

ITALY

INVESTOR INTENTIONS SURVEY 2021

CBRE RESEARCH

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CONTENTS

03 PERSPECTIVES ON THE RECOVERY

07 INVESTORS' INTENTIONS

12 PRICING EXPECTATIONS

16 WHAT HAS CHANGED?

20 PERSPECTIVES ON FLEX OFFICE
AND THE RESIDENTIAL SECTOR

ITALY INVESTOR INTENTIONS SURVEY 2021

PERSPECTIVES ON THE RECOVERY

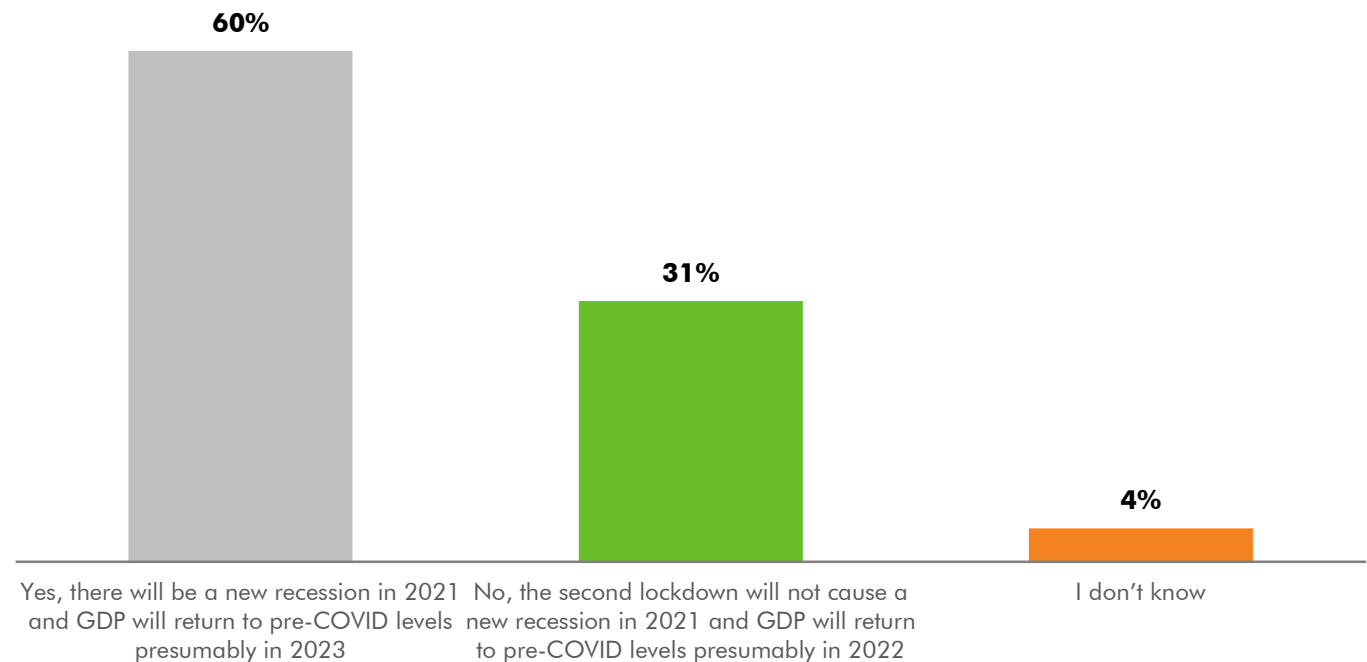


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BAD NEWS FIRST: MOST INVESTORS EXPECT A NEW ECONOMIC RECESSION

Do you think that the second pandemic wave will cause a new recession in Italy and the return of GDP to pre-COVID levels will be slower than expected?

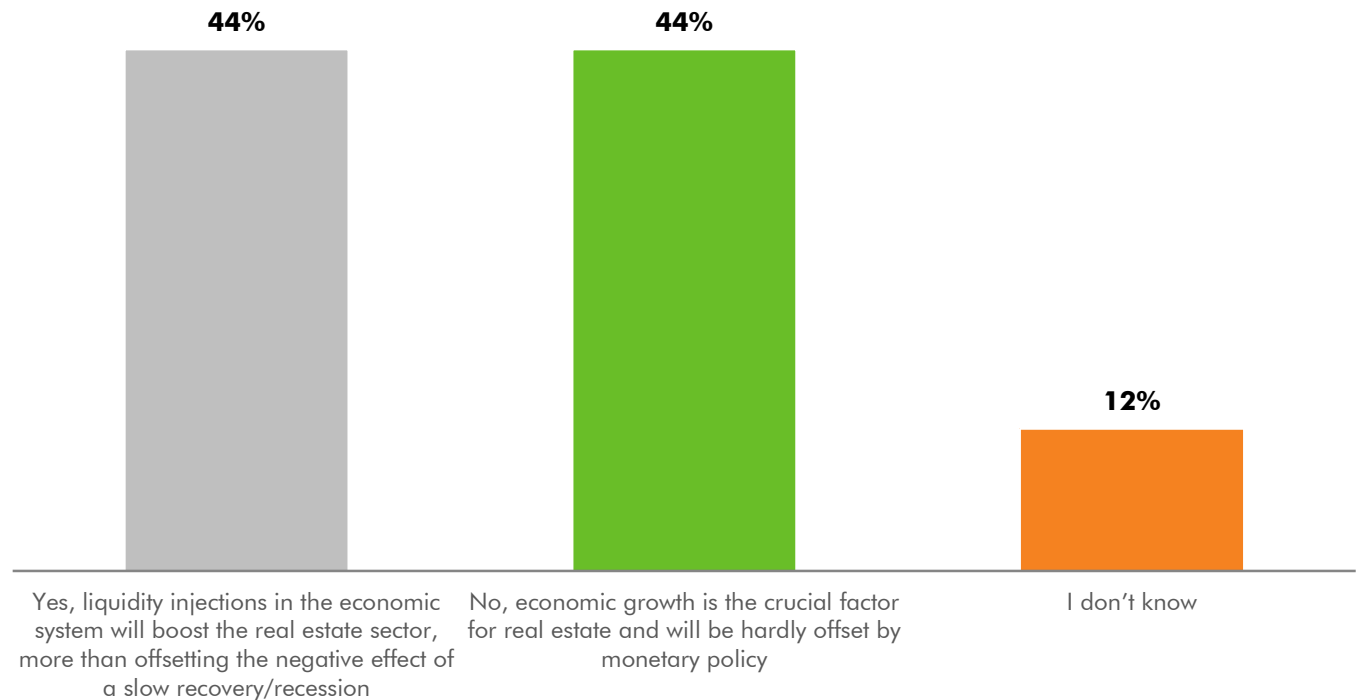
The fall of GDP in H1 2020 was followed by a sharp recovery in Q3. But after the new COVID-19 outbreaks in winter investors expect a new economic recession.



...BUT MANY BELIEVE THAT THE REAL ESTATE SECTOR WILL BE SUSTAINED BY THE ECB

Will the new expansionary monetary policy measures by the ECB sustain The Italian Real Estate sector in 2021?

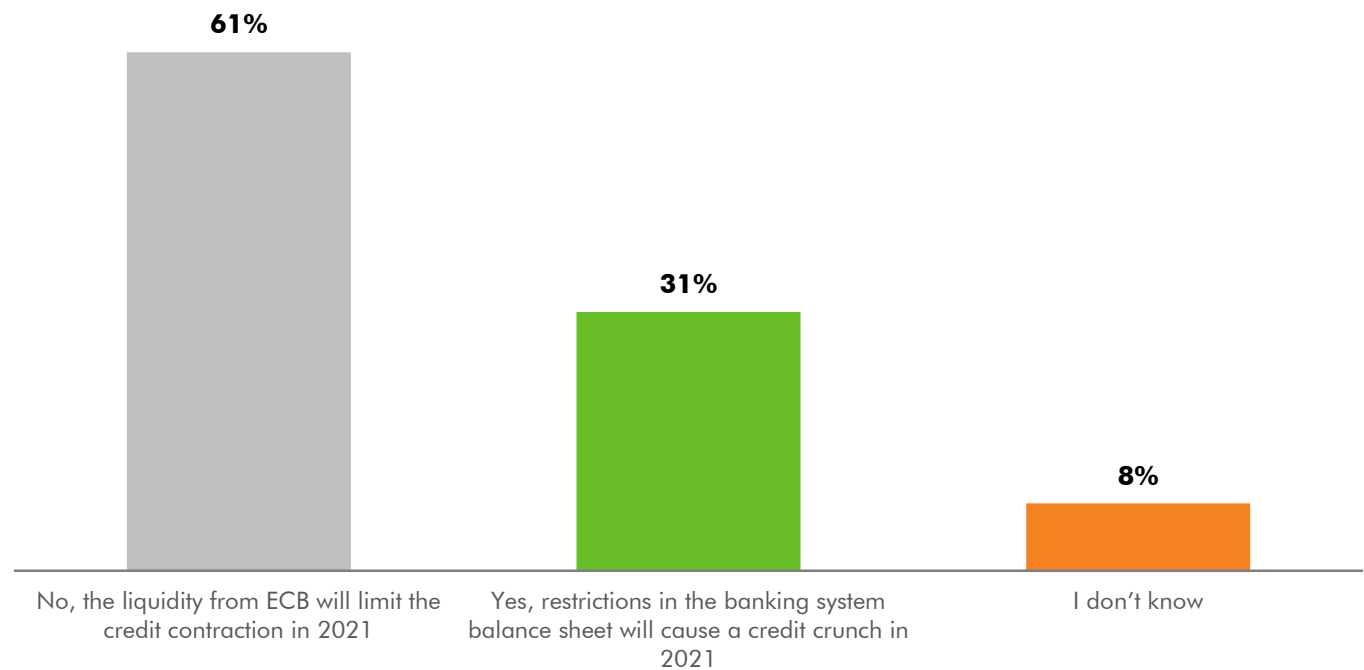
Investors are split between those who believe in the effectiveness of ECB's support and those who fear a greater impact of economic weakness for the real estate sector.



... AND MOST EXPECT CREDIT CONDITIONS TO REMAIN FAVORABLE

Do you think there will be a problem of availability and cost of credit to the real estate, i.e. do you expect a credit crunch?

The risk of a *credit crunch* is viewed as limited by most investors.



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INVESTORS' INTENTIONS

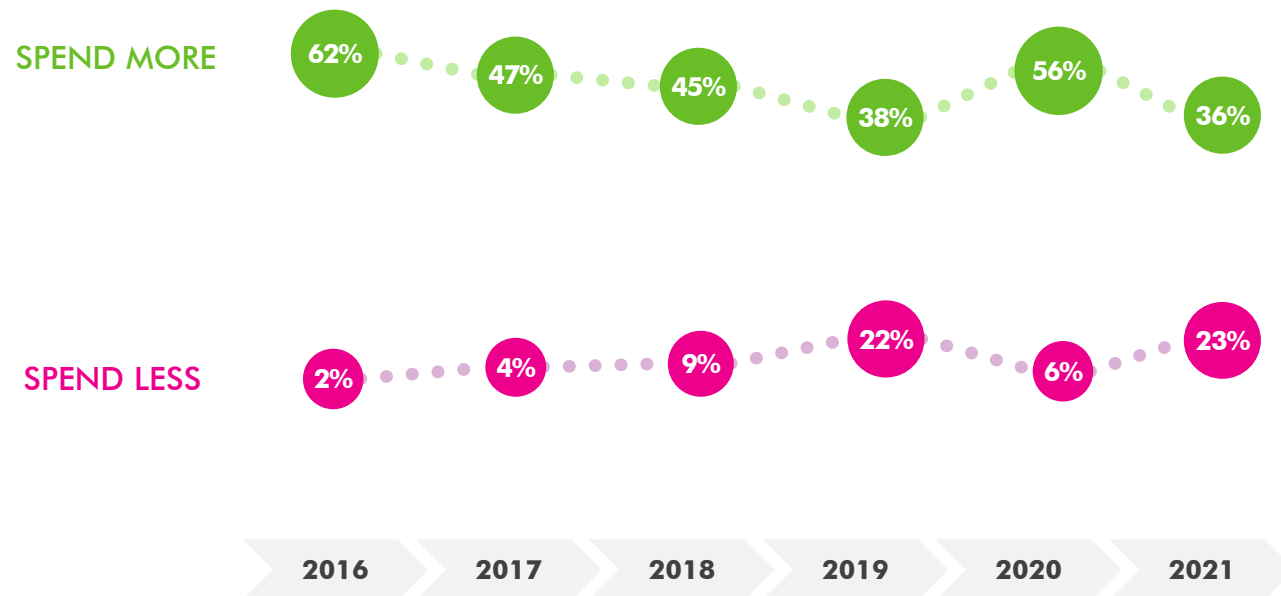


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A MODERATE DECLINE IN INTENTIONS TO INVEST MORE

What will your investment activity be compared to last year?

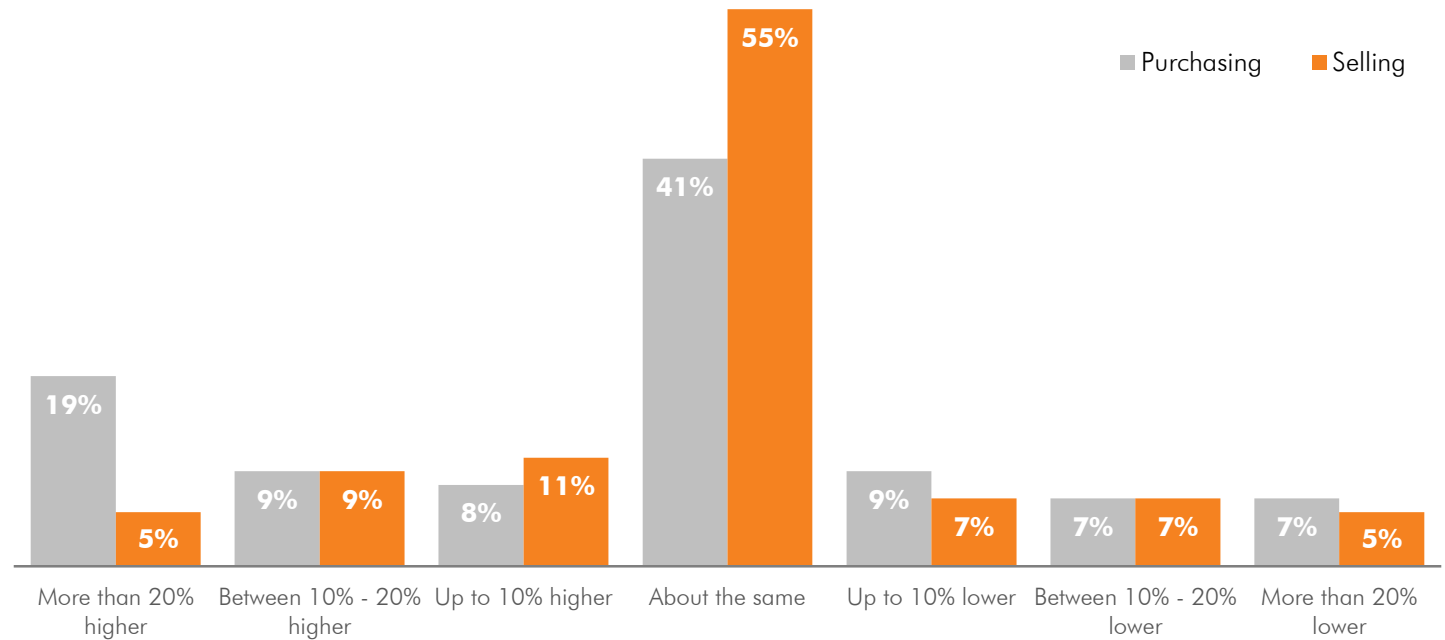
Uncertainty is still undermining investors' propensity toward new acquisitions.



...BUT MOST EXPECT THEIR ACTIVITY TO REMAIN STABLE

Compared to 2020, do you expect your purchasing/selling activity in 2021 to be:

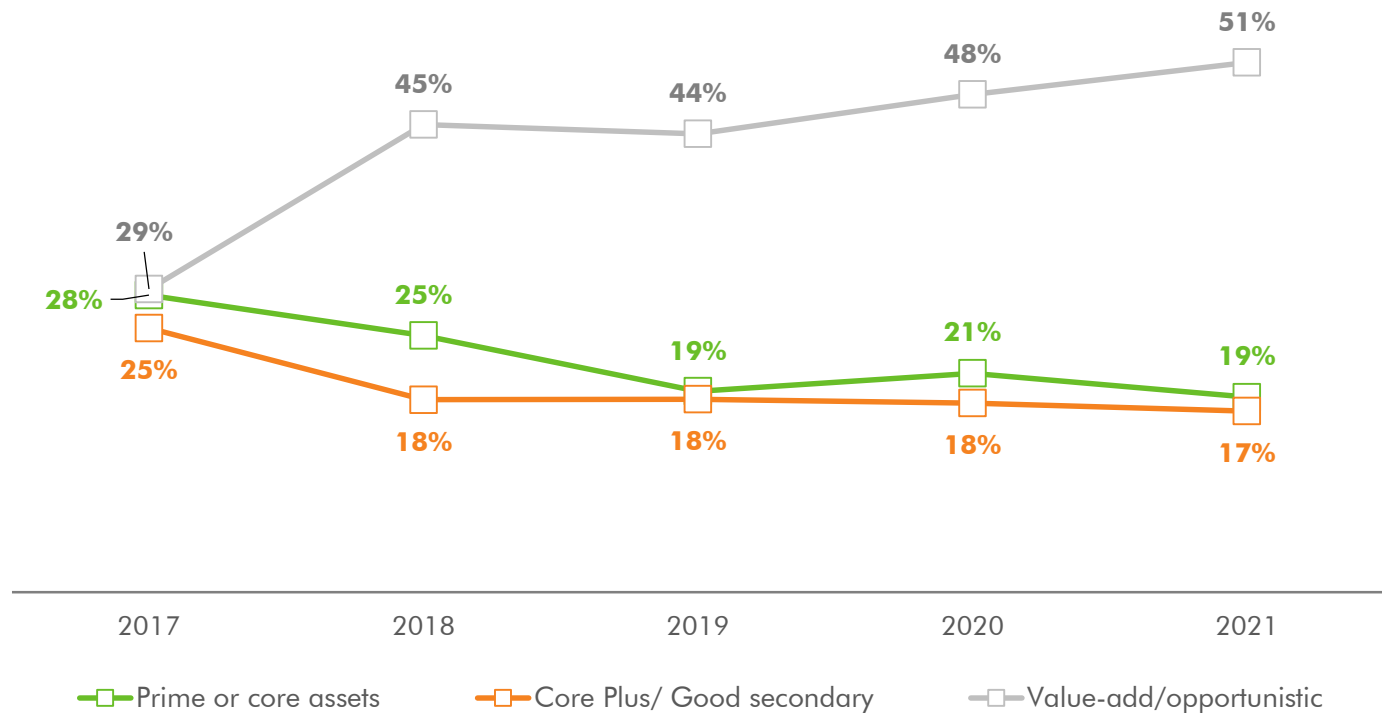
Despite a reduction of investors who intend to purchase/sell more the outlook appears mostly unchanged.



DESPITE UNCERTAINTY INVESTORS CONTINUE TO LOOK FOR VALUE-ADD

What type of strategy do you believe will be the most attractive for your organization in 2021?

An ongoing trend, unchanged by Covid-19, suggests that investors keep faith in market growth.



LACK OF PRODUCT IS STILL PERCEIVED AS A MAJOR OBSTACLE

What is the biggest obstacle in acquiring assets in Italy?*

	2018	2019	2020	2021
#1 AVAILABILITY OF ASSETS	25%	21%	25%	15%
#2 LEGAL FRAMEWORK	10%	5%	7%	12%
#3 AVAILABILITY AND/OR COST OF DEBT	5%	8%	7%	12%
#4 POLITICAL INSTABILITY	8%	14%	10%	10%
#5 ASSET PRICING	16%	15%	18%	9%
#6 LOW MARKET TRANSPARENCY	13%	11%	11%	8%

*Multiple answers. The percentage corresponds to the number of preferences over the total preferences.

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PRICING EXPECTATIONS

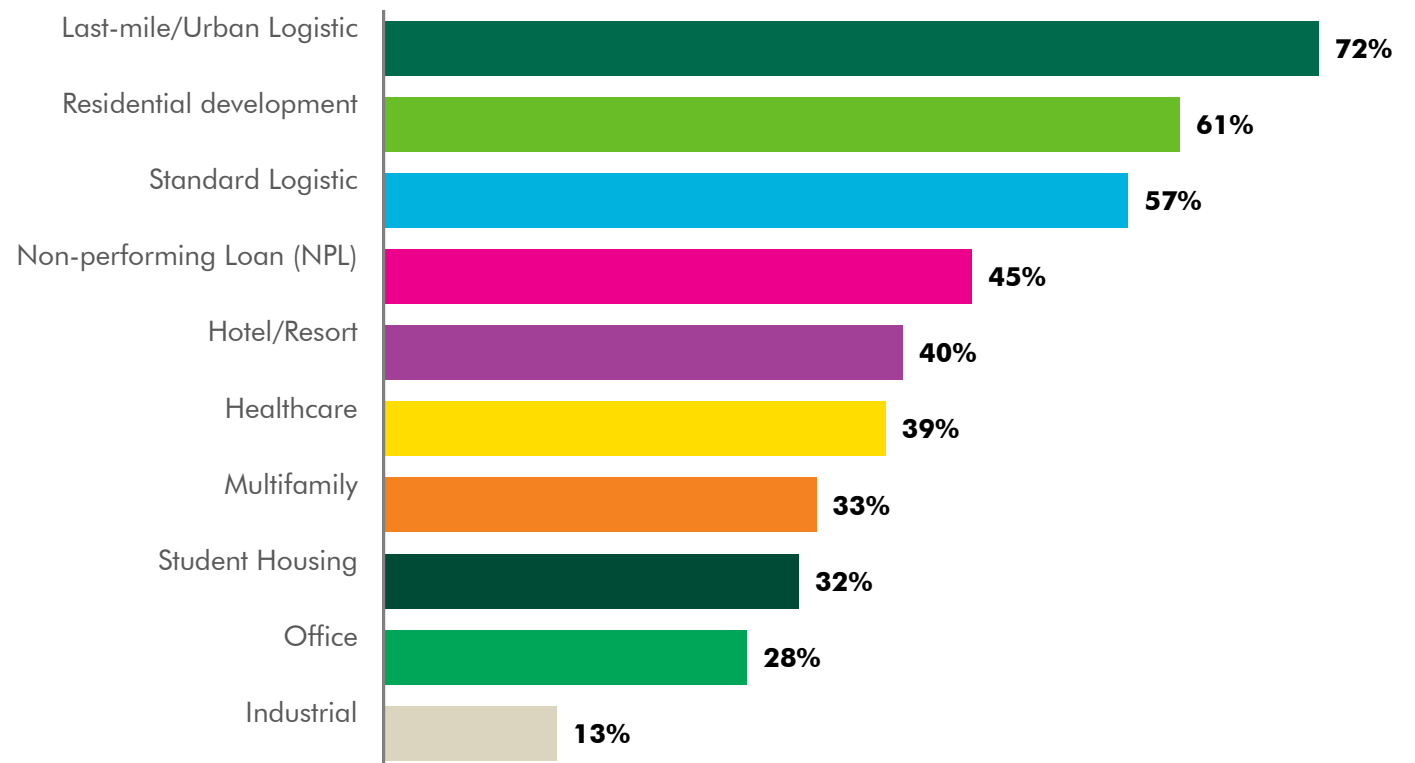


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RESIDENTIAL & LOGISTICS ARE THE MOST SOUGHT-AFTER ASSET CLASSES

Which property sectors do you believe will be the most attractive for investments in 2021?*

Investors like Logistics, Residential and Hotels, probably attracted by growth potential and resilience (Logistics and Residential) as well as by repricing opportunities (Hotels).

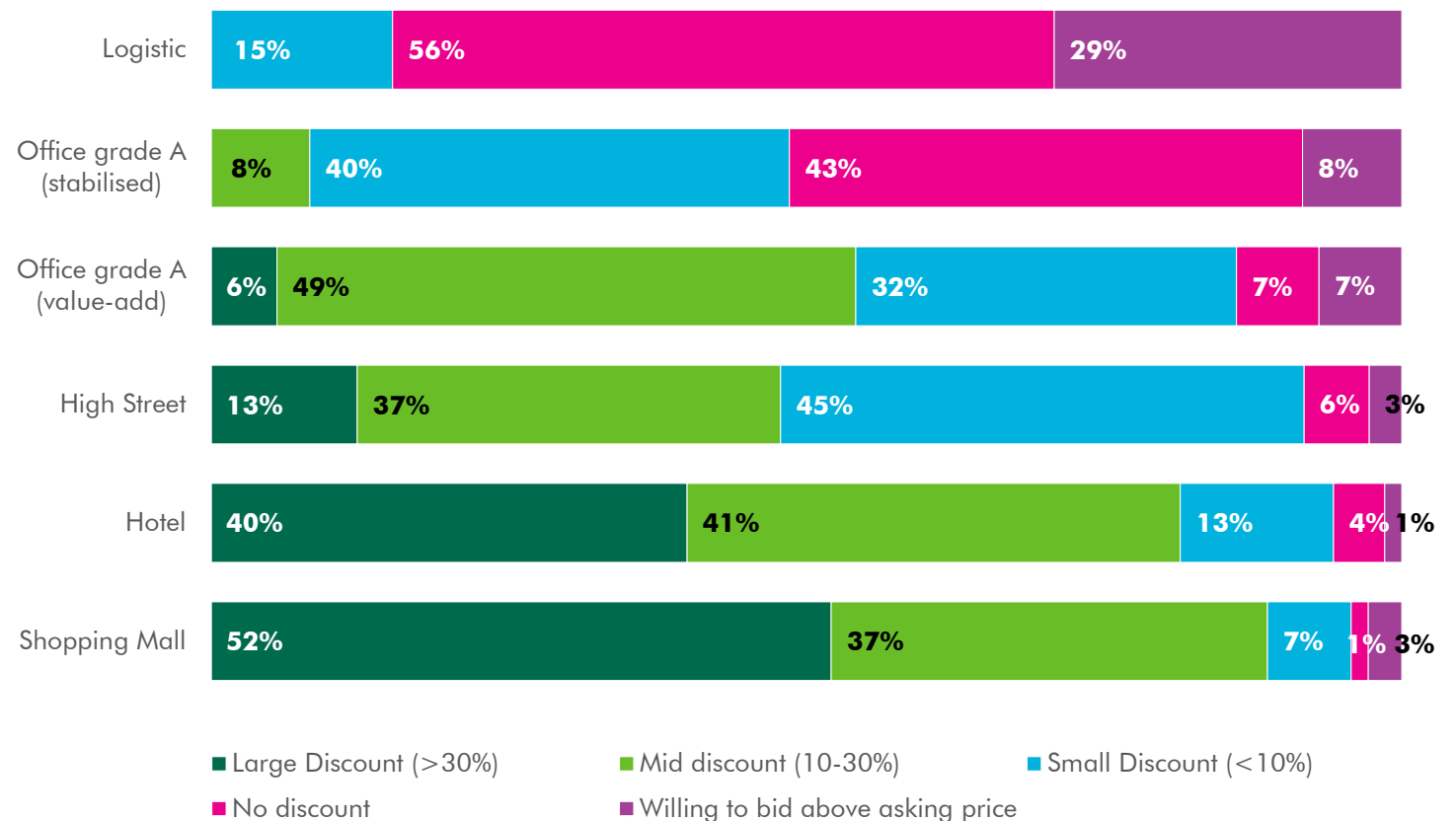


*Multiple answers. The percentage corresponds to the number of preferences over the total amount of people surveyed.

... AND THIS IS CLEAR FROM PRICING EXPECTATIONS

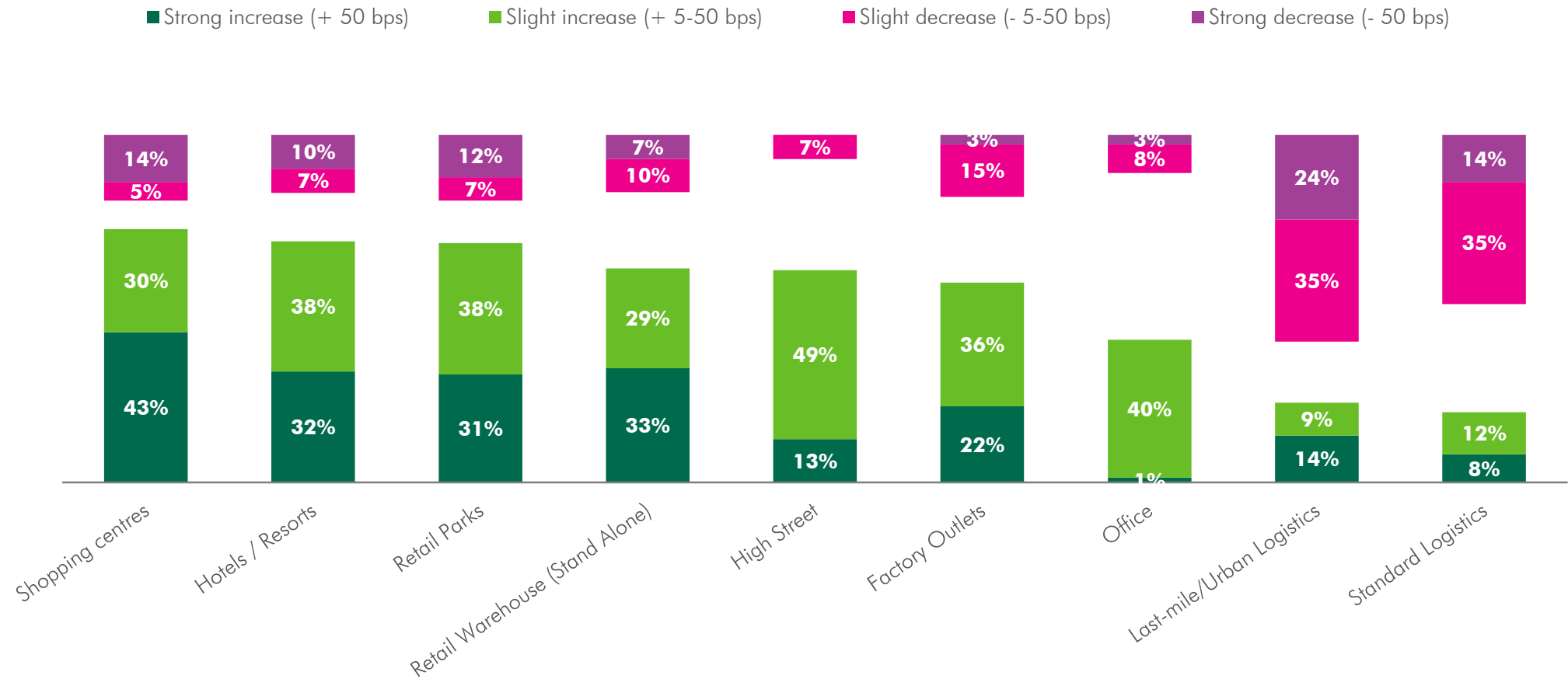
Compared to the period immediately prior to the pandemic, what price discount do you expect across different sectors?

We will probably see competition for Logistics and *prime* Office assets again in 2021.



...AND YIELDS WILL FOLLOW

For the following, what is your forecast for yields on Italian prime assets in 2021?



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WHAT HAS CHANGED?

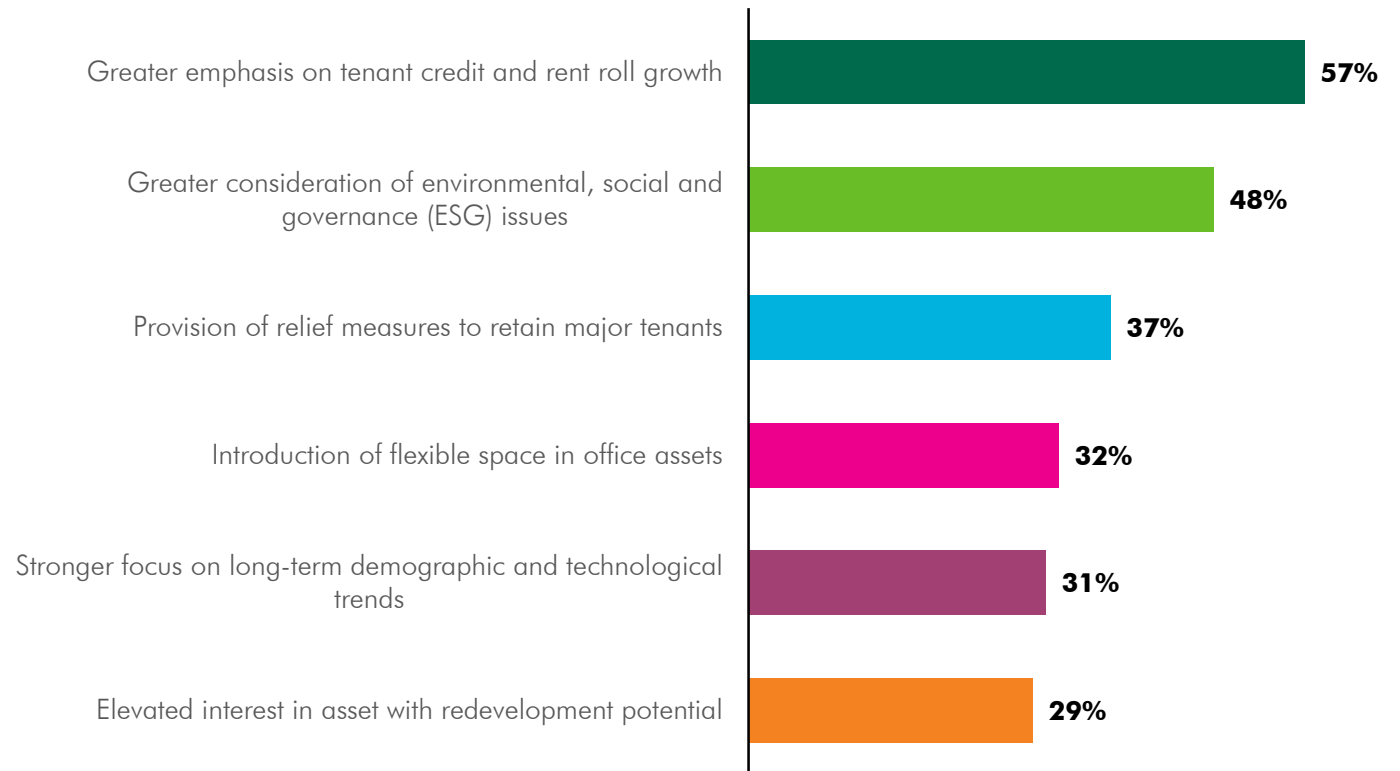


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COVID-19 OUTBREAK STRENGTHENED LANDLORD/TENANT RELATIONSHIP

How has the COVID-19 pandemic affected your investment and operating strategy?*

Tenant retention has become increasingly important during the Covid-19 crisis.

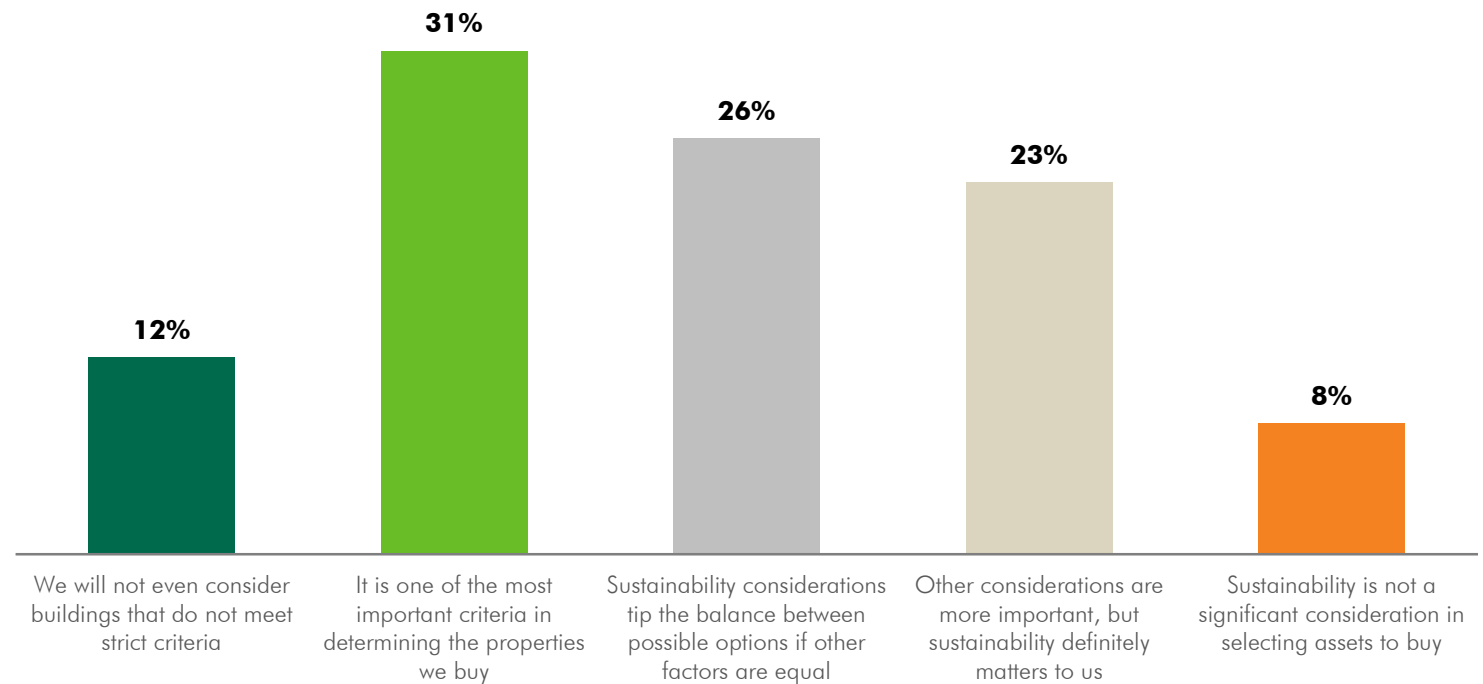


*Multiple answers. The percentage corresponds to the number of preferences over the total amount of people surveyed.

SUSTAINABILITY CONSIDERATIONS INCREASINGLY IMPORTANT FOR INVESTORS

Which of the following statements most closely describes your approach to sustainability in asset selection?

ESG criteria are becoming a must-have for the Italian market.



INVESTORS ARE EXPECTING NEW REQUESTS FOR RENTAL REDUCTIONS

What issues do you expect to encounter from tenants in 2021?*

In 2020 request for rental reductions increased, although mostly temporary. Investors expect that this trend will stay in 2021.



*Multiple answers. The percentage corresponds to the number of preferences over the total amount of people surveyed.

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PERSPECTIVES ON FLEX OFFICE AND THE RESIDENTIAL SECTOR

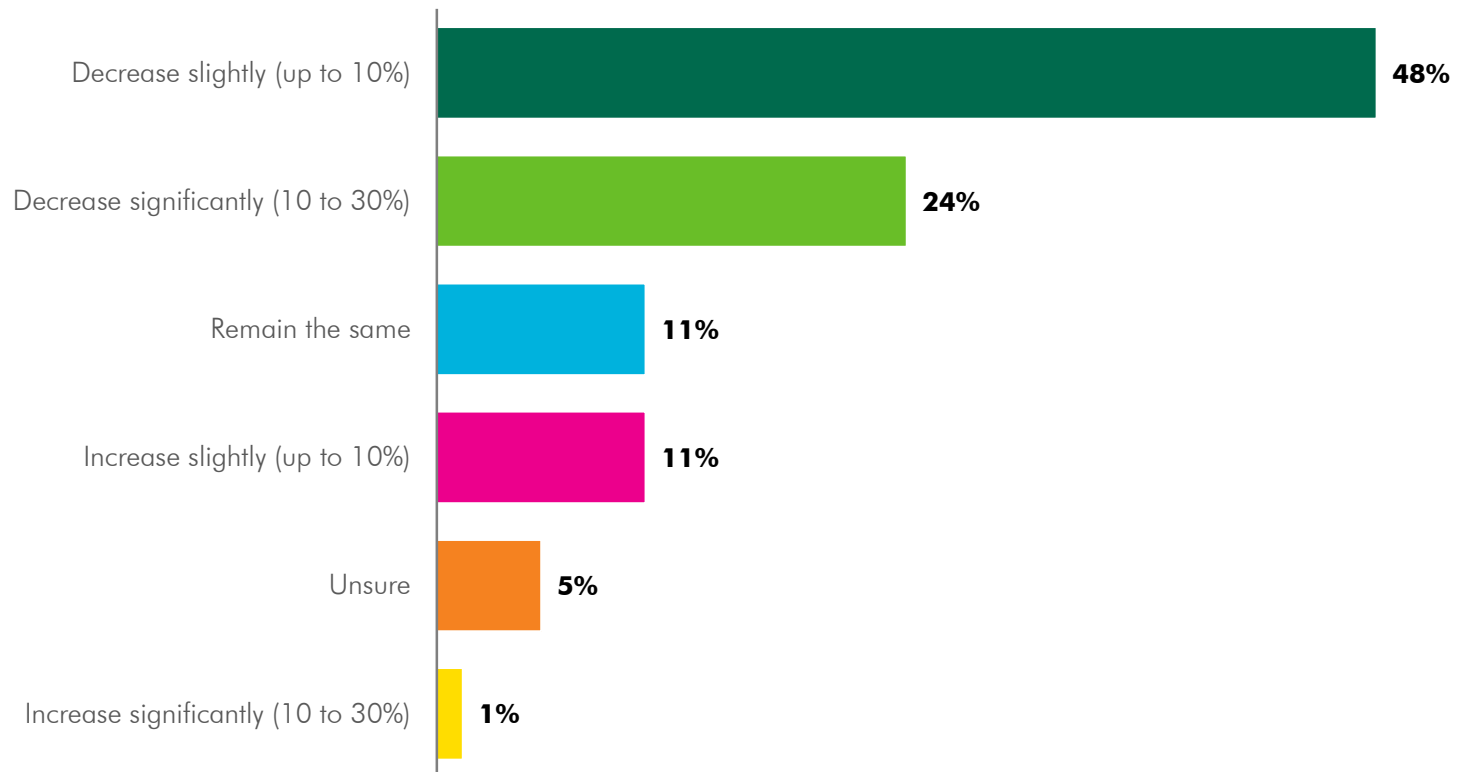


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INVESTORS SEEM TO EXPECT AN IMPACT OF REMOTE/SMART WORKING ON OFFICE SPACE DEMAND

What is your view of demand for physical office space in the coming three years?

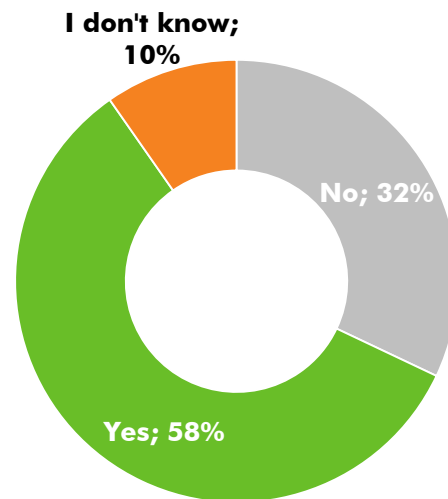
Most investors expect a marginal reduction of the demand of physical office space.



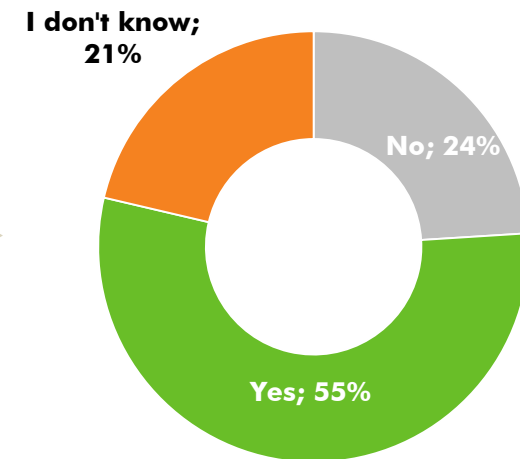
INVESTORS ARE STILL CAUTIOUS ON FLEX OFFICE SPACE OCCUPANCY

Would you invest in office assets occupied by flexible space operators?

SURVEY 2020



SURVEY 2021

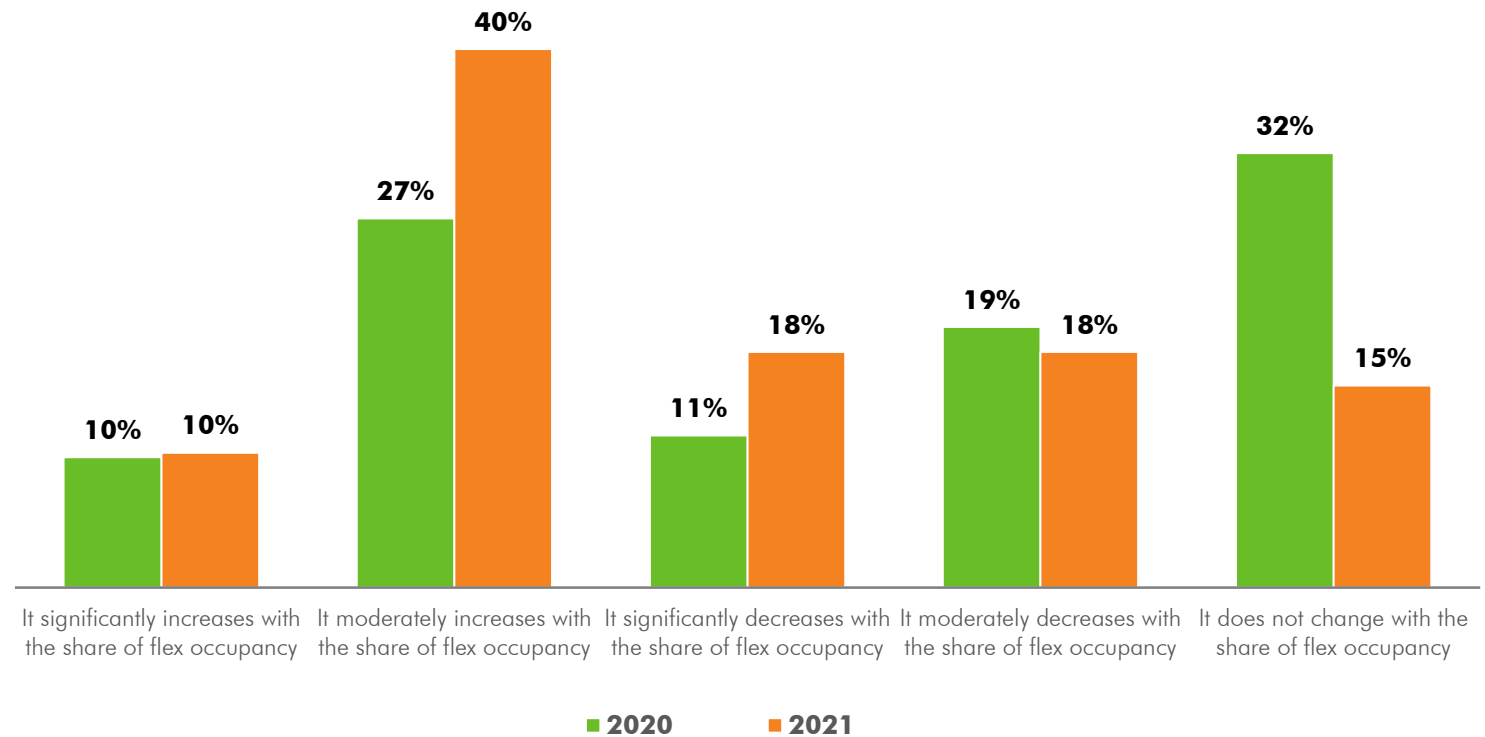


Traditional tenants are still preferred to flex operators.

... BUT THEY ARE MORE INCLINED TO INVEST IN FLEX-OCCUPIED ASSETS

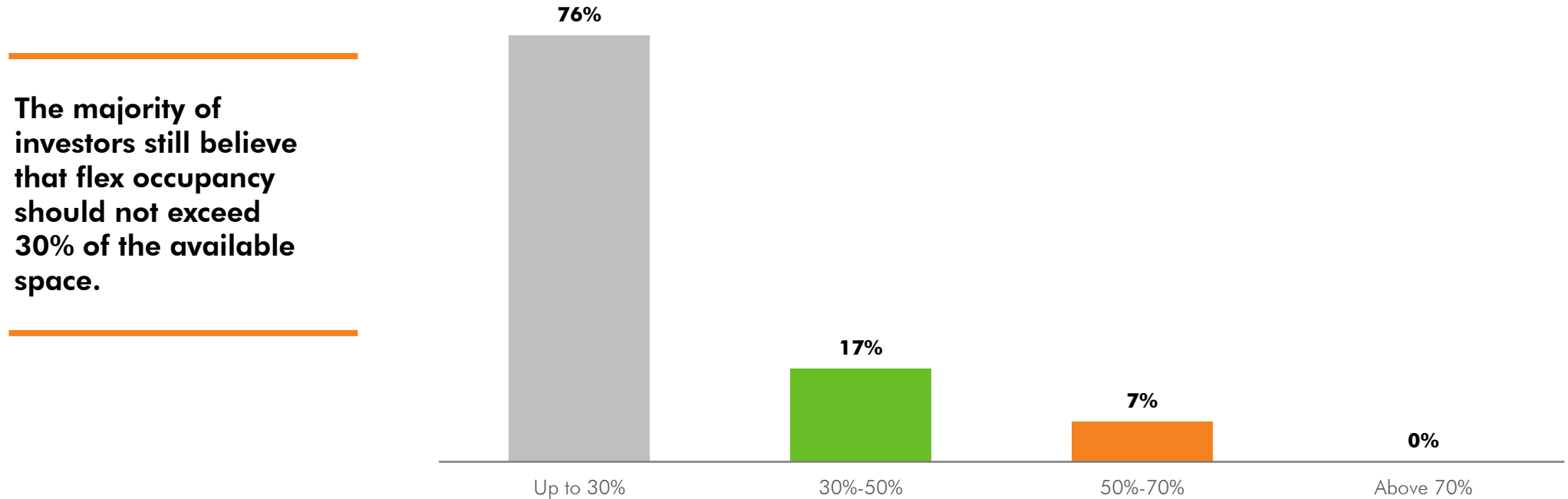
How does your propensity to invest in the asset change?

Tenants looking for flexible solutions have increased, making flex-occupied assets more attractive for investors.



... BELOW A CERTAIN THRESHOLD

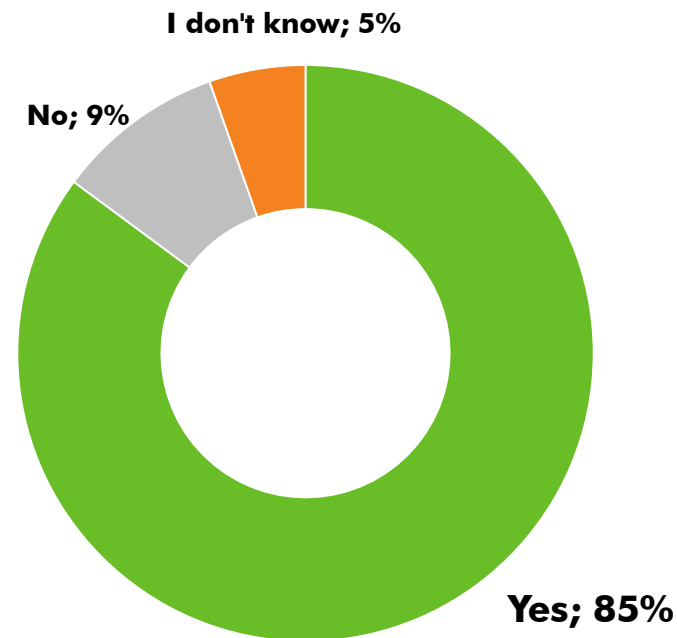
What is the optimal share of flexible space occupancy you would allow on your asset?



MOST INVESTORS AGREE ON THE POTENTIAL OF THE RESIDENTIAL SECTOR IN ITALY

Do you think that in Italy the residential sector will be an interesting asset class to invest in?

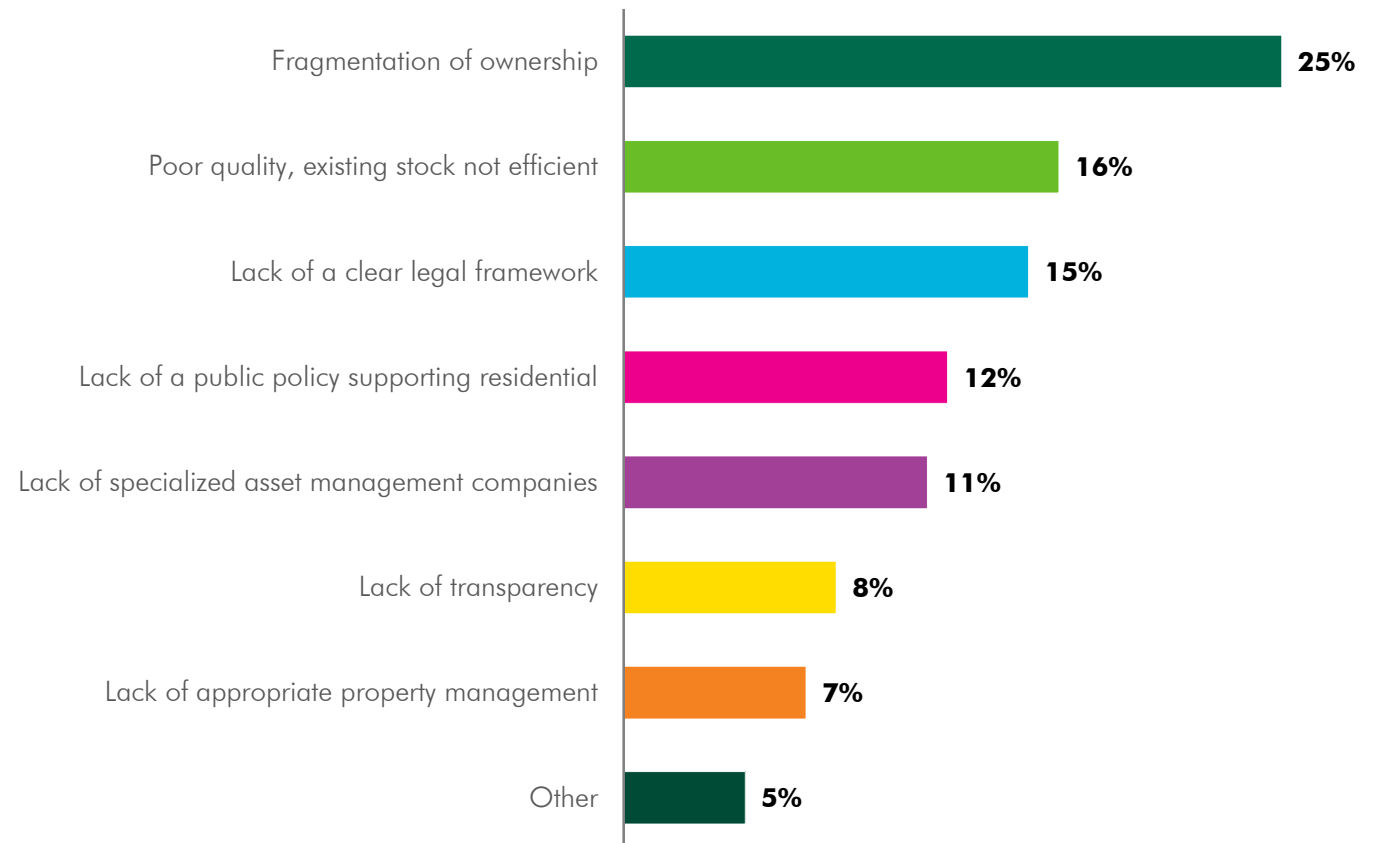
In recent years residential investments in Europe have spiked, going from 15% of total CRE investment volume in 2017 to 24% in 2020. The growth potential of the Italian residential market increasingly attracts investors.



...BUT A FEW OBSTACLES STILL NEED TO BE ADDRESSED

Which are the main constraints on investing in the residential sector in Italy?*

Lack of product and of a favorable legal/fiscal frameworks are slowing down the growth of the Italian residential sector.



*Multiple answers. The percentage corresponds to the number of preferences over the total amount of people surveyed.

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SURVEY 2021

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