Corporate real estate investments in Italy: Q1 2020 volumes at 1.2 billion euro

Impact of the Covid-19 emergency on figures for the first quarter, which had already weakened in January and February from the year-earlier period

- Investments on the Italian corporate market amounted to 1.2 billion euro (-27.9% from Q1 2019),
- Investments halve on the office market, which continues to be the asset class most in demand among investors, with investments of 500 million euro (-44.7% from Q1 2019).
- The retail sector bucks the trend with a rise in transactions for a total of 280 million euro.
- Investments increase in logistics to 130 million euro, +27.5% from the year-earlier period.
- Milan continues to have the largest number of deals for a total of 400 million euro, despite a 53.8% downturn.
- The Rome market (-17.7%) capitalizes investments for 130 million euro, led by the office sector.

Milan, April 8, 2020 – Corporate real estate investment (non-residential) in the first quarter of 2020 amounted to 1.2 billion euro, a decrease of 27.9% from 1.6 billion euro in the 2019 January-March quarter.

The figure reflects the impact of the Covid-19 pandemic on the Italian economy, as well as signs of a weakening that emerged on the corporate property market in the first two months of the year compared with January and February 2019. Despite this, a number of important transactions were closed at the end of February 2020, helping to increase the volume of total investments.

According to the data recorded by Prelios Group Market Research, the market contraction is due largely to the investment downturn in two key sectors of the Italian real estate economy, the office sector and the hotel sector. Deals in the office sector amounted to 500 million euro (-44.7% from Q1 2019), while investment in the hotel sector fell by 83.6%, or 64 million euro.

Signs of growth emerged in the retail sector, where transactions in the first quarter of the year were worth around 280 million euro thanks to healthy performance in the shopping centers and hypermarkets segments.

Growth was also seen in the logistics sector, with investment totaling 130 million euro (+27.5%) as a result of significant transactions in northern Italy.
In geographical terms, North West Italy confirmed its position as the driver of the Italian property economy, with investments totaling more than 800 million euro (67.4% of transactions nationwide), followed by Central Italy, with 190 million euro (16% of the national figure), chiefly in Rome. After an excellent 2019, the North East experienced a slowdown, with property deals for approximately 90 million euro (7.4% of the national total), whereas 2020 began well in Southern Italy, where investment volumes were more than 100 million euro (9.2%).

Compared with Q1 2019, there was a slight change in the investor breakdown in Italy: invested capital continued to come largely from abroad, with foreign investors accounting for 63.8%, or 750 million euro (72.5% in the first quarter of 2019), of which about a quarter from Germany and France, while the most important overseas investments came mostly from the USA. Domestic investors, and Italian property funds in particular, represented 36.2% of the total.

Transactions on the Milan real estate market were worth 400 million euro, a decrease of 53.8% from the year-earlier period, but still accounting for one third of total investment in Italy. The contraction was chiefly attributable to the office sector, where volumes fell by 54.1% despite an increase in investment in the Central Business District (CBD) Duomo area and in central Milan.

Office space take-up amounted to 96,000 sq.m, a decrease of 20.3% from Q1 2019, with a rise in rentals in the Milan suburbs and hinterland; the prime rent was stable at €600/sq.m/year in the CBD Duomo area in Milan, and the prime net yield also steadied at 3.15%.

Transaction volumes were very low in the logistics and retail sectors, whereas investment rose by more than 50 million euro in the residential sector and in areas under development. Investment flows came mainly from foreign investors, who accounted for 61.3%.

Rome recorded transactions worth 130 million euro, mainly in the office sector, with a focus on the CBD and the center. Despite the current standstill in Italy, the Rome property market kept the investment decrease to 17.7% compared with Q1 2019.

Take-up of office space was 23,500 sq.m with rentals largely located in central Rome. The prime rent was stable at €450/sq.m/year in the CBD and the prime net yield was 4.0%; the quarter was a positive time for domestic investors who accounted for 77.3% of invested capital.

* * *

For additional information:
Press Office Prelios Group
+39 02 6281.4176/4826 - pressoffice@prelios.com
Image Building
Tel. +39 02 89 011 300
prelios@imagebuilding.it