

PRESS RELEASE

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 130million 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.

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