



Colliers
INTERNATIONAL

EXPERTS ON THE FUTURE OF REAL ESTATE

IMPACT OF COVID-19 ITALIAN INVESTMENT MARKET

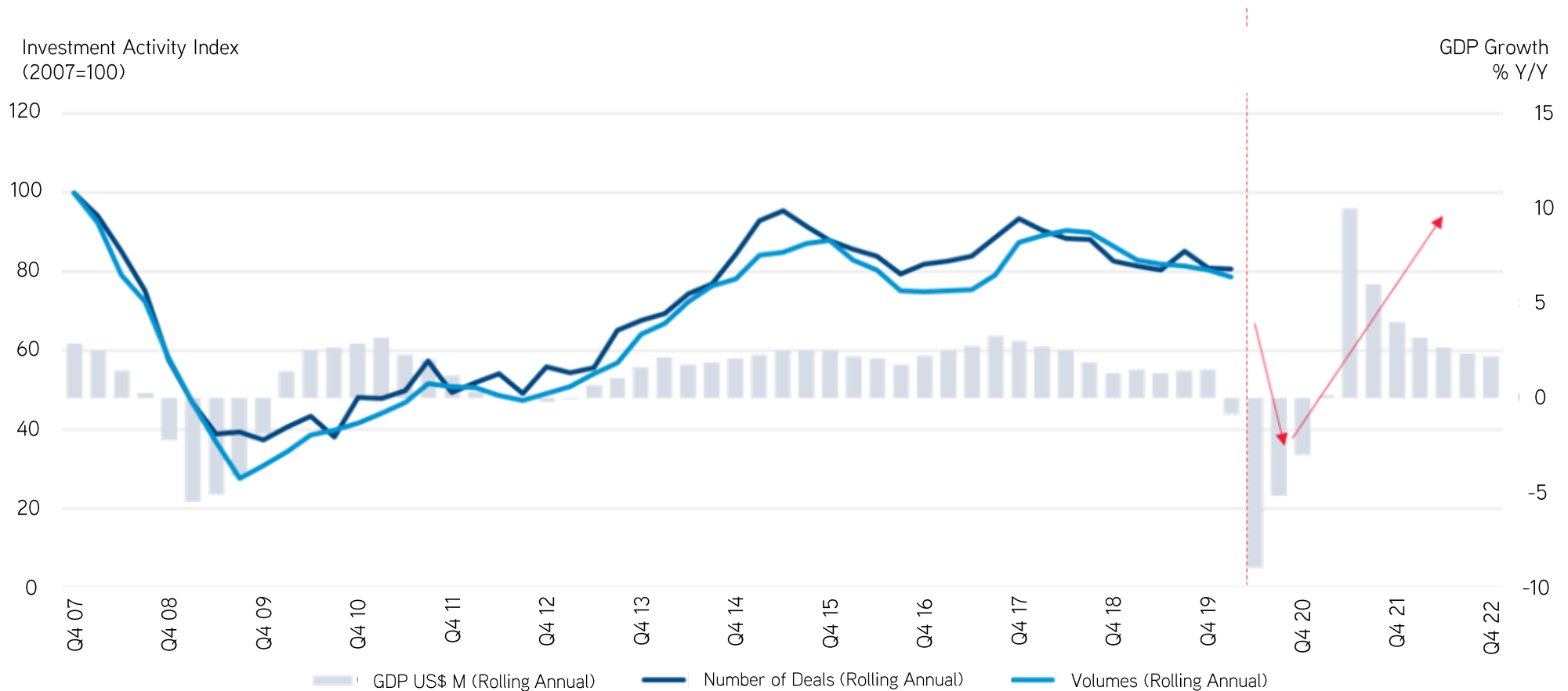
7 MAY 2020

EUROPE | IMPACT OF THE ECONOMIC RECESSION ON THE INVESTMENT VOLUME

The Covid-19 health crisis has hit the world economy, bringing many countries to adopt lockdown measures that brought entire economic sectors into a halt and thus resulting in a loss of business activity for many companies. Moreover, the uniqueness of this crisis is creating a higher level of uncertainty for the future.

Economic forecasts show a sharp correction in Q2 2020, with the economy starting to recover in Q3 2020, but doesn't get back to growth until Q1 2021. Real estate investment activity will track the broader economy, but the additional level of travel restrictions and government quarantines will minimise the ability to run technical due diligence and thus any significant new sales activity will be pushed back beyond Q2.

The shape of the recovery will differ by market, dependent on a country's exit strategies and travel bans. The existing economic structure/diversity in place, healthcare/testing capacity, government stimulus and exit strategies will create a range of recovery shapes and timelines by country, including V's, U's, L'sand perhaps some W's. Overall Europe, there will be a recovery in the second half of 2020, but 'full' recovery will not be until 2021.



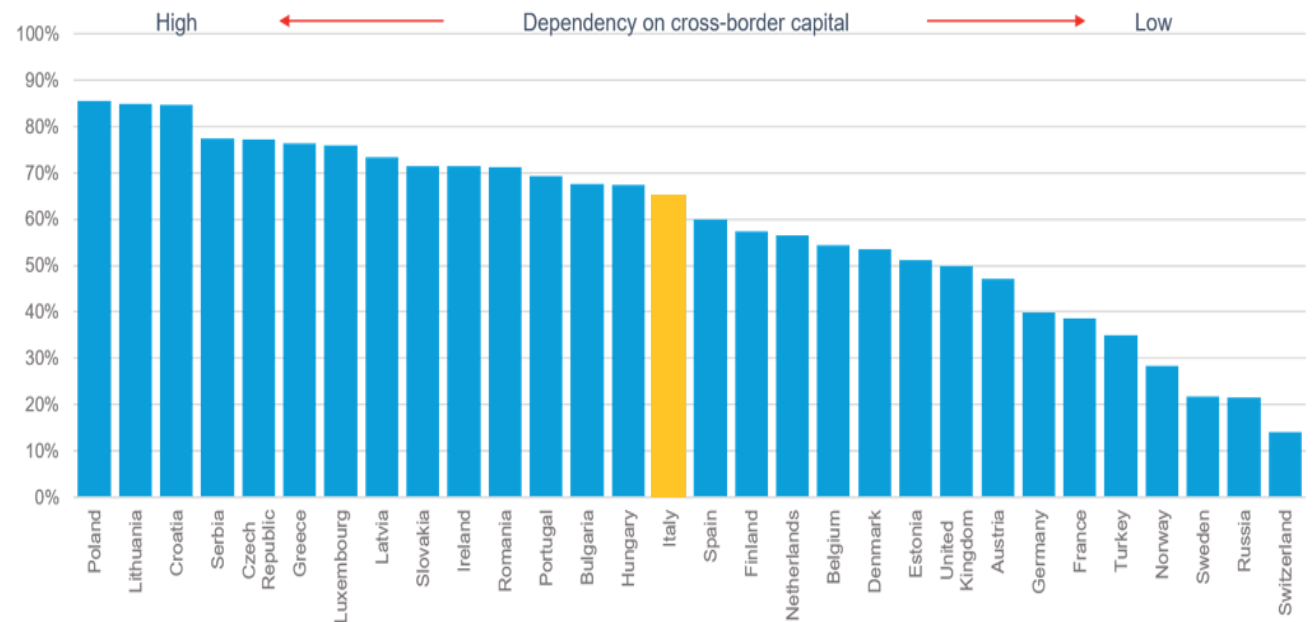


EUROPE | IMPACT OF CROSS-BORDER CAPITAL

One of the first policy adopted by the European countries was closing borders and introducing quarantines period for people traveling from some other countries, especially the one most affected.

This policy will certainly play into the speed of any investment recovery. Indeed, those countries most dependent on cross-border investment will see a sharper contraction in activity during Q2 and Q3, but also the rest of the year. However, looking at the lockdown exit strategies of the different countries, it appears that traveling freely should be one of the last measures to be canceled.

MARKET SHARE OF CROSS-BORDER CAPITAL



ITALY | INVESTMENT MARKET AND POSSIBLE FUTURE SCENARIOS

The Italian real estate market recorded a strong 2019 in terms of investment volume and office take-up in the cities of Rome and Milan. The beginning of 2020 saw activity carried on by deals started at the end of 2019. Moreover, important portfolios were on the market and their disposal process should have been sold in the current year. Finally, some refurbished assets were expected to end their works and should have been sold as core assets.

The arrival of the Covid-19 has changed all this, bringing almost everything to a stop. Deals that were almost closed, arrived to the signature; the ones under negotiation are stretching the talks while the new demand has almost frozen. Some asset class appears to be more resilient, such as the supermarkets and the I&L (thanks to the good performance of the e-commerce). On the contrary, others suffered strongly such as the hotels (the first ones to be affected by the crisis) and the shopping centres.

However, in crisis times, new opportunities are starting to be outlined. For example, the office market will change strongly, giving room for value added operations in the coming months in order to create the adapted product for tomorrow's offices. Finally, the residential market has focused all the attention of the people and could become a new real asset class in the recovery.

SCENARIO 1

TIMING

UNTIL *END OF JUNE*

DESCRIPTION

The investment market will have almost halted for few months but then, thanks to the liquidity granted by the ECB, the activity will recover. Investors will look at opportunities all around Europe, even if they will focus more on their domestic market, due to limitation on travelling.

OUTCOME

This is the more optimistic scenario but the probability is very low and every week makes it less likely.

SCENARIO 2

TIMING

UNDER CONTROL *AFTER THE SUMMER*

DESCRIPTION

The investment market will have stopped for some six months. In this case, the recovery will be longer and the implications will take time to be overcome. Even if the ECB will grant a high level of liquidity, the economic framework will be strongly negative and investors will mainly look at just their local market, thus reducing cross-border activities.

OUTCOME

This scenario is the one with the highest probability. The investment activity will remain low in Q2 and Q3, starting to recovery just in Q4, focusing on the asset classes that were more resilient during the crisis.

SCENARIO 3

TIMING

UNDER CONTROL *FROM 2021*

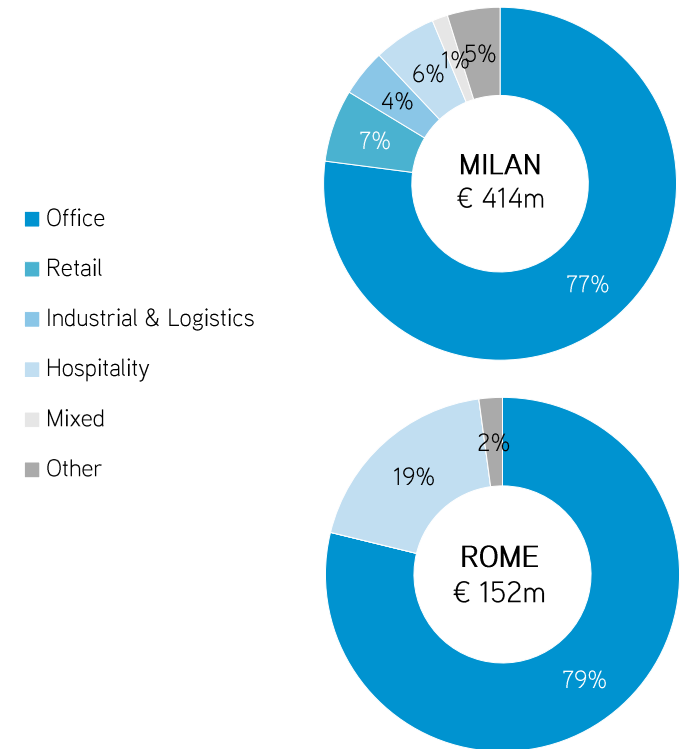
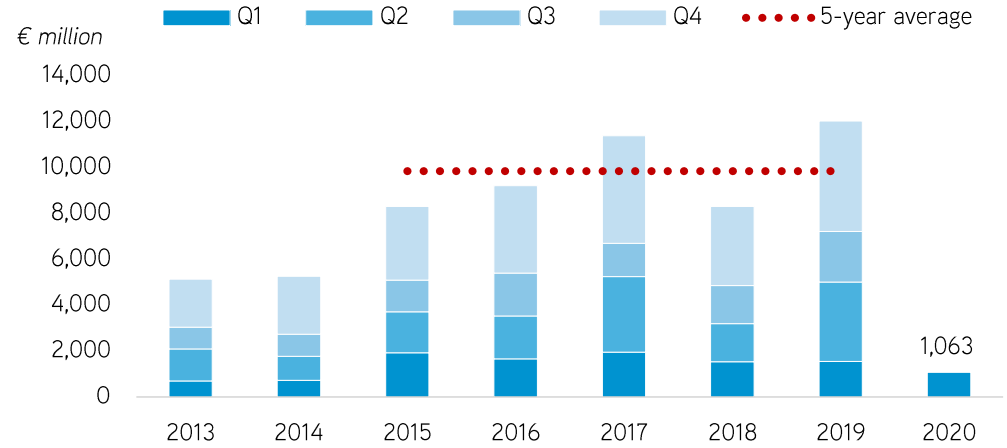
DESCRIPTION

This is the worst-case scenario with the virus continuing to spread all over the year and won't be under control until a vaccine becomes available. The economy and the real estate industry will be impacted strongly, making complicated closing deals.

OUTCOME

This scenario is the less likely and the worst one since the impact will be dramatic on the economy and the real estate market for 2020 and part of 2021.

ITALY | INVESTMENT VOLUME MARKET KEY INDICATORS



17,000

EMPLOYEES

68

COUNTRIES

€108

BILLION
TRANSACTION
VALUE

69,000

TRANSACTIONS

€ 2.8

BILLION TURNOVER

175

MILLION SQM
UNDER MANAGEMENT

OUR SERVICES INCLUDE



CAPITAL
MARKETS



AGENCY



ADVISORY



PROJECT
MANAGER



VALUATION





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