

# Italian Market Overview



## Economy

Thanks to the on-going vaccination campaign all over Europe and relevant related actions such as the creation of the EU Covid Certificate to ease travelling within the continent, the economy keeps its positive momentum in 2Q 2021.

Forecasts made at the beginning of the year regarding the foreseen growth of the European economy in 2021 are being confirmed, with Italian's GDP expected to bounce back by the 4.3% (Focus Economics).

During the quarter, the European Commission positively assessed the Italian recovery and resilience plan, confirming the disbursement of € 68.9 billion in grants and € 122.6 billion in loans under the Recovery and Resilience Facility (RRF).

The government's plan - with the main pillar being a green and digital transition - has been recognized as a promising step toward the national economy's relaunch.

In 2Q the quarterly economic growth in Italy was however feeble (+1.4%, Istat). A new measure to support companies and the employment was approved by the government ("Sostegni-bis"), and the unemployment figure is under careful observation as by July 2021 companies will be able to proceed with layoffs with few remaining restrictions in place.

By the end of the year FocusEconomics Consensus Forecast panelists predict Italian's imports and exports' variation in the region of 11%, while private consumption estimates are at +3.4%.

**TOTAL  
 INVESTED  
 1H 2021**

**€3.2 bn**



**OFFICE  
 € 823 mln**



**INDUSTRIAL  
 € 737 mln**



**LIVING  
 € 561 mln**



**OTHER  
 € 438 mln**



**HOSPITALITY  
 € 417 mln**



**RETAIL  
 € 180 mln**

## Confidence Index

Both the Business and Consumer Confidence Indexes rose significantly in June 2021, moving respectively from 107.3 to 112.8 and from 110.6 to 115.1.

While the highest growing component leading the Business Index increase was the market services -

thanks to more positive assessments on the order book current trend and from expectations on the future production - the Consumer Index rise was mainly led by the economic and current positive climate.

**Household and business confidence indices**



\*Source Istat (April 2020 not available)

# Investment Sector

During the first half of 2021 approximately €3.2bn was invested in the Italian CRE reflecting a decrease of circa 17% when compared to 1H 2020.

However, 2Q volumes, totalling over €1.9bn, were in line with the same period of 2020, witnessing the first signals of the upturn expected during the second half of the year.

About 50% of 1H total volumes were invested in office and logistic products, with a slight prevalence of the former (€823 million).

The office sector, representing circa 26% of the total investment volumes, confirmed therefore its relevance in the CRE arena despite registering a contraction of circa 55% when compared to the previous year.

Expected changing ways of working and growing financing costs have made investors more cautious towards office sector especially in the first months of the year even though prime CBD premises remained resilient attracting strong interest especially from International players.

The outlook for the office investment market on the medium term is positive with high quality, well located and connected offices with green credentials at the top of investors' agenda.

1H logistics' volumes totalled about €737 million (23% of total investment volumes), a marked increase compared to 1H 2020, showing a consolidation of its position in the Italian investment market.

Future pipeline is solid with significant transactions due to close in the short term and investors' interest ranging from development to core finished products.

On the other side, the living sector is becoming increasingly important, attracting a growing share of investments, being supported by cross-border investors' growing interest. Living accounted for €560 million, representing in 1H 2021 c.ca 18% of total investments.

The hospitality sector, with more than €417 million transacted, represented 13% of 1H2021 investments' volumes confirming the first signs of the recovery of the sector. With vaccines being rolled out and restrictions loosening, investors' interest is back focusing on value add and opportunistic products.

Interest in alternative asset classes continued to grow, with total volumes for the semester reaching over €435 million focusing on data center and TLC.

Retail is the sector that suffered the most last year due to the uncertainty brought by the pandemic.

As a consequence, retail investments' activity remained minimal (6%) also in 2021, with half-year result reaching slightly over € 180 million and investor demand focusing on high street products, food and convenience retail.

Mega deals' (+€100 mln) weight decreased (40% of total investments) compared with the same period of 2020 (67% of total investments) whilst portfolio deals, with an amount in the region of €1.1 billion, represented circa 35% of total 2021 transactions.

Foreign capitals reached pre-pandemic levels representing circa 70% of total invested volumes.

“ **The overarching theme in investor preferences is flight to quality. Prime, core assets across sectors will continue to create competition leading to some further yield hardening.** ”

## Yield & Rents

Office prime yield for Milan CBD is stable at 3%, with prime rents at 625 €/sq m/per year. In Rome CBD the yield is at 3.75%, with a prime rental level at 450 €/sq m/per year.

Retail acknowledges the elements of uncertainty that the pandemic has caused for the segment. Prime shopping centers would trade 5.60% net initial yield, whilst prime high street assets preserve a yield of 3.25%.

Prime rents in the high street sector confirm resilience, with Montepulzone average value growing to 14,000 €/sq m/per year and also rents in prime shopping centers confirm their value. Retail in Rome high street struggles more than in Milan, suffering a greater decline in the touristic flows.

Investors' competition for prime logistic assets has led to further yield compression now reaching 4.25%, with rental levels of the segment in the cities of Milan and Rome being 56 €/sq m/per year.

## Key Facts - 1H 2021 (all asset classes)



SINGLE ASSET DEALS  
65%



FOREIGN INVESTORS  
70%



MILAN DEALS  
37%



MEGA DEALS  
40%

Source Savills Data

## Savills team

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