

ROME | OFFICE

Market Report

QUARTER 2 | 2018

Colliers International Italia

Leasehold market

With 85,000 sqm in transactions, the take-up volume during the first half of the year is a record result for the last five years (2014-2018), achieved thanks to a very active second quarter (over 63,000 sqm).

Nevertheless, a single transaction accounted for 20% of the quarterly total, confirming that the dynamic nature of the market is a result of atypical letting transactions. Specifically, it is the transaction by consulting company Ernst&Young, which selected a property within the CBD to be fully refurbished based on its requirements. This is the same strategy that E&Y used in Milan, choosing a pre-let contract in that case as well, taking advantage of the possibility to work with the company that developed and designed the building.

This solution allows the owner of the property to avoid the risk of launching a refurbishment project without knowing whether the market will absorb new product. However, it reduces the amount of new available product for occupiers who need to let space quickly, particularly in the central areas.

Reconstruction of the property owned by the city, formerly the headquarters of the Health Office, was completed in mid-May through project financing. With over 2,000 sqm of exhibition space open to the public, the building envisages only about 1,000 sqm of fully refurbished offices.

For larger space requirements, one needs to look at more peripheral zones. In fact, among the new projects in the pipeline, a new Business City was just presented within Leonardo da Vinci Airport in Fiumicino, with over 91,000 sqm subdivided into seven buildings for office use, an ample conference centre and two new hotels. The beginning of works is envisaged for the end of 2018, with the initial deliveries from 2022.

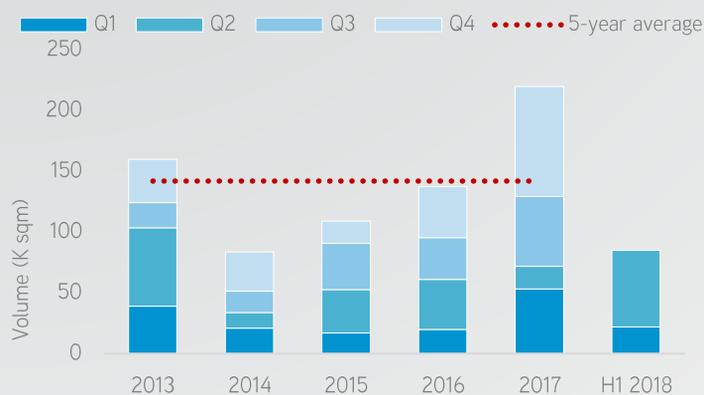
In terms of rents, due to inconsistent market activity with a rather high vacancy rate which does not apply any pressure, prime rent in the CBD is steady at 400 €/sqm/year. Specifically, there is still not enough interest in quality supply to drive up values. Average rents also stabilised during this half-year, after a fluctuating period.

KEY INDICATORS

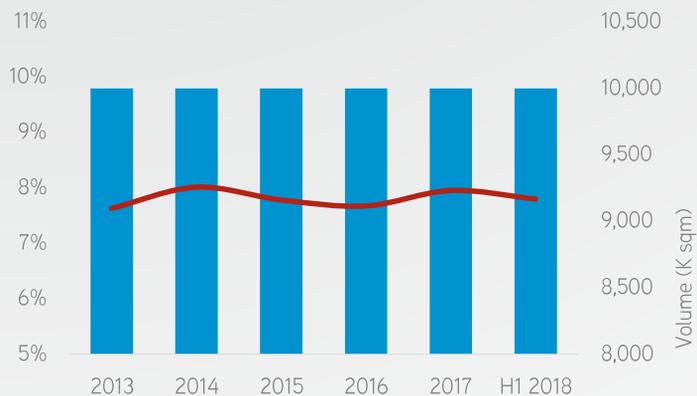
	ROMA	ITALIA
Population	2,872,800	60,484,000
GDP Growth	+1.7%	+1.6%
Unemployment rate	9.4%	11.5%
Employment	+1.6%	+1.3%
Income per-capita	24,700 €	20,700 €

Source: Population > ISTAT
Unemployment > ISTAT
Employment > CC Milano/ISTAT
GDP > MEF

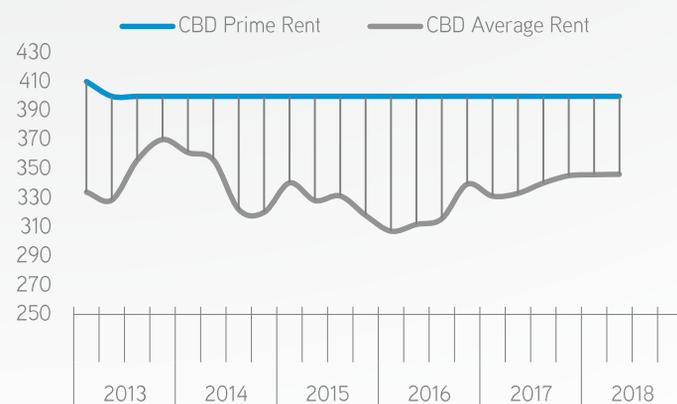
Take-up



Stock and vacancy rate



Rent CBD (€/sqm/y)



In terms of office zones, the Roman market continues to be linked to its two reference zones. The Greater EUR took up 35% of the total in the first half of the year, followed by the CBD with 30% (equal to over 25,000 sqm). Companies continue to seek space in the two main office markets that offer quality properties and locations, in addition to public transport and parking.

With regard to transactions in terms of area, there is no particularly predominant category: only slightly higher - with nearly 30% of the total volume - is the segment between 3,000 and 6,000 sqm, followed by areas of over 6,000 sqm. The segment between 1,000 and 3,000 sqm, namely the one that has been the most dynamic in the past, actually recorded a lower number of transactions.

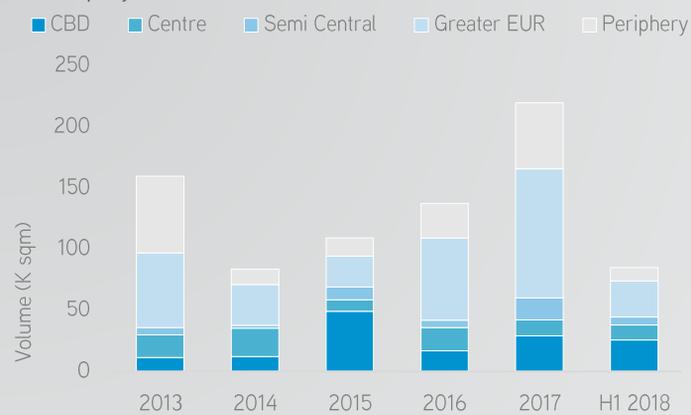
An analysis of transactions in the Roman market by rent shows a concentration of over 30% in the 230-300 €/sqm/year range, followed by the 300-375 €/sqm/year range, which accounts for 15%. Rents are therefore low compared to other European markets.

In terms of supply, office stock is constant at around 10 million sqm, with the vacancy rate up by over one percentage point to 9.1%. This value does not take into account landlords who remove properties from the market because they require major refurbishment works in order to attract potential tenants.

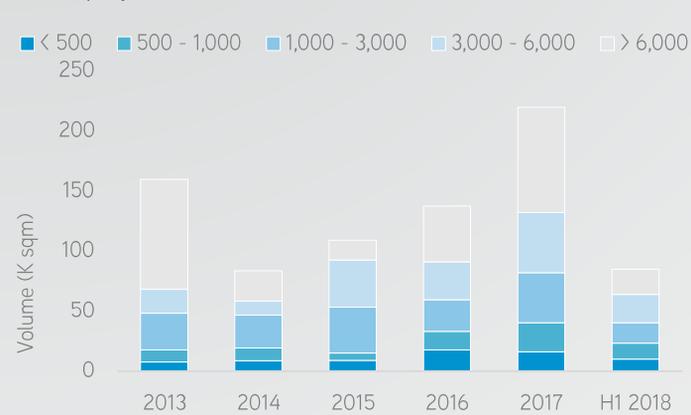
The predominant sectors are Legal-Consulting, thanks to the E&Y transaction, and Other. This sector includes over 6,000 sqm of coworking companies, particularly Regus. In fact, this company is setting up shop in the Capital as well, after its widespread dissemination in Milan. The last transaction completed was that of a building above the Laurentina underground station.

The financial sector follows, with over 15,000 sqm, driven by the 7,000 sqm transaction in Via dell'Arte by Leasys, company of the FCA Group. Activity continues to be absent in the public sector, accounting for only 10% of transactions, a very low value with respect to the areas occupied.

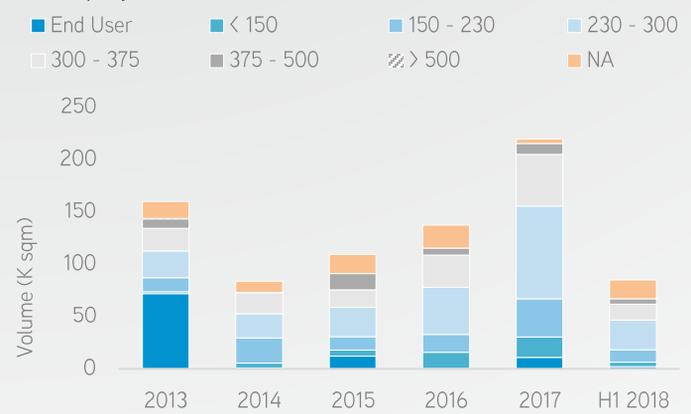
Take-up by submarket



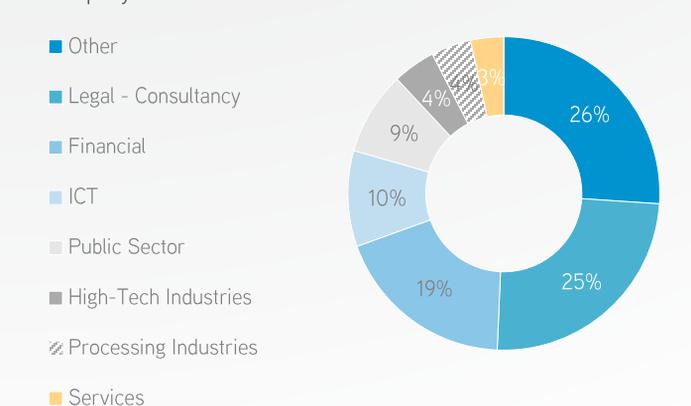
Take-up by area band



Take-up by rent band



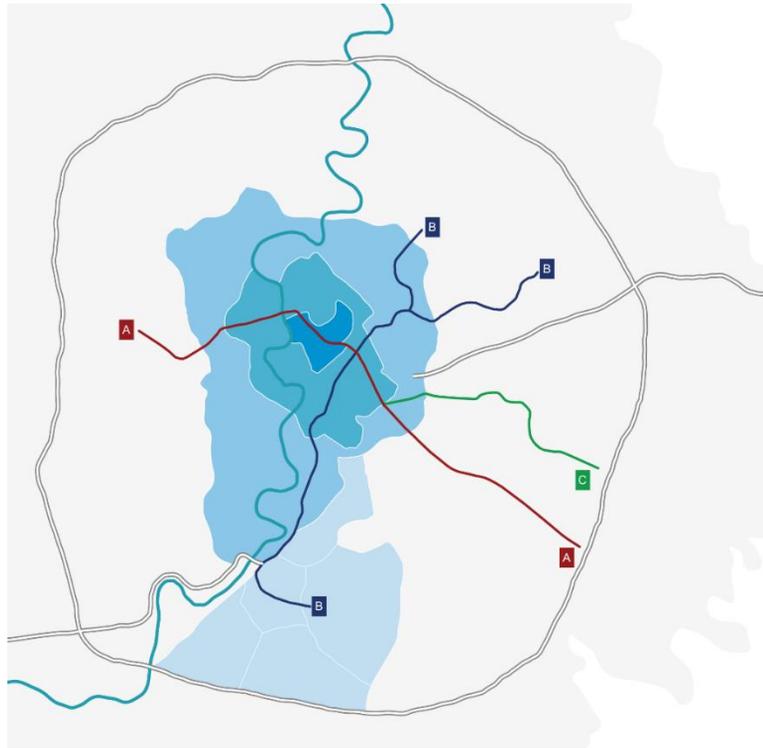
Take-up by business sector



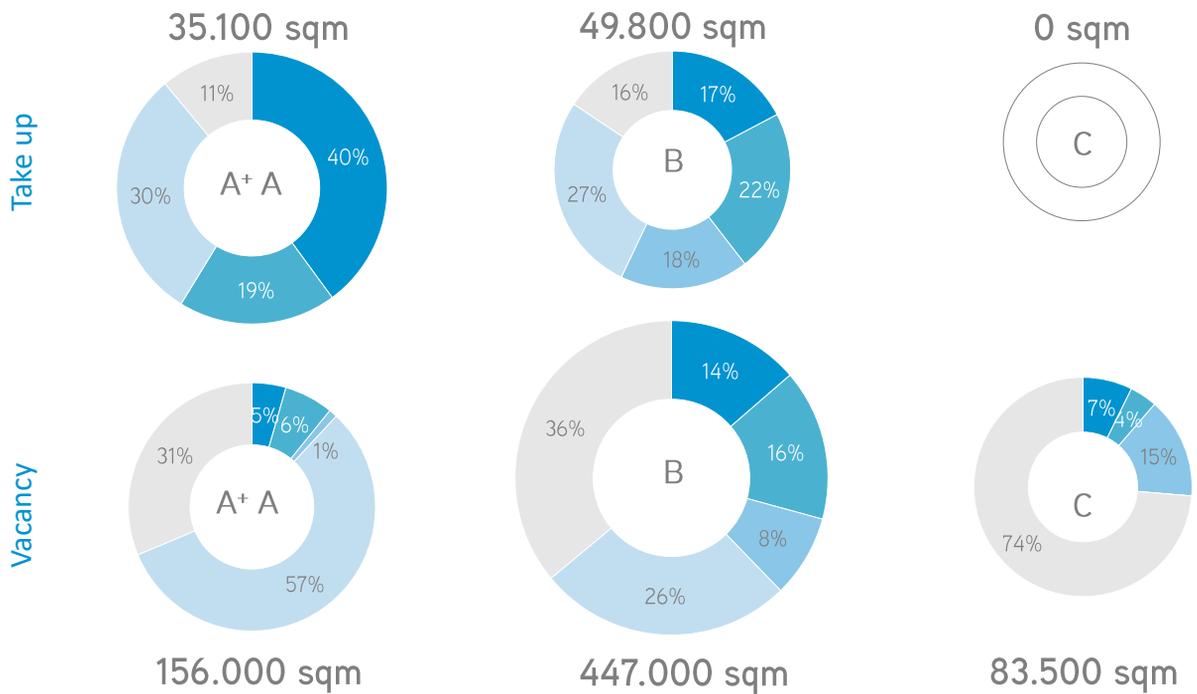
Key Indicator– H1 2018

Trend H1 2017/H1 2018

	Prime Rent €/sqm/y	Take up K sqm	Vacancy rate (exc. grade C) %	Stock K sqm
	400	85,3	7,8	10.000
	400	25,6	3,6	2.450
	380	12,2	5,5	1.650
	380	6,4	8,0	750
	330	30,1	7,9	2.876
	180	10,8	13,8	2.274



Take-up and Vacancy by Grade – H1 2018



CBD



Centre



Semicentral



Greater Eur



Periphery

Investment market

The total volume of investment in all sectors at the end of the first half of 2018 amounts to approximately € 500million, 47% less than the same quarter of 2017. In terms of offices, only € 300million was invested, down 60% compared to the first half of 2017.

No exceptional single-asset transactions (over € 100million) were recorded during the half-year, as occurred in prior years. Another characteristic of the half-year was the location of investments, showing growth in the importance of the Greater EUR, which accounted for 41% of office transactions, surpassing the CBD.

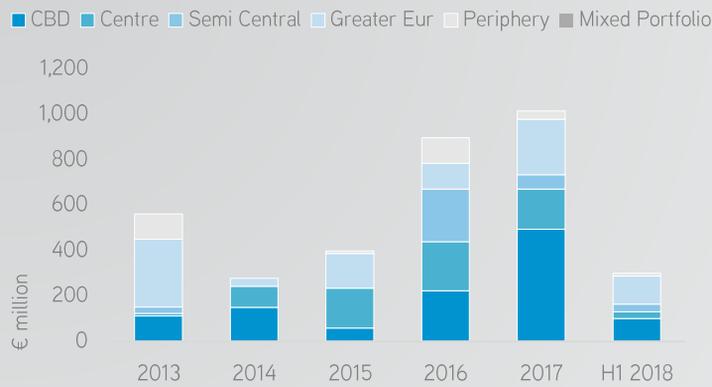
Two transactions also regarded the leasehold market but in a different manner. On the one hand, a core product located at the Laurentina underground station, with a newly signed lease agreement, was acquired by a pan-European fund managed by BNP Paribas from a private party.

On the other, an almost value-added product in the CBD. Although the current tenant just signed a pre-let agreement for another building in the CBD, the purchaser assessed the quality of the building which, when vacated in about two years, will undergo refurbishment and be placed back onto the market.

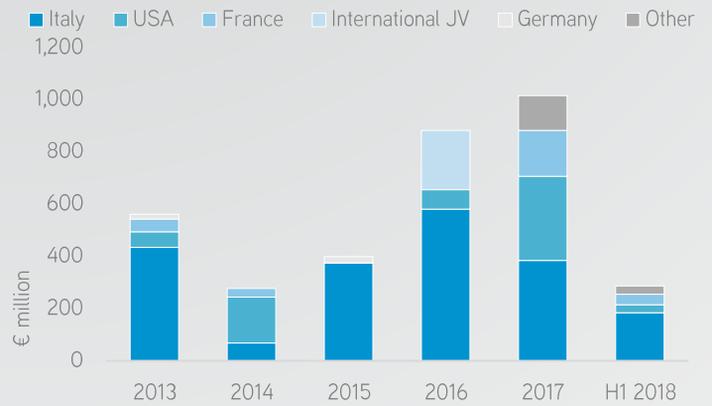
In the two cases, the location of the asset was able to attract capital, including foreign. Nevertheless, national operators are again predominant after a weak 2017, accounting for nearly 70% of the total volume in the first half of the year. Only at year-end will it be possible to confirm the 2017 trend of predominance of foreign capital or determine that the past year was an anomaly.

In terms of yields, especially prime, investor interest remains high and the market is very active for these products. The scarcity of national product encourages maintenance of yields at very low levels. Instead, there is no real market for properties that are not well-positioned and/or with a high vacancy rate.

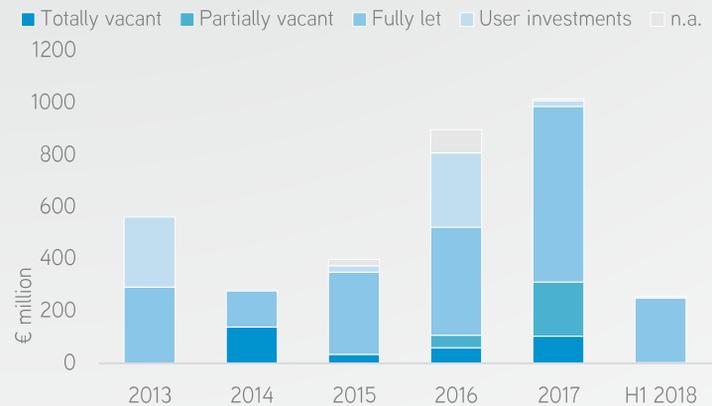
Investment by submarket



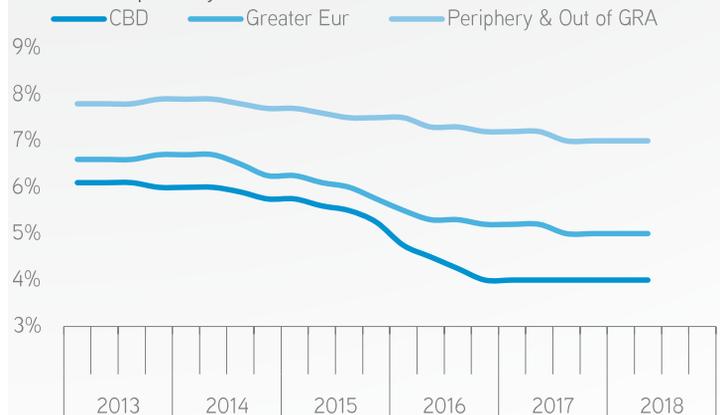
Investors origin



Rental situation



Net initial prime yields





Accelerating success.



15,400

Employees



€2.4bn

Revenues



170m

Sqm under management



69

Countries



68,000

Transactions



€103bn

Transactions value

Based on 2018 data

FOR MORE INFORMATION

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