REVIEW

CAPITAL MARKETS

ITALY Q1 2025

RESEARCH & INSIGHTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

Q1 2025

CAPITAL MARKETS
ITALY

KEY FIGURES

€2.58 bn +29% y/y
Investment volume Q1 2025

€1.91 bn
Average investment volume Q1 2016-2025

Although prime net yields are starting to feel some downward pressure in certain sectors, they remained substantially stable in Q1 2025.

The 10Y Italian Government Bond yield stood at 3.85% at end-Q1 2025, in line with broader downward movement after peaking in 2022-23.

The Purchasing Manager's Indices (PMIs) – closely followed by decision makers and investors – expanded slightly at the start of 2025, particularly for the Services sector which drove growth while Manufacturing has been contracting.

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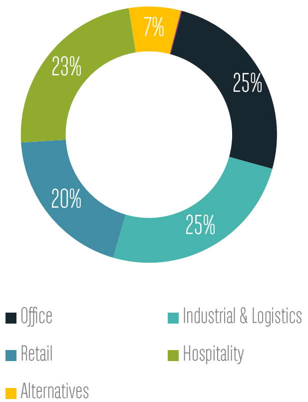
MARKET OVERVIEW

Growth continued in the first three months of 2025, albeit at a slower pace than at the end of the previous year, with Italy's investment volume representing a +29% Y-o-Y increase.

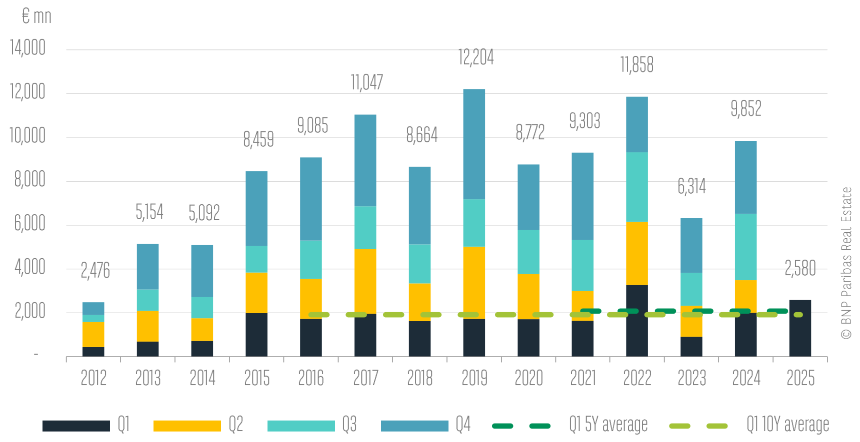
The Industrial & Logistics and the Office sector contributed similar volumes, followed by Hospitality and Retail. However, Alternatives, which includes Living, accounted for lower volumes in Q1 2025 and the weighting of Mixed-Use portfolios was negligible.

International investor interest in the Italian marketplace was evident in the 54% percentage of Q1 2025 volume involving international capital, despite falling below the 64% 10-year average.

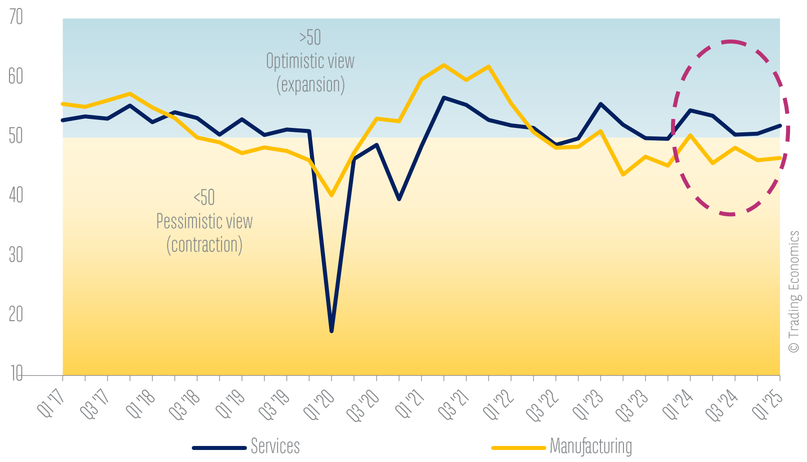
Across asset classes the focus remains clearly on asset quality, particularly ESG criteria, which play an increasingly fundamental role in attracting investor interest.



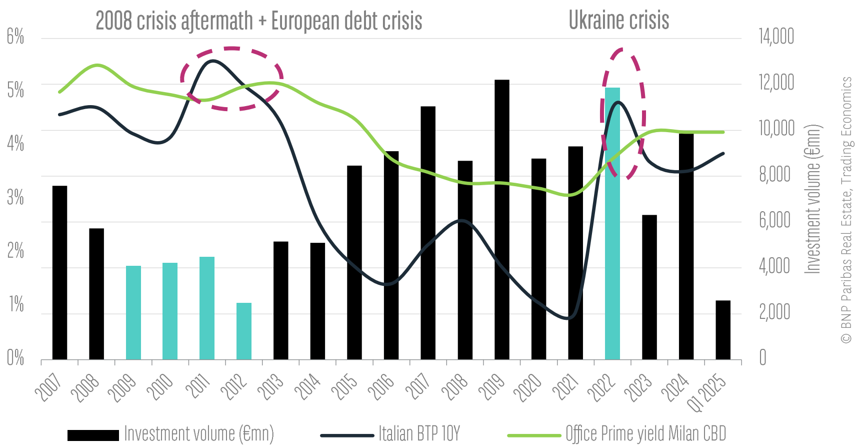
Total investment volume



Italian composite PMI signals modest growth



10y government bond > prime yield CBD, halting decompression



* *With reference to those deals where the origin of the capital is known*

Q1 2025

CAPITAL MARKETS
ITALY

KEY FIGURES

€650 mn -2% y/y
Office investment volume Q1 2025

€645 mn
Office average investment volume Q1 2016-2025

Prime office yields in Milan CBD districts were stable in Q1 2025, adjusted upwards slightly for Rome's CBD at the end of the same period.

In line with the wider market trend, investor focus remains firmly on quality of product and ESG certification has become fundamental requirement. Relatively limited suitable product can place constraints investment volumes, polarizing the sector.

OFFICE

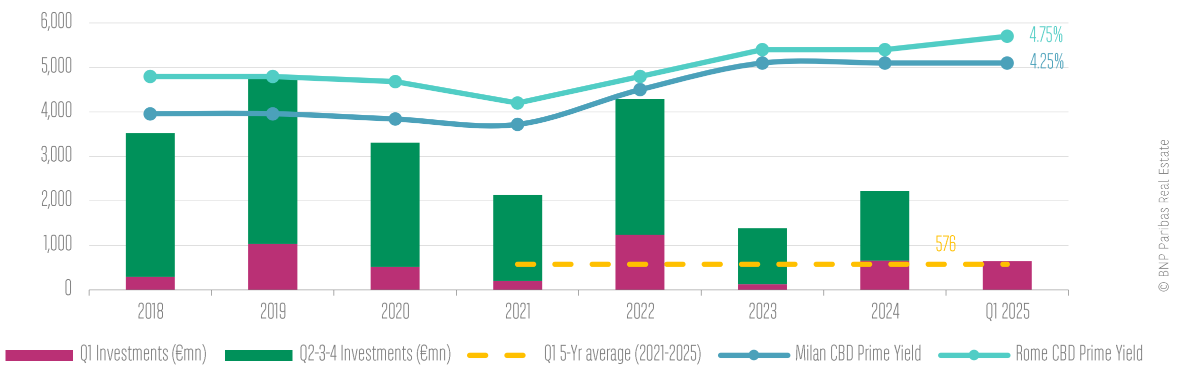
In Q1 2025 the Office asset class held joint first place, accounting for 25% of Italian investment volume in the period.

The **total invested** in this asset class was substantially in line with the results of the previous year (-2%) but significantly exceeded the 5-year average, contrasting concerns regarding the Office sector at a global level.

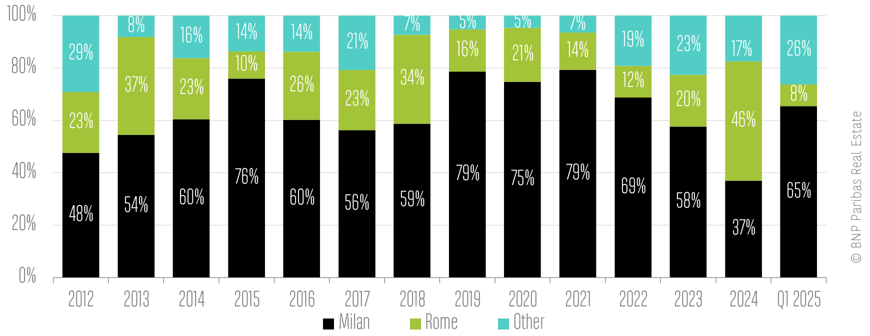
However, **changes of use** are still a significant trend. An analysis of these, considering asset use post-sale, would have reduced Office investment totals. Indeed €40 mn of Office investment volume in Q1 2025 concerned assets destined for conversion to Education, €13.5 mn to Hospitality and €5 mn to Residential.

In terms of **marketplaces**, Milan held an important role accounting for 65% of the national Office investment volume in Q1 2025, whereas Rome fell back to 8% in this period.

Office investments volume and CBD prime yields



Investor focus returns to Milan office market



Key Office deals in Q1 2025

ASSET	LOCATION	DISTRICT	INVESTMENT PROFILE	VOLUME (M€ ca)
Via Principe Amedeo, 5	Milan	CBD Porta Nuova	Core	110
Kilometro Rosso	Stezzano (BG)	Bergamo	Core	85
Via Durini, 16/18	Milan	CBD Duomo	Core	70

Office investments in Q1 2025

Milan	Rome	Others
€425 m	€55 m	€170 m
+61 % y/y	-86 % y/y	+2,956 % y/y

Prime yields Q1 2025

Milan CBD	Rome CBD
4.25%	4.75%
+0 bp y/y	+25 bp y/y

* *Research BNPPRE analyses take into consideration the original destination*

Q1 2025 CAPITAL MARKETS ITALY

KEY FIGURES

€650 mn +61% y/y
Logistics investment volume Q1 2025

€320 mn
Logistics average investment volume Q1 2016-2025

Prime Logistics yields remain unchanged for both Milan and Rome throughout Q1 2025, with reference to newly developed, well-located assets of 5,000 sqm or above, sustained by positive occupier market dynamics.

Urban and Last Mile logistics attract lower prime yields, which have also been stable since H2 2023.

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LOGISTICS

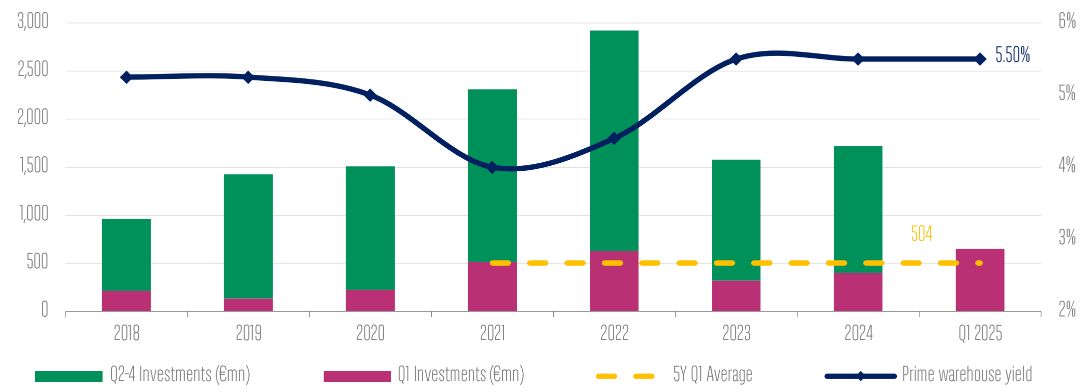
The asset class continues to enjoy positive performance, totalling a Q1 2025 investment volume which represented +61% Y-o-Y growth, in line with the long-term trend.

As a result, Industrial & Logistics held joint first place in terms of **investment weighting**, accounting for 25% of the total Q1 2025 investment volume.

Portfolios acted as a key market element in 2024 accounting for the largest deals in this asset class and 87% of the investment volume.

After the Mixed location group, Lombardy continues to lead in terms of the **regional distribution** of total volumes, followed by Veneto, Emilia-Romagna and other regions.

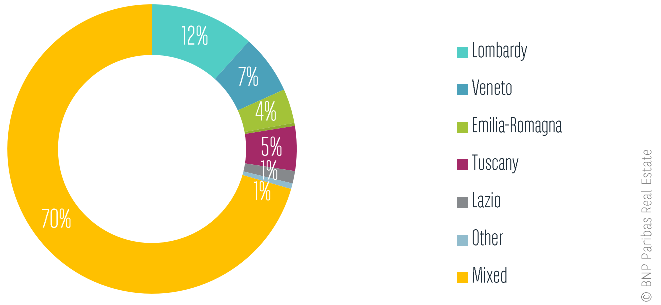
Logistics investment volume and prime yields



Key Logistics deals in Q1 2025

ASSET	LOCATION	REGION	VOLUME (M€ ca)
Techbau Portfolio (4 assets)	North	Mixed	260
Project Zephyr (12 assets)	North-East	Mixed	200
Vigasio District Park - phase 3 (2 assets)	Vigasio (VR)	Veneto	45

Portfolios in mixed regions contribute to total volumes



Logistics investments in Q1 2025

€75 m (-24 % y/y)	€43 m (+€43 m y/y)	€530 m (+568 % y/y)
Lombardy	Veneto	Others

Prime yields Q1 2025

5.50% (+0 % y/y)	5.10% (+0 % y/y)
Warehouses	Last-mile

KEY FIGURES

€505 mn +619% y/y
Retail investment volume Q1 2025

€330 mn
Retail average investment volume Q1 2016-2025

Retail yields remained stable in Q1 2025 across market segments.

The High Street sector had experienced some, limited, contraction the previous year. Out-of-Town Retail yields have been stable since the latter part of 2023, due in part to limited activity levels.

Interest in the Retail asset class persists, perceived as a sector capable of offering investment opportunities.

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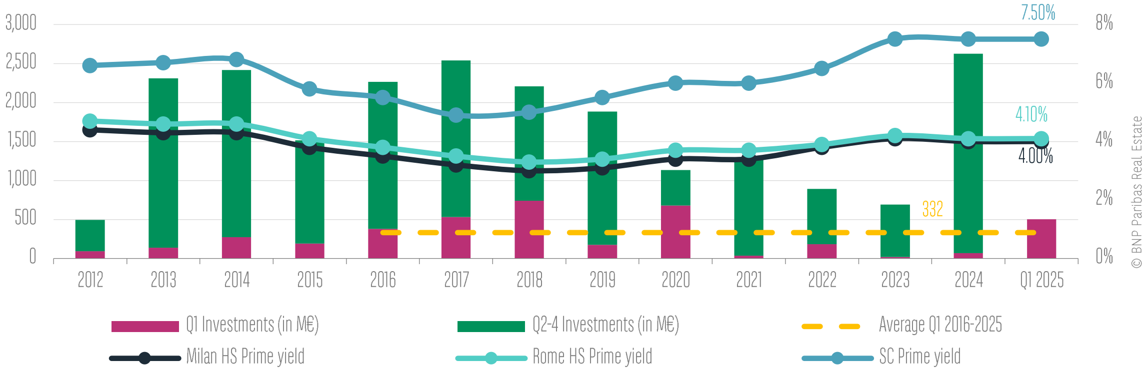
RETAIL

Strong interest in the Retail sector was confirmed in the first quarter of 2025 as investment volumes grew more than six-fold Y-o-Y .

The Out-of-Town segment featured two of the largest assets transacted in the period. High Street Retail also contributed with a large transaction in the centre of Milan, holding second place in the period.

Activity in the Retail Park and Supermarket segments illustrates interest in these type of asset, despite respective volumes being relatively limited in the quarter.

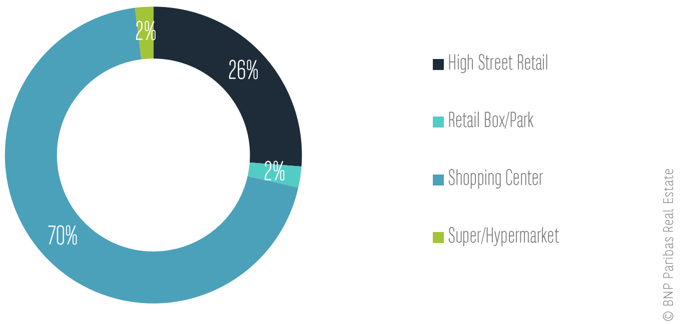
Retail investment volume and prime yields



Key Retail deals in Q1 2025

ASSET	LOCATION	TYPE	VOLUME (M€ ca)
The Mall Luxury Outlet, Sanremo	Sanremo (IM)	Outlet	250
Garage Traversi	Milan	High Street	120
The Mall Luxury Outlet, Florence	Leccio (FI)	Outlet	100

Retail investments by product



Retail investments in Q1 2025

€125 m +€125 m y/y
Milan

€380 m +509 % y/y
Other

Prime yields Q1 2025

4.00% -10 % y/y
Milan High Street

4.10% -10 % y/y
Rome High Street

7.50% +0 % y/y
Shopping Centres

KEY FIGURES

€605 mn +180% y/y
Hospitality investment volume Q1 2025

€270 mn
Hospitality average investment volume Q1 2016-2025

The underlying dynamics shaping the sector, combined with the specific opportunity set available in the Italian context, have shaped the direction of the market this year.

Although international investors continue to represent the main source of invested capital (62%), the Hospitality sector has also attracted significant domestic interest in recent years.

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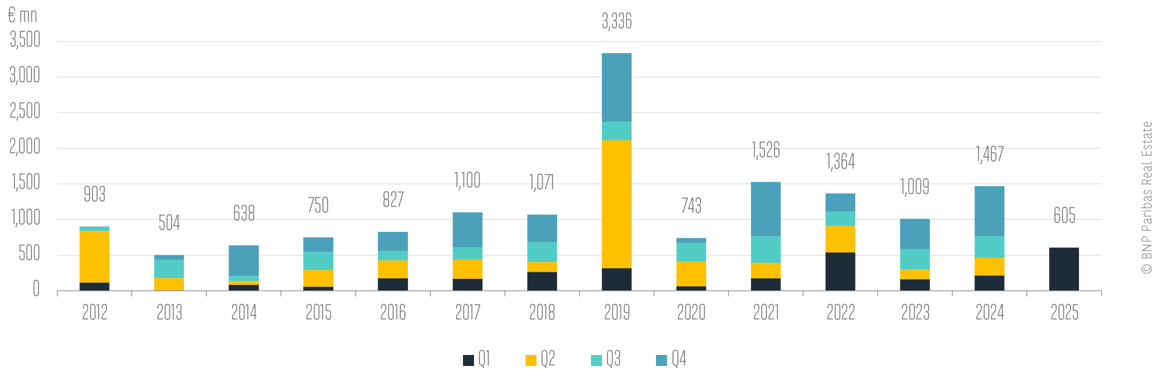
HOSPITALITY

The resilience of Hospitality is supporting cautious optimism from investors even within the context of an uncertain global macro-economic backdrop.

Hospitality experienced a positive start to the year, weighing 23% on the total investment volumes in Q1 2025. This has been the largest market share of the last 10 years.

The asset class thus experienced +180% growth Y-o-Y, exceeding a €600 mn investment volume in the period. The sector remains strong thanks to solid and healthy fundamentals such as recovery in domestic consumer spending and significant tourist arrivals.

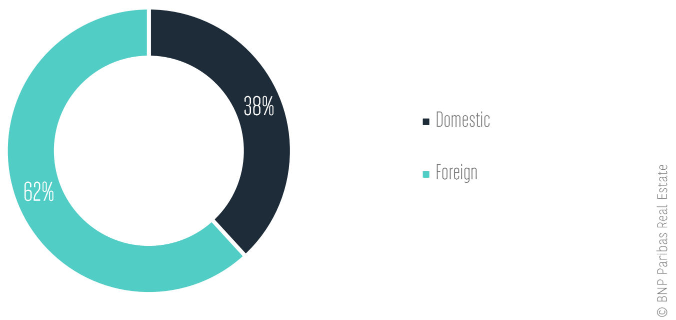
Hospitality investment volume



Key Hospitality deals in Q1 2025

ASSET	LOCATION	NO. ROOMS	VOLUME (M€ ca)
Mandarin Oriental - 10 Villini Sallustiani	Rome	108	170
Hotel Caesar Augustus	Anacapri (NA)	56	160
NH Collection - Milano Citylife	Milan	185	90

Hospitality investments by source of capital



Hospitality investments in Q1 2025

€135 m +510 % y/y
Milan

€170 m +162 % y/y
Rome

€300 m +133 % y/y
Other

KEY FIGURES

€170 mn +34% y/y
Alternatives investment volume Q1 2025

€200 mn
Alternatives average investment volume Q1 2016-2025

RESIDENTIAL FOCUS

The Italian housing market experienced a +7.8% Y-o-Y increase in property sales in the fourth quarter of 2024, with growth recorded in all geographic areas and major cities, except Naples.

Around 217,000 properties were sold, with the strongest growth in southern and northeastern regions. Capital cities led the increase with a +9.8% rise, higher than the 6.6% observed in small towns.

The marketplaces of Rome, Milan and Turin experienced the greatest increases in sales, while new rental contracts declined in Rome but continued to grow in Milan.

In the rental market, new contracts slightly decreased by -0.3% compared to the same period in 2023, particularly for long-term rentals, which dropped by -2.7%.

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ALTERNATIVES

The Alternatives asset class contributed 7% to total investment volumes in Q1 2025, after 34% growth Y-o-Y. If changes of use were taken into account* these would contribute to further increasing the transacted volumes for this asset class.

Alternatives incorporate a very significant 244% growth in the Living sector. This sector accounted for the majority of investment volume in the Alternatives asset class (76%) and the remainder related to the Leisure segment.

Key Alternatives deals in Q1 2025

ASSET	CITY	REGION	VOLUME (M€ ca)
Beyoo Laude Living (Student Housing)	Bologna	Emilia Romagna	75
Massimo Ferrero Cinema Portfolio	Rome	Lazio	40
Corso Vercelli, 22 (Residential)	Milan	Lombardy	25

Number of residential transactions

CITY	2024	Q4 2024	Q4 2023	VAR% Q4
Rome	35,073	10,089	9,181	+9.9%
Milan	23,986	7,692	7,020	+9.6%
Turin	15,119	4,588	4,214	+8.9%
Naples	7,768	2,121	2,150	-1.3%
Genoa	8,770	2,484	2,276	+9.1%
Palermo	6,502	1,791	1,749	+2.4%
Bologna	5,782	1,687	1,556	+8.4%
Florence	4,824	1,409	1,318	+6.9%
Total 8 cities	107,824	31,861	29,464	+8.1%
Italy	719,576	217,277	201,623	+7.8%

*NTN (Normalised no. of transactions)

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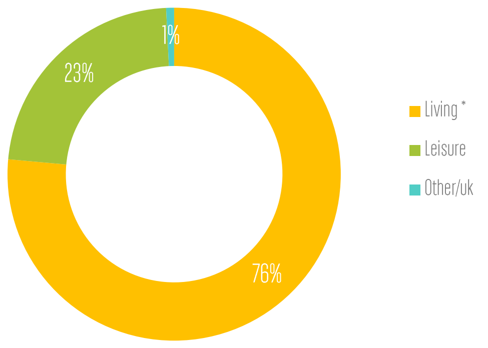
Alternatives investments by product



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

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* *With reference to those deals where the origin of the capital is known*

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