the greatest Y-o-Y increases after Retail. Total volumes in the latter reflected closure of the largest single asset deal recorded, on a predominantly Retail property. The sector thus recorded the highest YTD investment volume (28%) followed by Office (23%).

Although growth in Logistics investments was slightly lower, at 21% Y-o-Y, the asset class accounted for 20% on Q1-3 investment volume, having experienced good levels of activity in the first half of the year as well.

Hospitality contributed 12% to end-Q3 investment volumes, after 31% Y-o-Y growth.

Activity in the Alternatives asset class has been more limited, with Y-o-Y negative growth in the first 9 months of 2024. This analysis considers the original use and would be different if the asset class following a change of use were taking into account.

International capital accounted for the majority of investment volume and exceeded domestic investment with a ratio of 65:35, calculated on deals where the origin of capital is known.

> PRIME YIELDS STABILISE IN Q3 2024, SOME Y-o-Y DECOMPRESSION REMAINS

The Purchasing Manager's Indices (PMIs) – closely followed by decision makers and investors – contracted further in Q3 2024. However private sector expansion continues, coupled with contraction in the services sector and expansion in manufacturing.

The 10Y Italian Government Bond yield stood at 3.5% at the end of Q3 2024, after peaking in 2022.

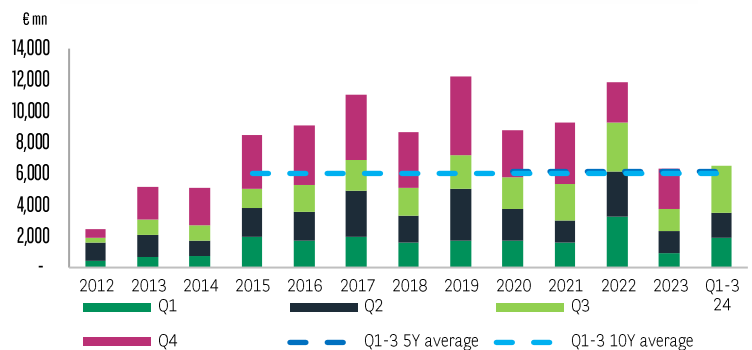
Prime net yields saw Q-o-Q stability in the third quarter of 2024, and the accompanying repricing has benefitted investment activity. However current prime yields do represent some Y-o-Y growth with limited exceptions.

TOTALS IN Q1-3 2024

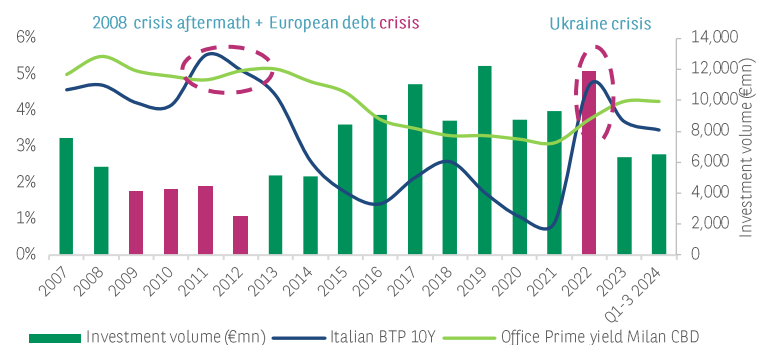
Q1-3 2024
6,490 M€
+69%
vs. Q1-3 2023

AVG. Q1-3 2015-2024
6,020 M€

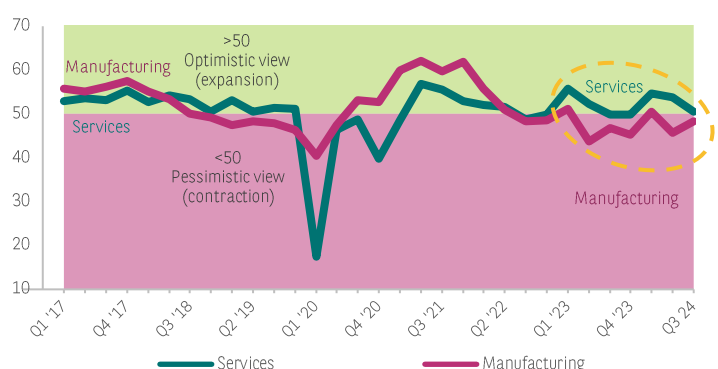
TOTAL INVESTMENT VOLUME



10Y GOVERNMENT BOND > PRIME YIELD CBD, HALTING PRIME YIELD DECOMPRESSION



ITALIAN PMI COMPOSITE GROWTH SLOWS



OFFICE SECTOR CONTINUES TO ATTRACT INVESTOR INTEREST

In the first 9 months of 2024 the Office asset class accounted for 23% of Italian investment volume, an increase of 141% Y-o-Y. The end-Q3 total does still represent a contraction on the 5-year average for the same period (-24%), reflecting concerns regarding the outlook for the Office sector at a global level rather than specifically for the local market.

However, changes of use remains a significant theme and the weighting of Italy's office asset class would stand at a lower 18% if these were taken into account.

The Rome marketplace continues to account for just over half (52%) of the national office investment volume and housed two of the top three largest office deals.

The weighting of Milan edged up, with the market housing over a third (39%) of national office investment volumes in the period. The contribution of 'Other' marketplaces contracted to 9%.

PRIME YIELDS STABLE Q-o-Q, DESPITE Y-o-Y DECOMPRESSION

Across Milan and Rome office submarkets prime yields were stable on a quarterly basis, despite this still reflecting some Y-o-Y decompression.

The investor focus remains on ESG criteria, a fundamental requirement, although limited suitable product continues to restrict investment volumes whilst polarizing the sector.

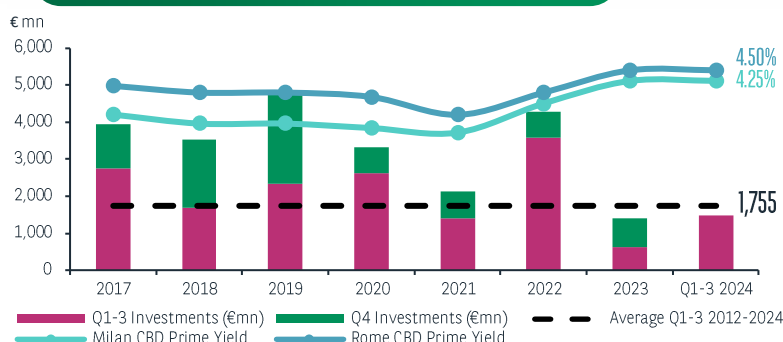
In a broader context, investors active at an international and especially at a global level continue to express concerns regarding negative office occupier dynamics in other locations globally.

TOTALS IN Q1-3 2024

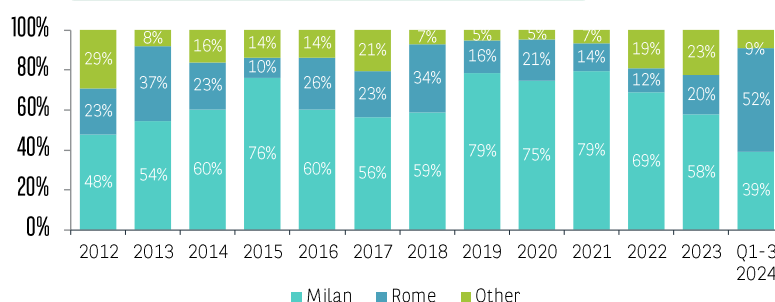
Q1-3 2024
1,490 M€
+141%
vs. Q1-3 2023

AVG. Q1-3 2015-2024
2,090 M€

OFFICE INVESTMENT VOLUME AND CBD PRIME YIELDS



INVESTOR FOCUS IN ROME INCREASES, CLOSELY FOLLOWED BY MILAN



OFFICE INVESTMENTS Q1-3 2024

Growth vs. Q1-3 2023

+87%
580M€

Milan

+496%
770M€

Rome

PRIME YIELDS Q3 2024

Decompression vs. Q3 2023

4.25%

Milan CBD

4.50%

Rome CBD

KEY OFFICE DEALS IN Q1-3 2024

ASSET	LOCATION	DISTRICT	INVESTMENT PROFILE	VOLUME (M€)
Deloitte HQ - Via Vittorio Veneto, 89	Rome	CBD	Core	ca 275
Corso Italia, 41	Rome	CBD	[Confidential]	ca 125
Campari Building - Corso Europa, 2	Milan	CBD Duomo	Value Add	110

INVESTMENT INTEREST IN LOGISTICS STAYS STRONG

Interest in the Logistics asset class has seen Y-o-Y growth of 21% with Q3 representing a more than three-fold increase on a quarterly basis.

By the end of Q3 2024 Logistics stood in third place in terms of total YTD investment volumes (20%). Strong occupier dynamics continue to sustain the sector.

In line with the wider real estate marketplace, the focus on asset quality remains and assets respecting ESG criteria attract the majority of interest.

In the first nine months of the year 45% of investment activity involved portfolio transactions, the highest weighting since 2019.

The Lombardy and Emilia-Romagna regions together accounted for almost half of investment activity (32% and 16% respectively). The Veneto region has so far failed to house volume in 2024.

STABILITY CHARACTERISES PRIME LOGISTICS YIELDS

The prime Logistics yield has been stable at 5.50% for Milan and 5.70% for Rome since the latter half of 2023, after seeing decompression in line with the wider marketplace.

This refers to newly developed and well-located assets of 5,000 sqm or above.

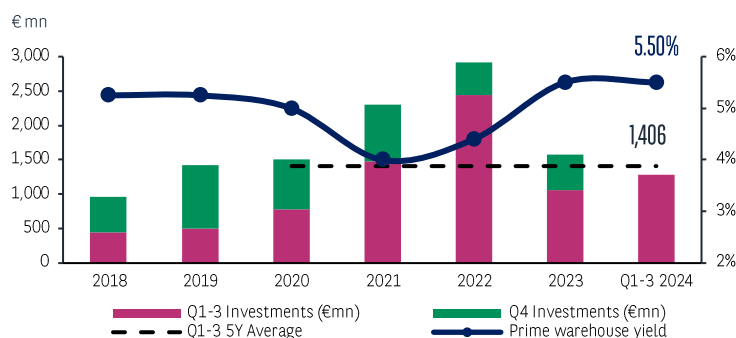
Prime yields Milan's for urban logistics market also remained unchanged at 5.10%.

TOTALS IN Q1-3 2024

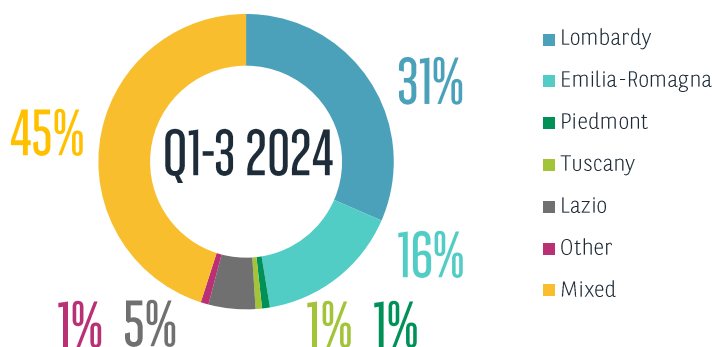
Q1-3 2024
1,280 M€
+21%
vs. Q1-3 2023

AVG. Q1-3 2015-2024
920 M€

LOGISTICS INVESTMENT VOLUME AND PRIME YIELDS



PORTFOLIOS IN MIXED REGIONS GAIN MARKET SHARE



LOGISTICS INVESTMENTS Q1-3 2024

vs. Q1-3 2023

+33%
405M€

Lombardy

+30%
205M€

Emilia-Romagna

+13%
675M€

Other

PRIME YIELDS Q3 2024

Decompression vs. Q3 2023

5.50%

Warehouses

5.10%

Last-mile

KEY LOGISTICS DEALS IN Q1-3 2024

ASSET LOCATION	LOCATION	REGION	VOLUME (M€)
Segro IT Industrial Portfolio	Mixed	Mixed	327
Project Tag - 2 nd tranche	Mixed	Mixed	136
Industrial Portfolio	Castel San Giovanni	Emilia-Romagna	115

> LARGEST SINGLE ASSET DEAL CLOSED IN Q3 2024

Retail investment volumes received a very significant boost in Q3 with finalisation of the largest single asset deal on a predominantly retail property in central Milan, by a large French luxury retailer in an owner occupier transaction.

As result, end-Q3 retail investment activity was five-fold that of the same period the previous year. However, even without this large transaction the end-Q3 2024 investment volume for this asset class would have achieved 79% growth Y-o-Y.

Other investment activity in the sector was distributed across a range of locations and involved both high street and retail box premises.

> YIELD STABILITY THROUGHOUT THE RETAIL SECTOR

Prime retail yields, which saw decompression until the end of 2023, remained stable throughout 2024.

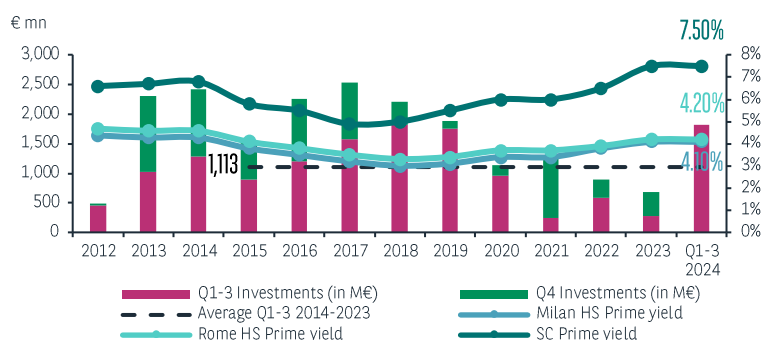
The Retail asset class is increasingly viewed with interest and has begun to be seen as a sector potentially offering opportunities for investment.

TOTALS IN Q1-3 2024

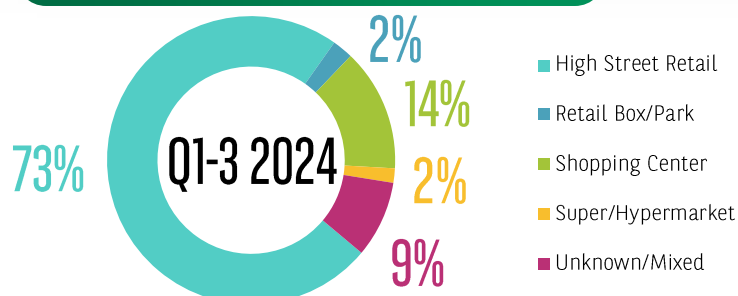
Q1-3 2024
1,820 M€
+537%
vs. Q1-3 2023

AVG. Q1-3 2015-2024
1,110 M€

RETAIL INVESTMENT VOLUME AND PRIME YIELDS



Q1-3 2024 RETAIL INVESTMENTS BY PRODUCT



RETAIL INVESTMENTS Q1-3 2024

vs. Q1-3 2023

+30,412%
1,310 M€

Milan

+2,225%
235 M€

Rome

PRIME YIELDS Q3 2024

Decompression vs. Q3 2023

4.10%

Milan High Street

4.20%

Rome High Street

7.50%

Shopping Centres

KEY RETAIL DEALS IN Q1-3 2024

ASSET	LOCATION	TYPE	VOLUME (M€)
Via Monte Napoleone, 8	Milan	High Street	1,300
CC Roma Est	Rome	Shopping Centre	225
Portfolio IGD	Mixed	Mixed	ca 155

ALTERNATIVES AND MIXED USE
FOLLOW CONTRASTING TRENDS

Investment in the Alternatives sector had contracted by -50% Y-o-Y by the end of Q3 2024. Its weighting as part of total investment volume continued to stand at 8%. This negative movement was primarily a result of opportunities and investment product in this sector being particularly limited.

However, if changes of use following sale from other use sectors to Alternatives were taken into account, the sector would account for an 11% weighting.

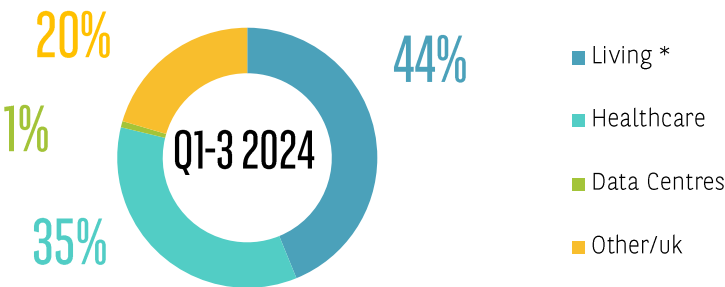
Just under half of all Alternatives investment related to the Living sector, for which volumes had also fallen Y-o-Y, by -51%. Care Homes featured in sector volume, as well as Data Centres albeit to a limited extent despite very strong interest, primarily due to limited product and.

TOTALS IN Q1-3 2024

Q1-3 2024
520 M€
-50%
vs. Q1-3 2023

AVG. Q1-3 2015-2024
700 M€

Q1-3 2024 ALTERNATIVES INVESTMENTS BY PRODUCT



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

KEY ALTERNATIVES DEALS IN Q1-3 2024

ASSET	CITY	REGION	PRICE (M€)
'Spazio Blu' Senior Housing	Rome	Lazio	ca 100
Villa San Giorgio	Portofino	Liguria	66
Milano-Cortina Olympic Village	Milan	Lombardy	ca 59

ROME GROWTH TOPS THE
NON-INSTITUTIONAL RESIDENTIAL SECTOR

Activity in this market remained strong and over 340,000 transactions* were closed in the first six months of the year (-2.8% Y-o-Y) albeit with some disparities across key cities. Nationwide, reductions in the no. of transactions* at half 2024 were much less severe than those seen Y-o-Y in the previous quarter and were down by -1.1% in the cities tracked.

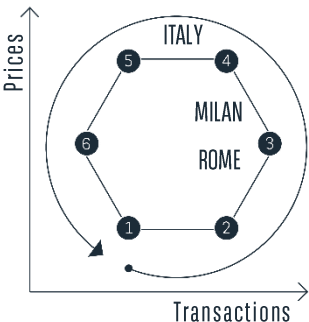
Since the beginning of the year, Milan saw the greatest fall (-10.1% vs H1 2023), although Florence saw the most significant contraction in the number of transactions* on a quarterly basis (-8.1%).

Despite Y-o-Y growth being absent from all 8 of the key cities tracked on a semestral basis, in Q2 some improvements have been seen. Genoa and Rome lead the trend with +3.9% and +3.4% transactions respectively, overperforming even the country's quarterly average growth of +1.2%.

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. In Rome prices are increasing and transactions grew Q-o-Q but contracted Y-o-Y.

CITY	2023*	Q2 2023*	Q2 2024*	VAR % Q2
Rome	34,342	9,144	9,456	+3.4%
Milan	24,832	6,568	6,087	-7.3%
Turin	14,882	3,965	3,886	-2.0%
Naples	7,962	2,173	2,154	-0.9%
Genoa	8,468	2,248	2,335	+3.9%
Palermo	6,441	1,714	1,726	+0.7%
Bologna	5,700	1,542	1,504	-2.5%
Florence	4,850	1,333	1,225	-8.1%
Top 8	107,477	28,687	28,373	-1.1%
Total Italy	709,591	184,116	186,324	+1.2%

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

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



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