

MARKETBEAT ITALY

Investment Q4 2019



12.1 €Bn

Total Volume

YoY
Chg



12-Mo.
Forecast



5.05 €Bn

Office Volume



1.6 €Bn

Retail Volume



1.5 €Bn

Industrial Volume



3.2 €Bn

Hospitality Volume



0.8 €Bn

Other Volume



ECONOMY

A combination of internal and external factors contained the growth of the Italian economy in 2019. GDP has been stable in Q4 (0,0%) and the same trend is expected in 2020. Unemployment rate rose in Q4 (up to 9.8%) and forecasts are now stable. Low inflation levels provide a favourable background for an increase in future real incomes.

Production in constructions increased in 2019 (+2.3%, Jan-Nov) and so did the construction business confidence in the quarter (+4.2% YoY), leading to a positive scenario for the commercial real estate industry.

INVESTMENT OVERVIEW

Total volume invested in Italy reached an all time peak in 2019 with end of year figures exceeding 12€Bn, an increase of 5% on 2017 (previous peak) and 43% on 2018. Among the factors that pushed volumes to these levels were high liquidity on the market, a broader investor interest in alternative sectors as well as a greater amount of product, represented by assets purchased during the first part of this decade which have reached the end of their valorisation period.

The Office sector confirmed its lead with a record 5€Bn invested the majority of which in Milan (70%) followed by Rome (20%), while Industrial & Logistics, reached 1,5€Bn; in this sector the appetite is strong with a growing interest for last mile, well positioned vacant sale opportunities and lands to be developed, although with main developers backed by capital, not all new product reached the market.

However it was Hospitality which showed the greatest increase: + 170% on 2018 figures. Thanks to large portfolio transactions as well as investments in reconversion or assets to be repositioned, volumes transacted in this sector reached the twenty year high of 3,2€Bn – the previous peak recorded was 1,3€Bn in 2006. Alternative asset classes also performed well recoding investments for just under 1€Bn. In this context of generalized growth the Retail sector, which is undergoing profound changes, showed a decrease in volumes for the third consecutive year going from 2,2€Bn in 2018 to 1,6€Bn in 2019 despite large transactions for both single assets and portfolios.

Looking at the type of investors, the domestic/foreign composition has changed significantly in the last 10 years. If in 2010 76% of volumes had been generated by domestic investors, in 2019 this percentage was reversed in favour of foreign investors, who represented 80% of the capital invested.

OUTLOOK

Sustainability and regeneration will be the focus of city transformation, the true investment target of large real estate players. The market will become even more sophisticated: offices (not only traditional) will continue to attract demand but new asset classes will allow volumes to be sustained in the near future. Moreover investors, looking for more interesting returns will be seeking opportunities in less "developed" cities. Hospitality and Logistics will continue to attract capital while the Retail sector, called to a great challenge, will continue to see even greater selectivity in both the High Street and Out Of Town segments.

ITALIAN ECONOMIC INDICATORS Q4 2019

0.0%

GDP Growth



9.8%

Unemployment Rate



1.35%

10-Yr Treasury Yield

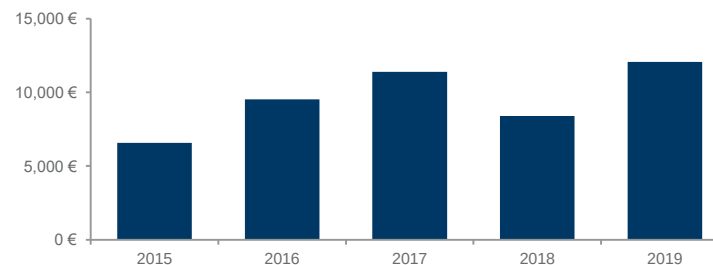


2.3%

Production in
Constructions Growth

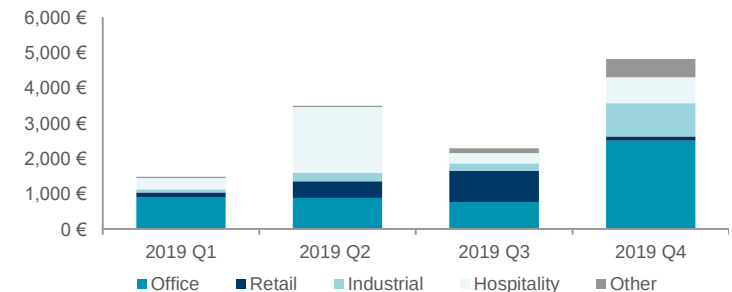


INVESTMENT SALES VOLUME



Source: Cushman & Wakefield Research

INVESTMENT SALES VOLUME BY SECTOR



Source: ISTAT, Oxford Economics, Ministry of Economy and Finance.

SIGNIFICANT SALES 2019

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	MARKET
Belmond Portfolio	Hospitality	LVMH	Belmond Ltd	Over 1€Bn	Multi-City
Patrizia Pan European Portfolio	Industrial	JV Patrizia AG / PFA / Poba	Bentall-Greenoak	Est over 300 €Ml	Multi-City
Galleria Passerella	Office	DeA Capital Sgr	Goldman Sachs	280 €Ml	Milan
Bauer Palazzo Hotel	Hospitality	Blue Sky Investment Group	Private Italian	Confidential	Venezia
Fondo ARETE	Office	Blackstone	COVIVIO	263,5 €Ml	Multi-City
Sky Complex	Office	REAM Sgr OBO Landlease	Risanamento	262 €Ml	Milan
Percassi Outlet Portfolio	Retail	Orion	Percassi	260 €Ml	Multi-City
Anastasia Fund	Office	Prelis Sgr OBO Goldman Sachs	Prelis Sgr	Confidential	Multi-City
Castello Hotel Portfolio	Hospitality	Oaktree	Castello Sgr	c.a. 300 €Ml	Multi-City
Barberino Designer Outlet	Retail	DWS	Nuveen RE	234,5 €Ml	Firenze

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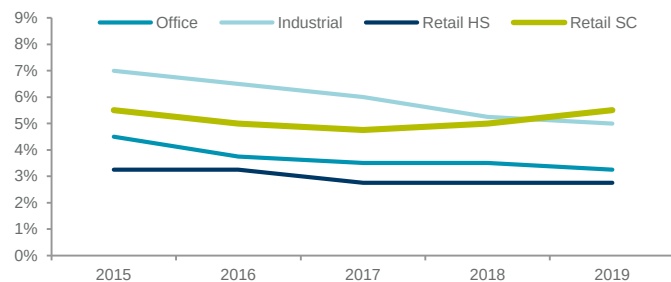
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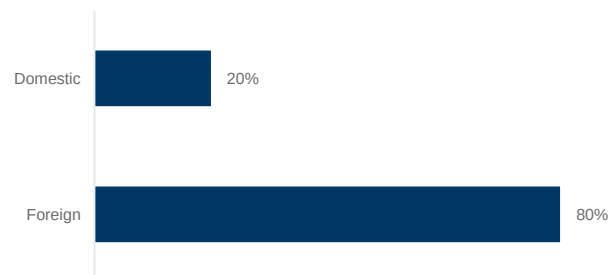
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PRIME YIELD TREND



TOTAL VOLUME INVESTED BY



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