

Q2 2018

INVESTMENT OVERVIEW



Gabetti
PROPERTY SOLUTIONS

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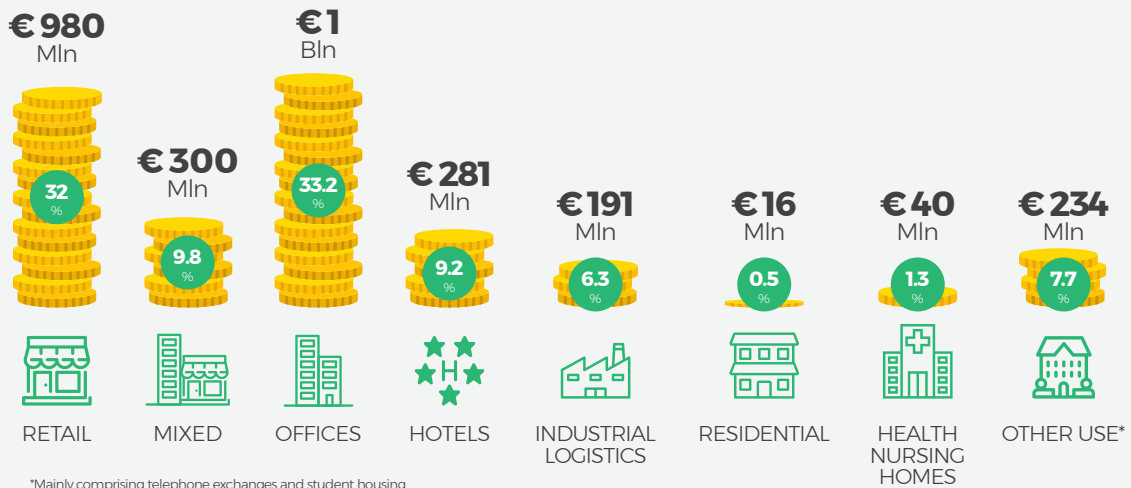
HIGHLIGHTS

The aim of the report is to return a picture on a quarterly basis of the main indicators and market trend of investments at national level, with a focus on office, retail and industrial/logistical sector.

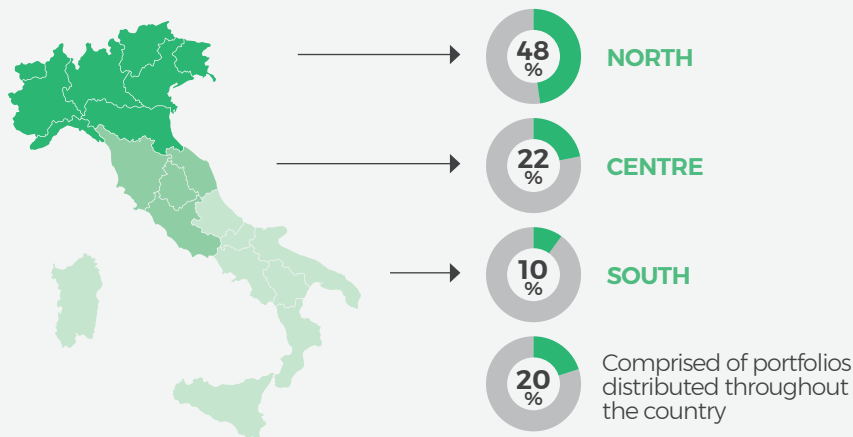
INVESTMENT VOLUMES HI 2018



Distribution of investment BY SECTOR



Distribution of investment BY GEOGRAPHICAL AREA



REPORT SUMMARY

A total investment volume of **€3.1 billion** was recorded in the **first six months** of 2018 in Italy. **The most significant portion** was represented by the **office segment**, with **33%** of the volume invested, **followed by retail** with **32%**. Investments in office buildings were once again most concentrated in the two key markets of Milan and Rome, which respectively account for 66% and 24%, while the retail sector, in which shopping centres account for the main portion, is distributed more uniformly throughout the country, following different logic than High Street retail and being less restricted to the main national shopping streets.



*Interest in offices, retail and portfolios
or mixed-use properties was confirmed
in the first half of 2018.*

*Milan is the most attractive city for investments
in the office sector, while the Capital tops the list
for the tourism-hotel segment*

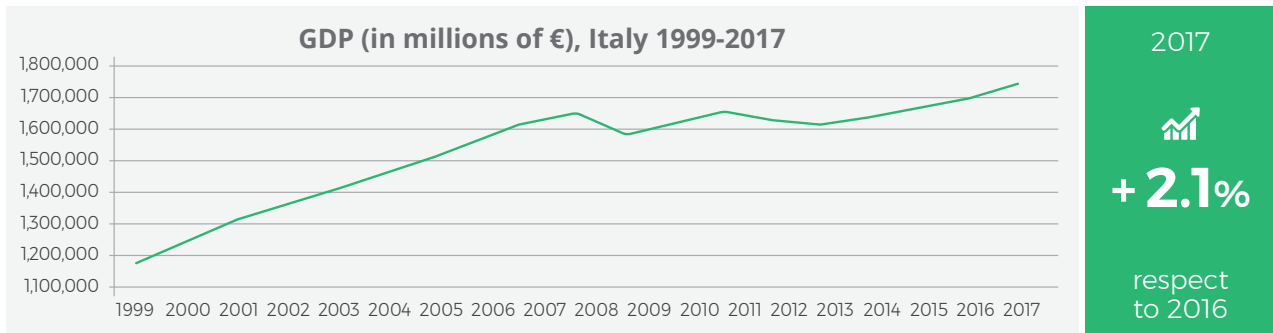


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Manager, Capital Market Italy
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ECONOMIC INDICATORS

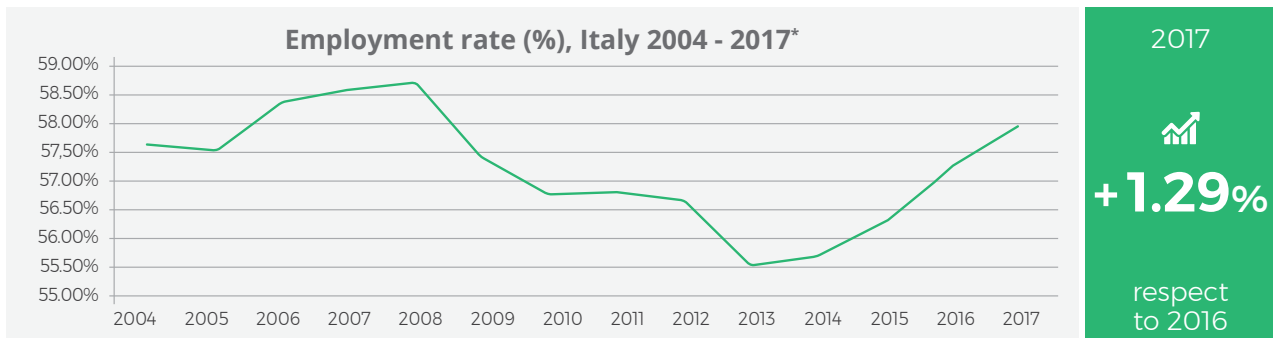
GDP

The graph shows the trend in GDP (measured in millions of €) between 1999 and 2017. In 2017, GDP at market prices was **€1,716,935 million** at current values, **an increase of 2.1%** compared to the prior year. In **first quarter 2018**, GDP amounted to **€422,476 million, up 2.1%** against first quarter 2017.



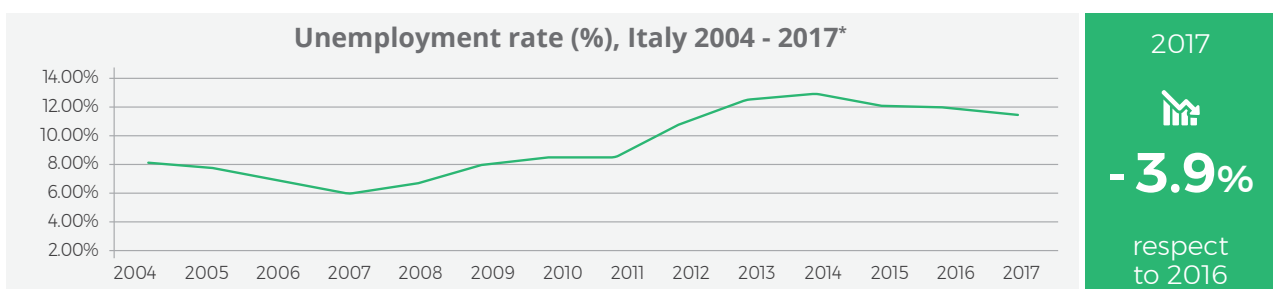
EMPLOYMENT RATE

The graph shows the trend in the employment rate in Italy from 2004 to 2017. Note that from 2013 to 2017, the rate showed continuous growth, at **58%** in 2017, with a **positive variation of 4 percentage points** compared to 2013. An employment rate of 57.6% was recorded in first quarter 2018.



UNEMPLOYMENT RATE

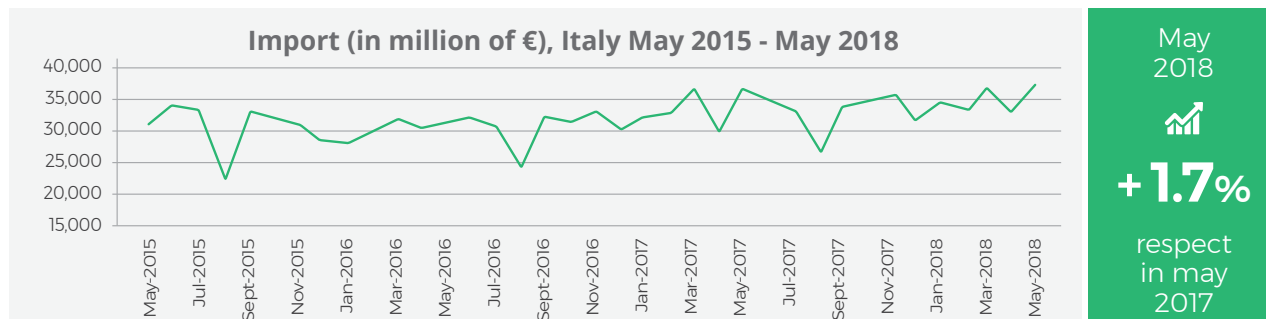
The graph shows the trend in the unemployment rate in Italy from 2004 to 2017. A rate of 11.4% was recorded in 2017. After the growth recorded between 2011 and 2014, there was an **inversion in trend** during the last three years **that resulted in a decrease in the unemployment rate**. The figure recorded for Q1 2018 was 11.8%, up by 0.4 percentage points compared to 2017 but less than the 2016 figure.



Cabetti Research Department analysis of Istat data
 * total Italian population aged 15-64

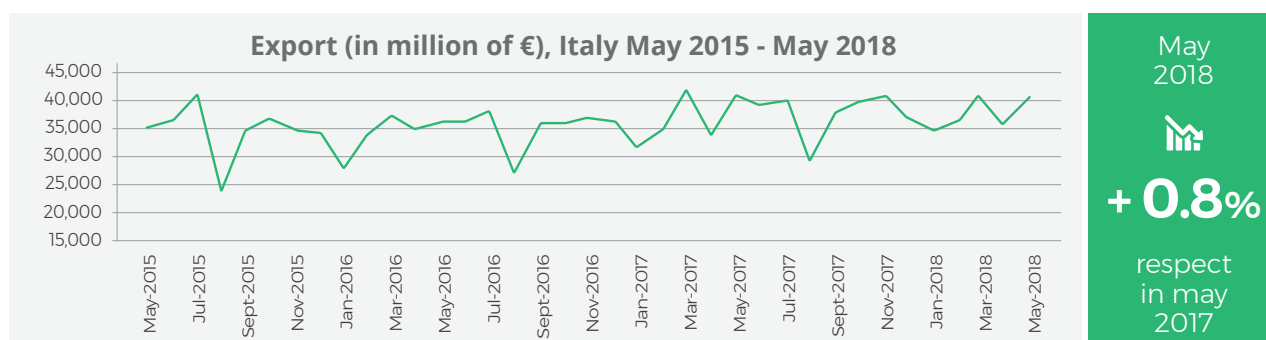
IMPORTS

The imports in millions of € from 2013 to 2017 show continuous **growth**, recording an increase of **€39,660 million** compared to 2013. Looking at the monthly breakdown, imports in May 2018 amounted to €37,191 million, up by €3,870 million over the prior month; a variation of +1.7% was also recorded when comparing the May 2018 value to the same month of the prior year.



EXPORTS

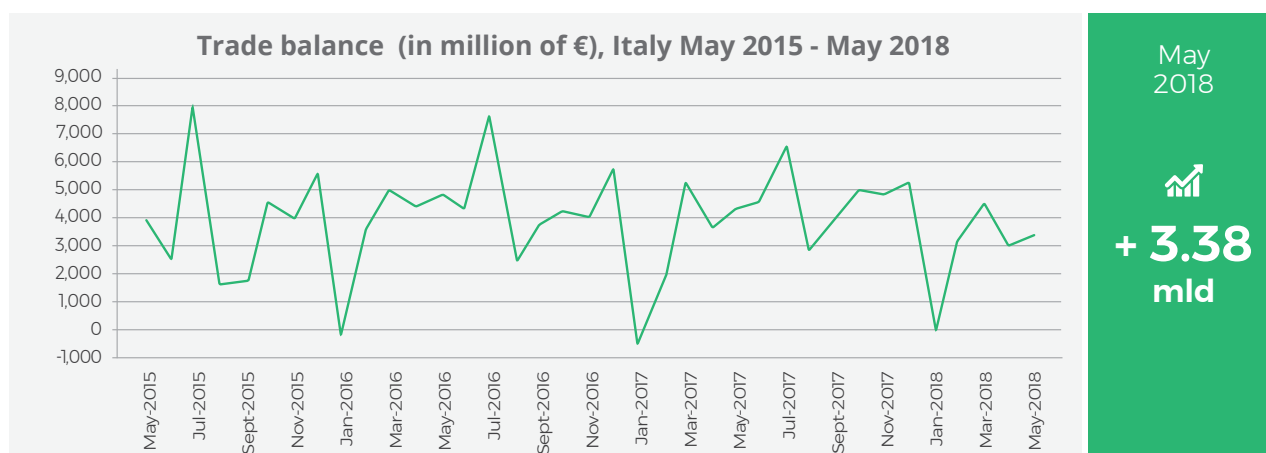
The exports in 2017 amounted to **€448,106 million, increasing** steadily over the last few years. Looking at the monthly performance of exports, a positive trend is observed for the period analysed. In May 2018, exports amounted to €40,568 million, down slightly (-0.8%) compared to May 2017.



TRADE BALANCE

The trade balance in 2017 was **€47,450 million**, down slightly compared to the prior year but **still up compared to the period 2013-2015**.

The graph shows the balance of imports and exports (in millions of €) between June 2013 and May 2018, during which a trade surplus of €3,378 million was recorded.



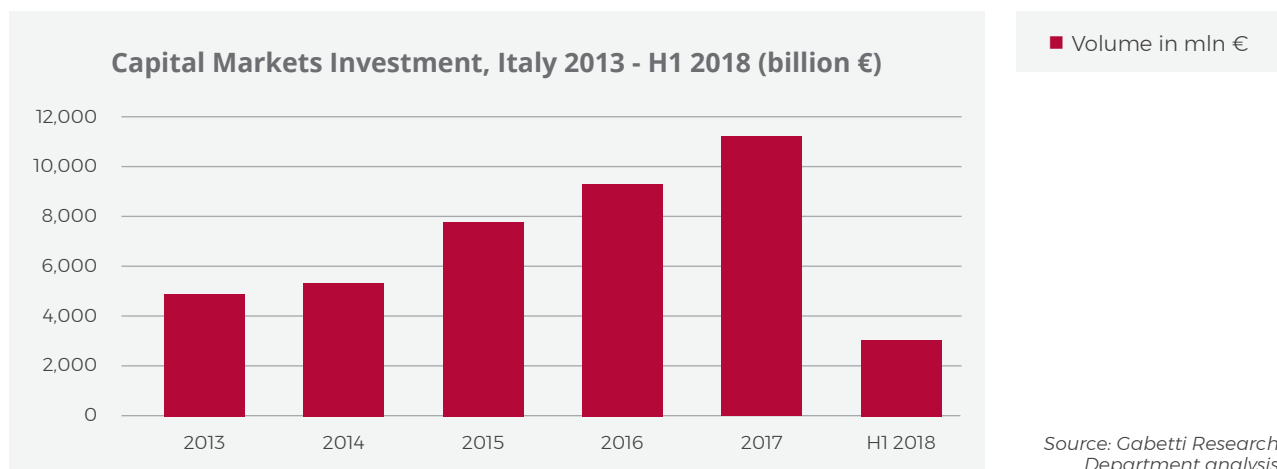
VOLUMES

There has been a **significant increase in capital market investment** in Italy over the **last three years** (2015-2017).

From a total volume of around €5 billion in 2013 and 2014, which followed the substantial decline in 2012, the value grew to a total of €7.8 billion in 2015, +44% compared to 2014, while in 2016 it amounted to €9.3 billion, +19.4% compared to the prior year.

Growth in real estate investment in Italy continued in **2017**, reaching a total of approximately **€11.2 billion, up +20.4% over 2016**.

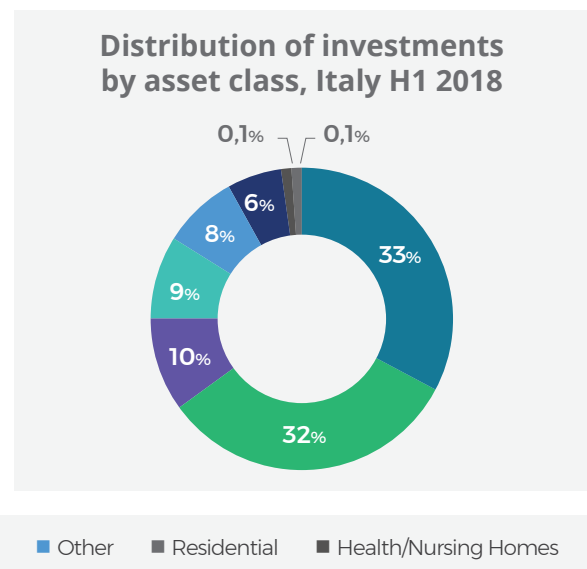
At the half-yearly level, a total of **€3.1 billion** was recorded **in the first half of 2018**, a slowdown compared to the same period of 2017, record year for investments.



INVESTMENT BY SECTOR

A total investment volume of €3.1 billion was recorded in the first half of 2018. The majority of this volume comprised the **office** sector (**33.2%**), which recorded approximately €1 billion in investments, and the retail sector, which accounted for 32% of the total, for a volume of **€980 million**.

These are followed by investments in **mixed-use properties or portfolios**, at **9.8%** of the total for a volume of approximately **€300 million**, with mixed office/retail accounting for nearly three-quarters, and the **hotel** segment, at **€281 million**, approximately **9.2%** of the total invested. The **industrial** segment (industrial and logistics), at **€191 million**, accounted for **6.3%** of the volume invested, while the **healthcare/nursing homes** segment accounted for **1.3%** or **€40 million**, and the **residential** for **0.5%** or **€16 million**. Lastly, properties for **other uses** (mainly comprising telephone exchanges and student housing) amounted to **€234 million**, accounting for **7.7%** of the total.



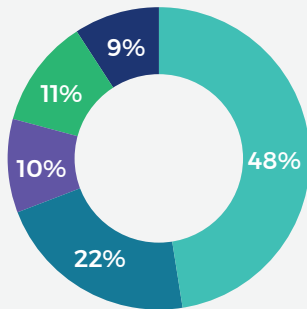
INVESTMENT BY AREA

During the first half of 2018, **the majority of investments** (approximately **48%**) attributable to a specific geographical area took place in **Northern Italy**, followed by the **Centre** with approximately **22%** and the **South** with **10%** of the total, while the remaining **20%** comprised **portfolios distributed throughout the country**.

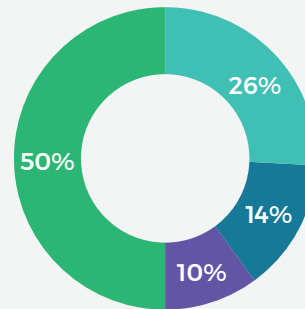
More specifically, the investment volume recorded in the province of Milan accounts for **27.7%** of the national total, followed by the **province of Rome** with **15%** of the total, while **6.9%** comprises investments in **mixed portfolios with properties situated in the two cities**.

At the absolute level, the total investment volume in the province of Milan was approximately €847 billion, while in the province of Rome it was around €457 million. Northern Italy also ranks first in terms of number of transactions, at 26%, followed by the Centre (14%) and the South (10%), while 50% of the total number of transactions is not attributable to a single area.

Geographical distribution of investments
(in mil of €) Italy H1 2018



Geographical distribution of investments
by number of transactions - Italy H1 2018



Source: Gabetti Research
Department analysis

■ North ■ Centre ■ South ■ Spread: Italy ■ Spread: North, center

Some of the main transactions recorded in the first half of 2018 are listed below, based on volume:

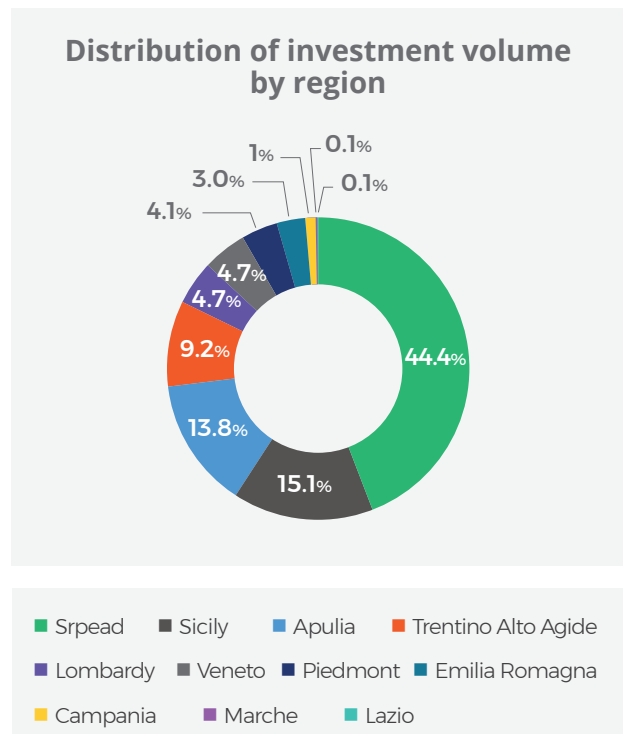
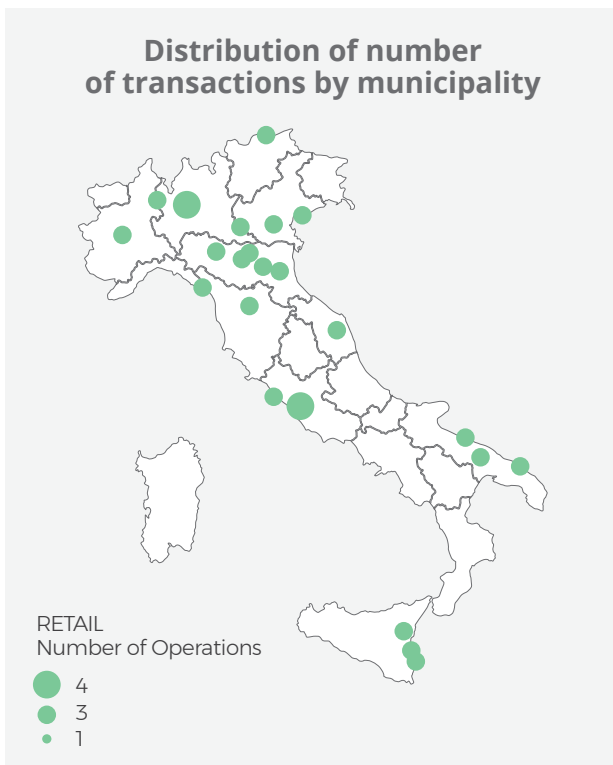
NAME OF PROPERTY	PERIOD	CITY	PRICE (MIL €)	TYPE	BUYER	SELLER
Retail assets in Milan and Rome	2018 Q1	Milan, Rome	210	Office/Retail	Amundi RE Italia SGR - Fondo Nexus 2	n.a.
6 shopping centers	2018 Q1	Spread	200	Shopping centre	Kryalos - Fondo Dante (Partners Group)	Kryalos - Fondo Blackstone
4 shopping centers and 1 retail park	2018 Q2	Imola, Bologna, Mantova, Sarzana	187	Shopping centre	IGD SIIQ	Eurocommercial Properties
Center Sicilia	2018 Q2	Misterbianco (CT)	145	Shopping centre	GWM Group	Cualbu
Office via Darwin	2018 Q1	Milan	103	Office	Antirion Sgr - Fondo Megatrends Italia	Brioschi e Camabo (Bastogi)

FOCUS - RETAIL

Retail investment reported during the first half of 2018 amounted to **€980 million**.

The highest investment volume attributable to a specific region was recorded in **Sicily (15.1%** or €148 million) and **Puglia (13.8%** or €135 million), followed by Trentino Alto Adige (9.2% or €90 million) and Lombardy (4.7% or €46 million).

In detail, a total of 118 transactions were mapped: 61 from a portfolio of discount stores distributed across the country, 21 referring to a portfolio of discount stores in the Campania region, 12 in Lombardy (of which 2 mixed office/retail properties), 5 in Lazio (of which 1 is part of a mixed portfolio) and Emilia Romagna (of which 1 is a mixed hotel/retail property), 3 in Sicily and Puglia, 2 in Veneto and Piedmont, and individual transactions in Trentino, Liguria, Marche and Tuscany (mixed residential/retail). The **average value** of estimated retail investment per asset, excluding transactions involving mixed properties or portfolios, was approximately **€8.8 million** in the first half of 2018, rising to €31.8 million if we exclude the 2 supermarket portfolios.



Source: Gabetti Research Department analysis

Some of the major transactions recorded in the first half of 2018 are listed below:

PERIOD	NAME OF PROPERTY	PROVINCE	PRICE (MIL €)	BUYER	SELLER
2018 Q1	6 shopping centers	MO,PD,RM,-BR,SR	200	Kryalos - Fondo Dante (Partners Group)	Kryalos - Fondo Blackstone
2018 Q2	4 shopping centers and 1 retail park	BO,MN,SP	187	IGD SIIQ	Eurocommercial Properties
2018 Q2	Sicily center	CT	145	CWM Group	Cualbu

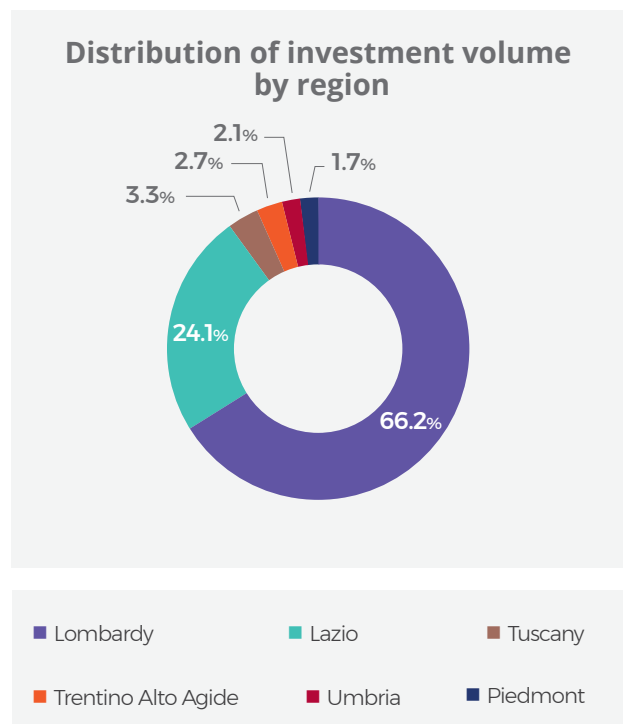
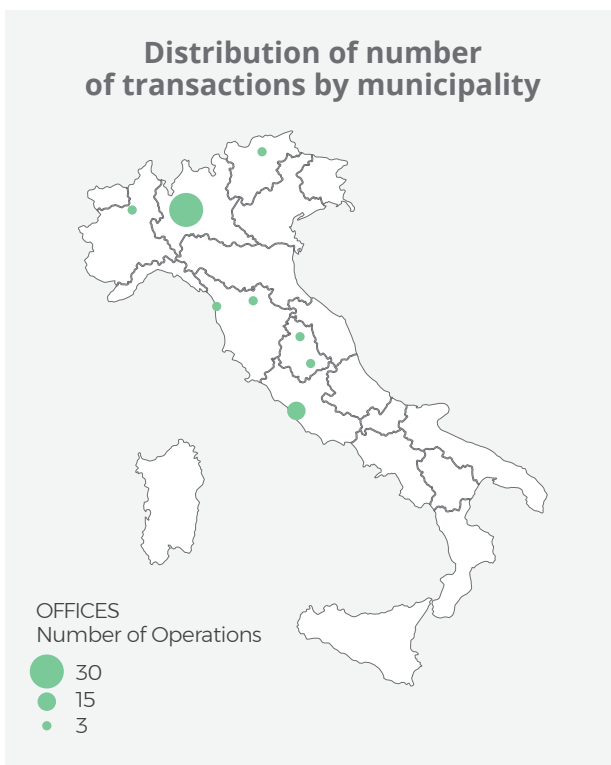
FOCUS - OFFICES

Total reported investment in the **office market** amounted to approximately **€1 billion**.

The highest investment volume attributable to a specific region was recorded in **Lombardy (66.2% or €673 million)**, followed by **Lazio with €245 million (24.1%)** and **Tuscany with €33 million (3.3%)**.

In detail, a total of 49 transactions were mapped: 30 in Lombardy (of which one mixed office/retail property and 2 which are part of mixed office/retail portfolios), 8 in Lazio, 5 in Tuscany, 3 in Trentino, 2 in Umbria and one in Piedmont.

The **average value** of estimated investment per individual asset in the office sector, excluding transactions involving mixed properties or parts of mixed portfolios, was approximately **€22.6 million** in the first half of 2018.



Source: Gabetti Research Department analysis

Some of the major transactions recorded in the first half of 2018 are listed below:

PERIOD	NAME OF PROPERTY	CITY	PRICE (MIL €)	BUYER	SELLER
2018 Q1	Building Via Darwin	Milan	103	Antirion Sgr - Fondo Megatrends Italia	Brioschi e Camabio (Bastogi)
2018 Q2	Building Via del Giorgione 159	Rome	83	INAIL	Seneca Giorgione Srl
2018 Q2	HQ1 Pirelli Bicocca	Milan	79	Kryalos SGR - Fondo Tyre	Torre SGR - Fondo Torre RE Fund 2

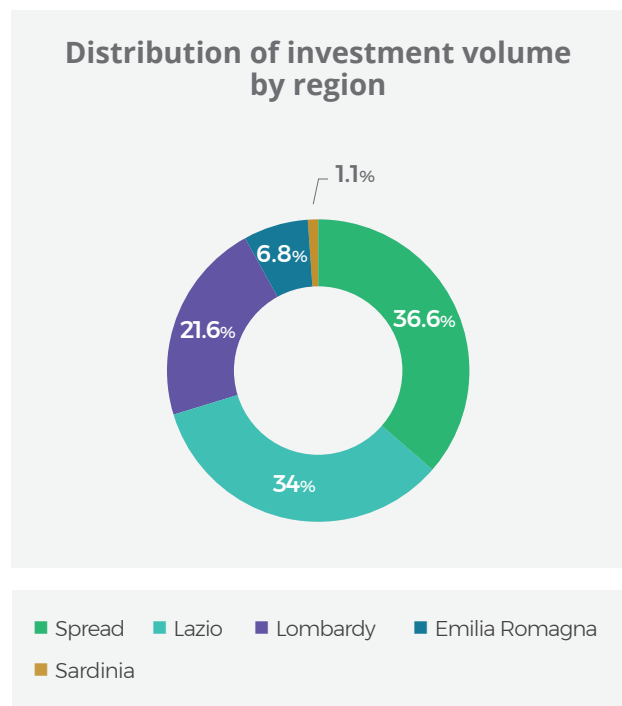
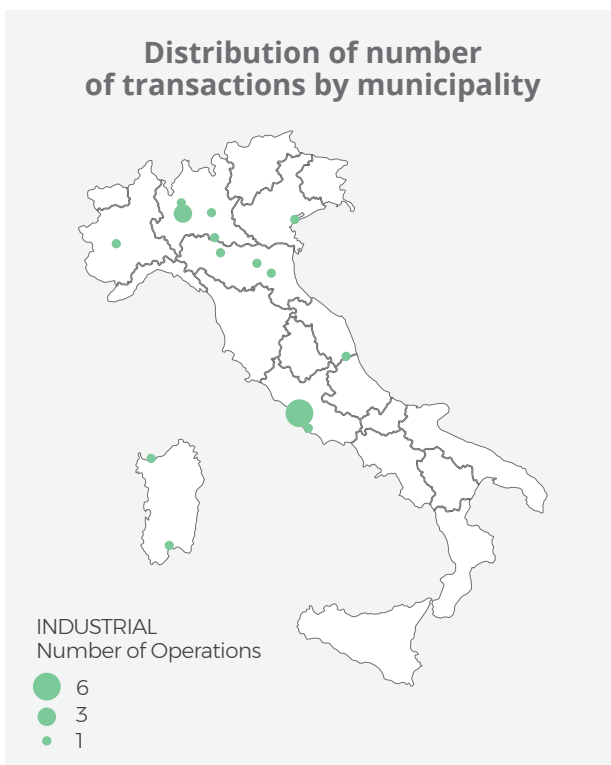
FOCUS - INDUSTRIAL

Reported investments in the **industrial market** (which includes both the industrial and logistics sectors) amounted to a total of approximately **€191 million**.

The highest investment volume attributable to a specific region was recorded in **Lazio (34%** or €65 million), followed by **Lombardy**, with €41 million (**21.6%**), and **Emilia Romagna**, with €13 million (**6.8%**).

More specifically, a total of 22 transactions were mapped, of which 16 within logistics properties and areas: 7 in Lazio, 6 in Lombardy, 4 in Emilia Romagna, 2 in Sardinia and individual transactions in Piedmont, Veneto and Marche.

The **average value** of estimated investment per individual asset in the industrial/logistics sector was approximately **€11.3 million** in the first half of 2018.



Source: Gabetti Research Department analysis

Some of the major transactions recorded in the first half of 2018 are listed below:

PERIOD	NAME OF PROPERTY	PROVINCE	PRICE (MIL €)	BUYER	SELLER
2018 Q2	3 logistics assets	MI, MO, LT	70	Kryalos SGR - Fondo Ermes	DSV S.p.A.
2018 Q1	6 logistics assets	RM	65	Kryalos SGR - Fondo Ceasar	n.a.
2018 Q1	Logistics Data Center	MI	14	n.a.	n.a.

N.B.: The volume of quarterly investment may undergo fluctuations due to assignment of the transactions to the various periods.

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Residential Overview



Leases



Market of Exclusive Residences



Investment Overview



Office Market Overview



Office Focus Quality



Hotels



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