

# AT A GLANCE H1 2024

## ITALY CAPITAL MARKETS

### INVESTMENT VOLUMES GROW TO 3.34 €BN BY HALF YEAR

#### INVESTMENT VOLUMES GROW 43% Y-o-Y

The first half of 2024 saw ongoing improvements in activity levels, in line with the growth trend seen in the initial months of the year.

Although this was common across most asset classes, the Mixed Use category saw most Y-o-Y growth, at 27% of H1 volumes, thanks in particular to a large development transaction in the first part of the year, which will also include an element of Living. In H1 2024 the Alternatives asset class, which includes Living, saw a contraction.

The Office asset class retained pole position as the volume invested doubled Y-o-Y, accounting for 29% of the total investment volume in H1 2024.

Hospitality volumes was up by +54 Y-o-Y to reach 10% of the total H1 volume invested. However all of these volumes consider the use upon sale, excluding change of use projects, which would have further increased the weighting of the Hospitality asset class.

Logistics and Industrial accounted for 19% of total investment, seeing stability Y-o-Y (-3%).

Retail also saw very significant Y-o-Y growth (141%), as interest grew in opportunities offered by the sector.

International capital exceeded domestic investment in H1 2024, accounting for 54% of those deals where the origin of capital is known.

#### PRIME YIELDS STABILISE, SOME DECOMPRESSION FOR SECONDARY YIELDS

The Purchasing Manager's Indices (PMIs) – closely followed by decision makers and investors – contracted in the final month of Q2 2024. However private sector expansion continues, coupled with contraction in the manufacturing sector and expansion in services.

The 10Y Italian Government Bond yield stood at 4.1% at the end of Q2 2024, after peaking in 2022.

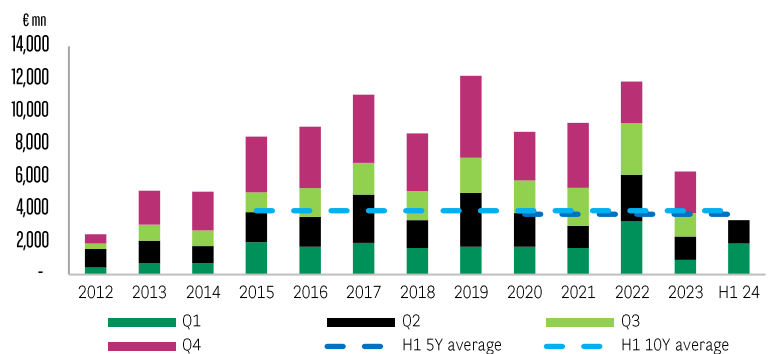
Prime net yields saw stability in the second quarter of 2024, as prices crystallised, benefitting investment activity. Ongoing growth in total investment volumes sustained a climate of cautious optimism.

#### TOTALS IN H1 2024

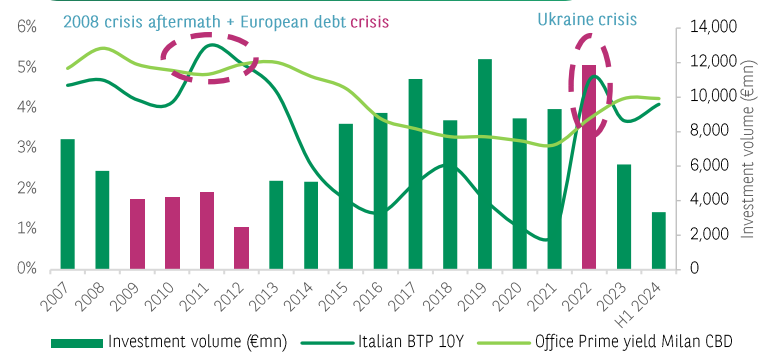
H1 2024  
**3,340 M€**  
+43%  
vs. H1 2023

AVG. H1 2015-2024  
**3,920 M€**

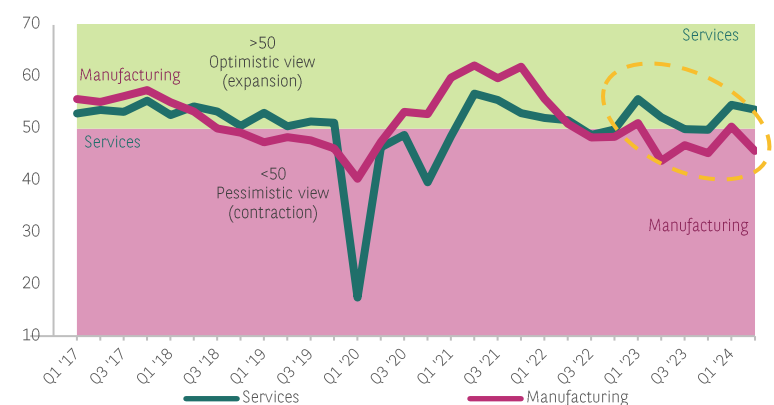
#### TOTAL INVESTMENT VOLUME



#### 10Y GOVERNMENT BOND > PRIME YIELD CBD, INVESTMENT BENEFIT FROM PRIME YIELD STABILITY



#### ITALIAN PMI COMPOSITE GROWTH SLOWS



## OFFICE SECTOR DOMINATES H1 2024 INVESTMENT VOLUME

At the end of H1 2024 the Office sector continued to account for the largest share of Italian investment volume, 29%, a 100% increase Y-o-Y, despite also representing a contraction on the H1 average for a three-year period (-15%).

The Rome marketplace accounted for 55% of the national office investment volume in H1 2024 and for two of the top three largest office deals.

Milan housed 35% of total office investment volumes in the period, with 'Other' marketplaces contributing by just an additional 10%.

Changes of use remained a significant theme throughout H1 2024; the weighting of Italy's office asset class would be 500 bp less if the asset class following changes of use were taken into account.

A significant portion of office investment volume referred to assets with green credentials, as ESG criteria are a fundamental investor requirement. However suitable product can be limited, restricting investment volumes whilst polarizing the sector in terms of asset quality.

## STABILITY FOR PRIME YIELDS, SECONDARY YIELD DECOMPRESSION

The focus remains on core prime assets, for which prime yield levels were fundamentally stable in H1 24, although in practice supply restrictions continue to affect the market.

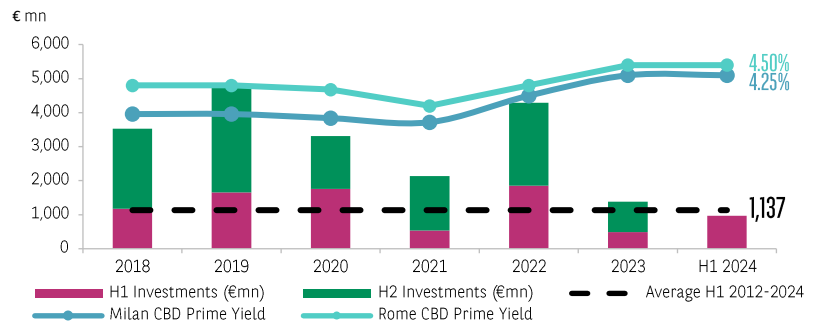
In a broader context, yields in other secondary markets are still crystallising, and international investors, who are also active in other European cities, continue to encourage the movement of local yield levels in an international context.

### TOTALS IN H1 2024

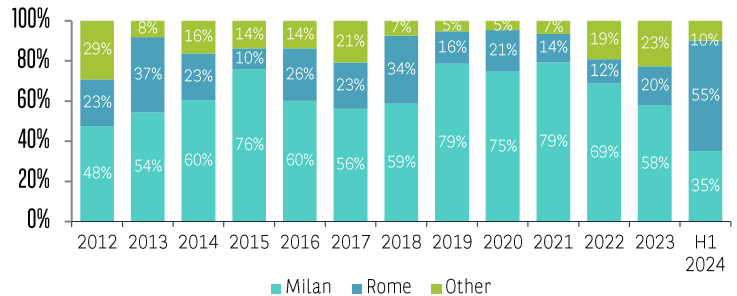
H1 2024  
**970 M€**  
+100%  
vs. H1 2023

AVG. H1 2015-2024  
**1,340 M€**

### OFFICE INVESTMENT VOLUME AND CBD PRIME YIELDS



### INVESTOR FOCUS IN ROME INCREASES, CLOSELY FOLLOWED BY MILAN



### OFFICE INVESTMENTS H1 2024

Growth vs. H1 2023

+36%  
**340M€**

Milan

+385%  
**530M€**

Rome

### PRIME YIELDS H1 2024

Decompression vs. H1 2023

**4.25%**

Milan CBD

**4.50%**

Rome CBD

### KEY OFFICE DEALS IN H1 2024

ASSET	LOCATION	DISTRICT	INVESTMENT PROFILE	VOLUME (M€)
Deloitte HQ - Via Vittorio Veneto	Rome	CBD	Core	ca 275
Campari Building - Corso Europa	Milan	CBD Duomo	Value Add	110
Portfolio Sapphire	Rome	Centre	Core	103

## SUSTAINED OCCUPIER DEMAND FOR LOGISTICS SPACE

After strong investor interest in recent years, the Logistics asset class saw Y-o-Y stability in terms of H1 2024 investment volumes (-3%).

Thus Logistics retained second place in H1 2024, with 16% of the total investment volume during the period sustained by strong occupier dynamics.

A focus on asset quality and on ESG criteria remains, particularly after development activity allowing occupiers and investors alike to concentrate interest on new, quality assets.

The first six months of H1 2024 saw a shift of interest away from the virtual 'golden triangle' - defined by Lombardy, Veneto, Emilia Romagna. Lombardy was the region with the greatest weighting of investment volume (34%) in H1 2024, portfolios in a mix of locations accounted for 46% of all Logistics investment in the period.

## PRIME YIELDS SEE STABILITY FOR PRIME LOGISTICS

With reference to newly developed and well-located assets of 5,000 sqm or above, the prime Logistics yield, after expanding significantly throughout 2023, remained stable at 5.50% in H1 2024, with reference to the Milan area, and at 5.70% for Rome.

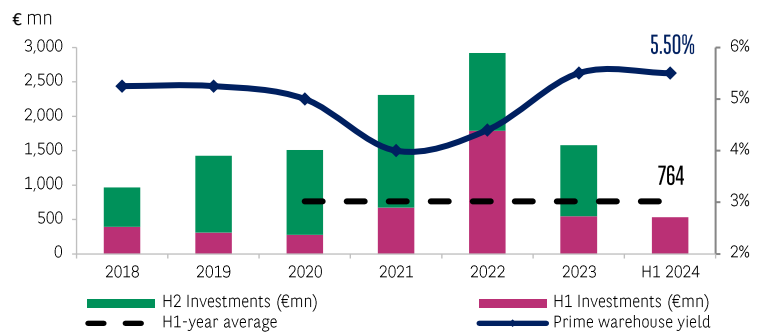
Similarly, the prime yield for urban logistics assets (Milan area) remained unchanged at 5.10%.

### TOTALS IN H1 2024

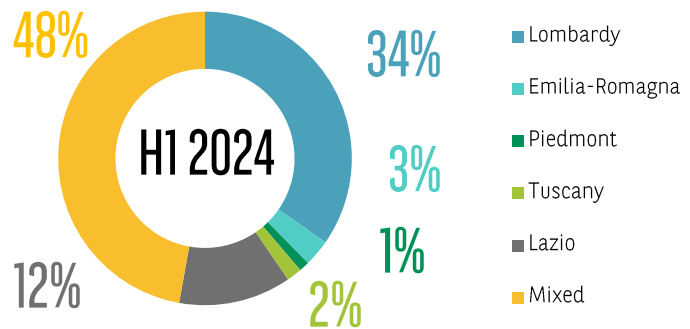
H1 2024  
**530 M€**  
-3%  
vs. H1 2023

AVG. H1 2015-2024  
**500 M€**

### LOGISTICS INVESTMENT VOLUME AND PRIME YIELDS



### PORTFOLIOS IN MIXED REGIONS GAIN MARKET SHARE



### LOGISTICS INVESTMENTS H1 2024



### PRIME YIELDS H1 2024

Decompression vs. H1 2023



### KEY LOGISTICS DEALS IN H1 2024

ASSET LOCATION	LOCATION	REGION	VOLUME (M€)
Project Tag - 2 <sup>nd</sup> tranche	Mixed	Mixed	136
Logistics portfolio (Brescia, Verona, Pistoia, Alessandria)	North Italy	Mixed	90
Logistics portfolio in Mantua	Mantua	Lombardy	70

## INTEREST SPREAD ACROSS RETAIL SEGMENTS

Retail investment volumes have been contracting since 2018. Thus, although the wider market saw an overall reduction in investment volumes last year, the Retail asset class was negatively affected less than others.

By the end of H1 2024, Retail investment volumes are comparable to other asset classes, accounting for 14% of the total volume, reflecting 141% Y-o-Y growth.

The semester saw a focus on opportunities involving Shopping Centres, a segment which has experienced difficulties and restructuring over recent years.

Today's consumption patterns focus on the shopping experience on the one hand and on cost savings for shoppers on the other, as retailers also focusing on space productivity.

At the other end of the scale is the Luxury segment, less affected by economic difficulties. Here, demand remains strong, although the supply of opportunities is limited.

## YIELD DECOMPRESSION BENEFITS INVESTMENT VOLUMES

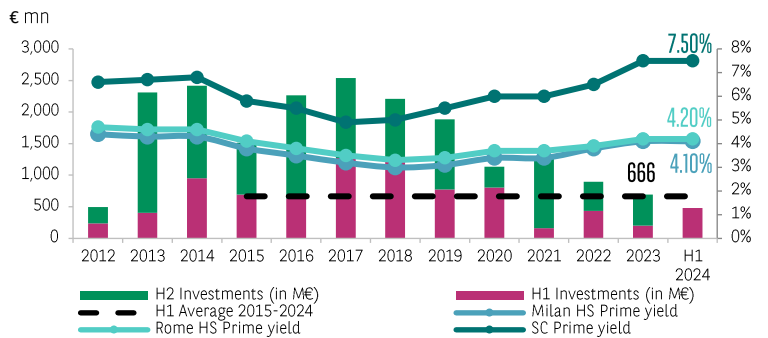
Yield decompression has benefitted investment volumes, which in turn are expected to provide evidence for some additional yield movement, especially in terms of out-of-town retail. By the end of H1 2024, prime High Street retail yields in both Milan and saw limited Y-o-Y movement.

### TOTALS IN H1 2024

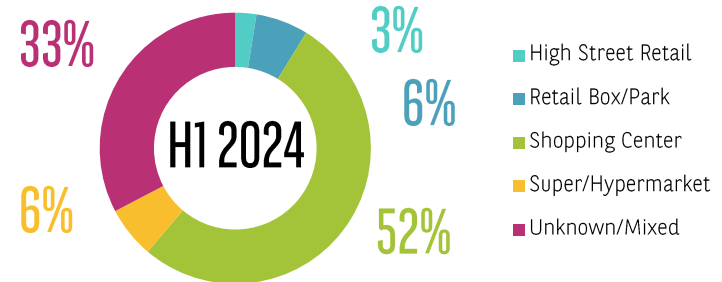
H1 2024  
**480 M€**  
+141%  
vs. H1 2023

AVG. H1 2015-2024  
**670 M€**

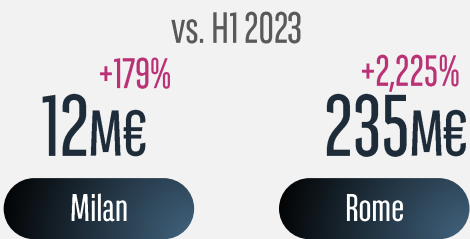
### RETAIL INVESTMENT VOLUME AND PRIME YIELDS



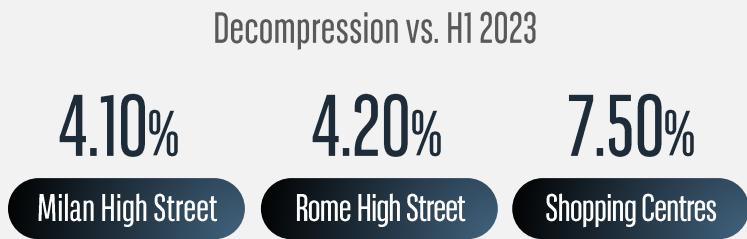
### H1 2024 RETAIL INVESTMENTS BY PRODUCT



### RETAIL INVESTMENTS H1 2024



### PRIME YIELDS H1 2024



### KEY RETAIL DEALS IN H1 2024

ASSET	LOCATION	TYPE	VOLUME (M€)
CC Roma Est	Rome	Shopping Centre	225
Portfolio IGD	Mixed	Mixed	ca 155
Parma Retail Shopping Centre	Parma	Shopping Centre	18

## ALTERNATIVES AND MIXED USE FOLLOW CONTRASTING TRENDS

The Alternatives sector accounted for a limited 8% of total H1 investment volume in H1 2024, after Y-o-Y contraction (-a 52%). Of this, Living accounted for the majority (65%). Healthcare also contributed to Alternatives investment totals, although by a relatively limited 6% in H1 2024

It is worth noting that, if changes of use from other use sectors following the sale were taken into account, the sector would account for a larger 11% proportion of total H1 investment volume.

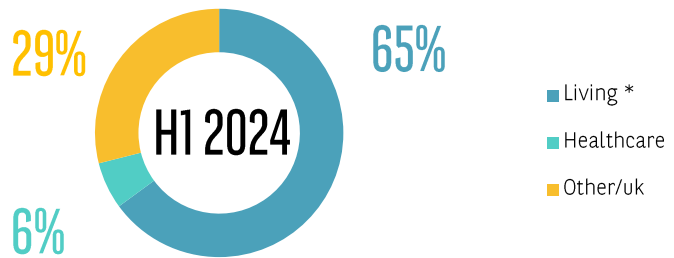
Energy ratings remain a fundamental driver and continue to play a role in directing interest towards modern assets, also benefitting new living formats as a result.

### TOTALS IN H1 2024

H1 2024  
**260 M€**  
-52%  
vs. H1 2023

AVG. H1 2015-2024  
**470 M€**

### H1 2024 ALTERNATIVES INVESTMENTS BY PRODUCT



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

### KEY ALTERNATIVES DEALS IN H1 2024

ASSET	CITY	REGION	PRICE (M€)
Villa San Giorgio	Portofino	Liguria	66
ICS International School HQ	Milan	Lombardy	25
Agriturismo La Fattoria	Grosseto	Tuscany	ca 25

## NON-INSTITUTIONAL RESIDENTIAL SECTOR EXPERIENCES A CONTRACTION

Activity in the non-institutional residential market remained strong. Over 150,000 transactions\* were closed in the first three months of the year (-7.2% Y-o-Y) albeit with some disparities across key cities.

However, Y-o-Y growth was absent from all 8 of the key cities tracked. Reductions in the no. of transactions\* at end-Q1 2024 were slightly more severe than those seen Y-o-Y in the previous quarter and nationwide, down by -8.2% in these cities.

Looking deeper at what happened in these cities, both Milan and Turin saw

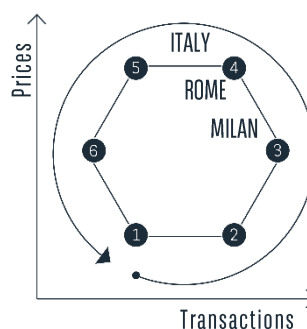
the greatest fall in the number of transactions\* (-13.2% and -10.2% respectively), followed by Rome and Genoa (-6.9% and -6.7% respectively). The remaining cities saw progressively fewer negative variations.

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, whereas Rome is reaching the end of the cycle with transactions falling and prices stable.

CITY	2023*	Q1 2023*	Q1 2024*	VAR% Q1
Rome	34,342	8,278	7,703	-6.9%
Milan	24,832	5,921	5,141	-13.2%
Turin	14,882	3,554	3,193	-10.2%
Naples	7,962	1,954	1,868	-4.4%
Genoa	8,468	2,034	1,898	-6.7%
Palermo	6,441	1,598	1,508	-5.6%
Bologna	5,700	1,264	1,241	-1.8%
Florence	4,850	1,208	1,137	-5.9%
<b>Top 8</b>	<b>107,477</b>	<b>25,811</b>	<b>23,689</b>	<b>-8.2%</b>
Total Italy	709,591	166,828	154,770	-7.2%

\*Source: BNP Paribas Real Estate Research, Agenzia delle Entrate (OMI)  
NTN = Normalised no. of transactions

### 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



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