

Residential snapshot



Residential benefits from the current market environment

In Italy, the first nine months of 2021 witnessed a good dynamism of the market, with the closing of 144 deals for a total of around €5.4 bn, higher by 2% YoY. Even if the office sector confirmed to be the main investors' target with around €2 bn of volumes, the logistics one hit a new record high reaching in Q3 2021 the highest number of investments ever recorded. Living, alternatives and healthcare are becoming an integral part of investment strategies, while the retail sector continued to record a downward trend as the hospitality one, although the latest remained one of the most sought-after sector. International investors were the most active in the market, looking for assets in the whole investment spectrum in the most competitive segments. Milan is still the main investors' destination, attracting the 43% of the volumes, but other geographies are becoming more and more appealing along with the increasing interest in the living, alternatives and healthcare sectors.

Investment appetite for the residential sector continued to accelerate across most markets and it is clear that real estate investors have now reached a transitional phase where living investment is of equal importance to the traditional commercial sectors. Globally, living has seen US\$219 bn of investment in the first 3 quarters of 2021, an 80% increase over 2020 levels and 36% above 2019. In Europe, investor interest in multifamily, along with single-family and affordable housing, continues unabated. With structural factors continuing to drive portfolio reallocation from investors, the living sector is one of the main beneficiaries. Living investment in Europe continues to benefit from experienced North American investors and intraregional demand. Here total residential volumes reached more than €40 bn of volume in the first three quarters of 2021, recording a 34% increase YoY.

In Italy, around €210 mln of residential volumes were recorded since the beginning of the year across 7 deals.

The operations were concentrated in the North of the Country and in particular in Milan, which confirmed to be a key location for the sector; here the biggest deal of the year, the iconic Torre Velasca building, was closed.

In January 2021, the resident population in Italy was of 59.2 million of inhabitants; this figure is expected to decrease over the next ten years, but conversely urban population should raise up. Both Rome and Milan should in fact record a population increase respectively of 2.3% and 1.2%. The number of Italian families is expected to grow by 2031 (+2.6%) and to be characterized by a smaller average household size (2.2 components). In the second quarter of 2021 a compression of households' propensity to save was observed compared to the previous quarter. Correspondingly, consumption expenditures increased: in 2021 they are forecasted to raise up by 5% YoY and to come back to pre-covid levels in 2022, as well as household disposable income.

According to Banca d'Italia data and in line with the positive trend of the residential market, the disbursement of mortgage loans related to dwellings of consumer households increased by 21% in the last 12 months (H1 2021), amounting to €59 billion, mainly thanks to new contracts' expansion; volumes related to subrogation increased by 10%. In September 2021, the average interest rate to purchase a house was 1.4% (+12bps YoY). The 3-months Euribor rate registered a new downward record. The Mortgage Guarantee Fund for young people ("Fondo di Garanzia Mutui per i Giovani"), contained in the Sostegni bis Decree, supports young people under 36 years old who want to buy their first home. The state guarantee on the mortgage can reach up to 80% of the financed amount, for mortgages up to 250,000 euros. Through the budget law, this measure was extended to 2022 with positive effects on the market.

Key economic indicators

Forecasts	2021	2022
GDP	6.7%	4.7%
Unemployment rate	9.6%	9.1%
CPI	3.2%	0.8%
10-year GBY, interest rate	0.8%	1.4%
Loans for home purchase, rate	1.4%	1.6%

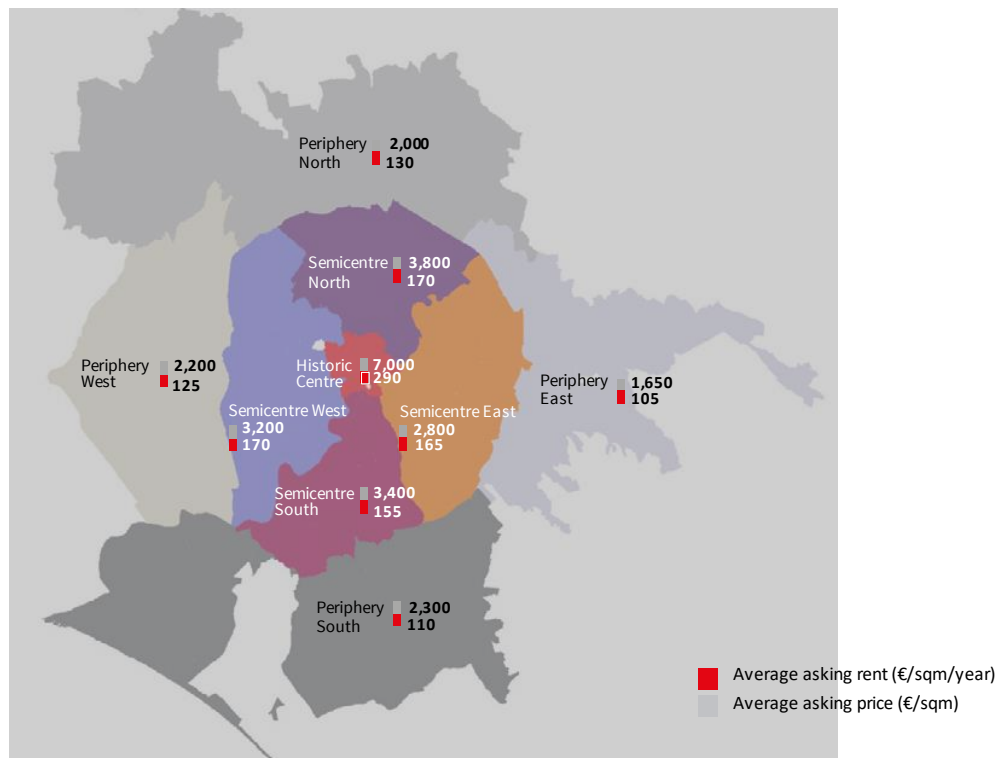
Source: Oxford Economics

Highlights

- Living, alternatives and healthcare are now becoming an integral part of investment strategies
- Residential investment volume YTD Q3 2021: €210 mln
- Transactions are expected to come back to 2019 level
- A lower supply of new and modern stock in the main cities is affecting urban markets
- Investors demonstrate a growing interest through developments
- High competition continues to reflect on values
- Interest rate trend sustains the sales market and loans

Rome,

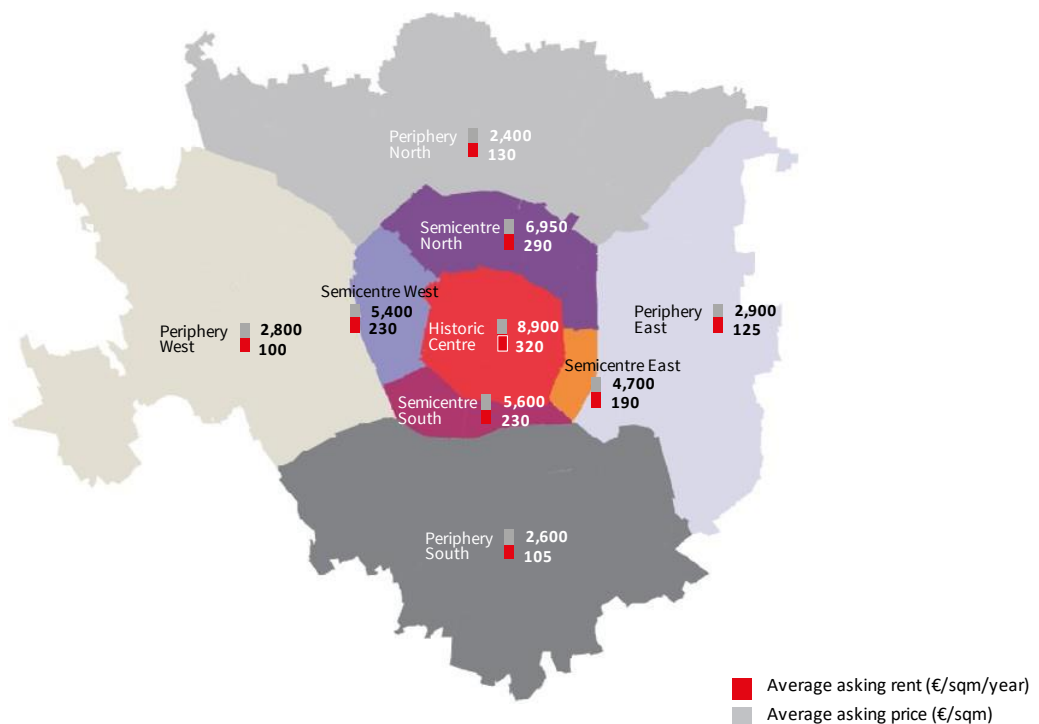
rents and prices by submarket*



*data related to both new constructions and second-hand houses

Milan,

rents and prices by submarket*



*data related to both new constructions and second-hand houses

Average rents, prices and changes on previous year*

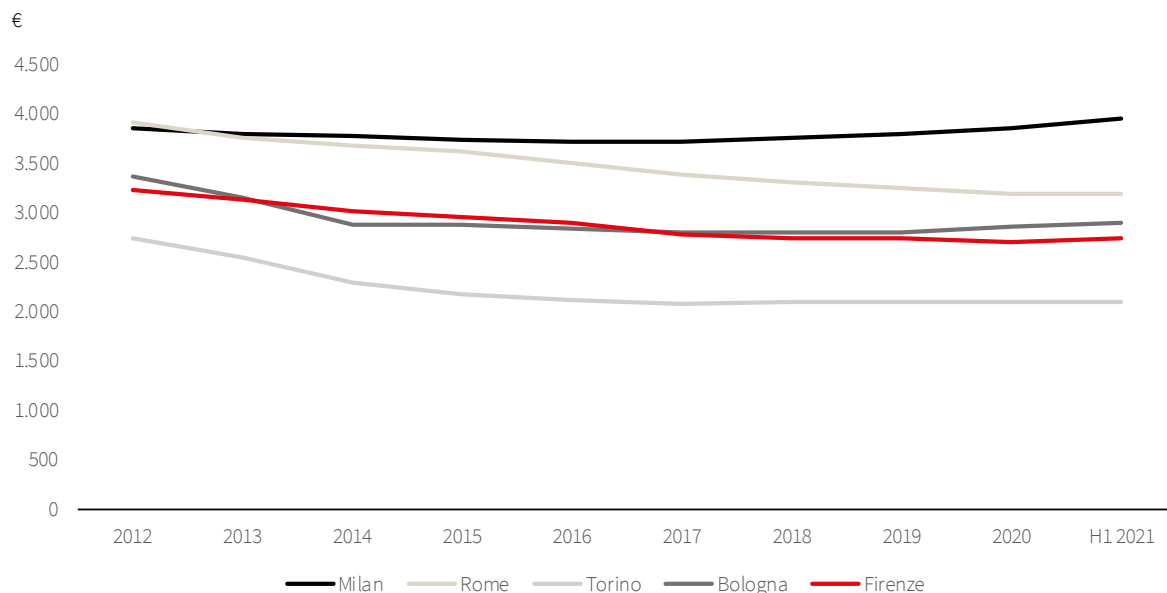
	Milan	Rome	Bologna	Firenze	Torino
Average asking price (€/sqm)	3,950 ↑	3,200 →	2,900 ↑	2,750 ↑	2,100 →
Average asking rent (€/sqm/pa)	170 ↑	130 ↑	130 ↑	130 ↑	95 ↑

Prime prices and prime rents*

	Milan	Rome	Bologna	Firenze	Torino
Prime price (€/sqm)	15,500	9,000	6,000	8,000	5,500
Prime rent (€/sqm/pa)	490	380	250	310	200

*Data refers to two-room and three-room apartments with medium or long term contracts

Average prices' trend



Italian average
prices (H1 2021 vs
H1 2020, % var.)

Average
0.4

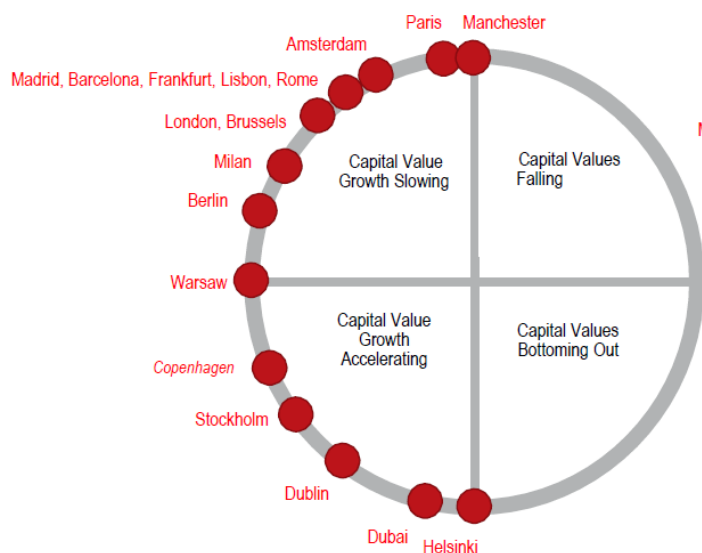
New
2.0

Second-hand
0.0

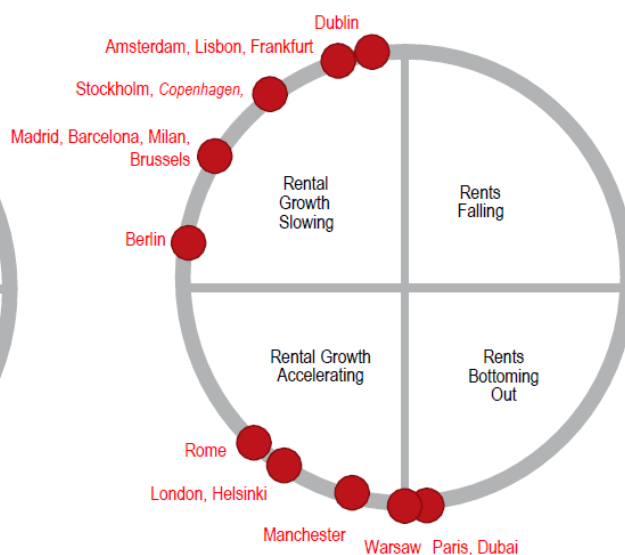
Source: ISTAT

EMEA Residential Clock

Q3 2021 – Residential Capital Growth



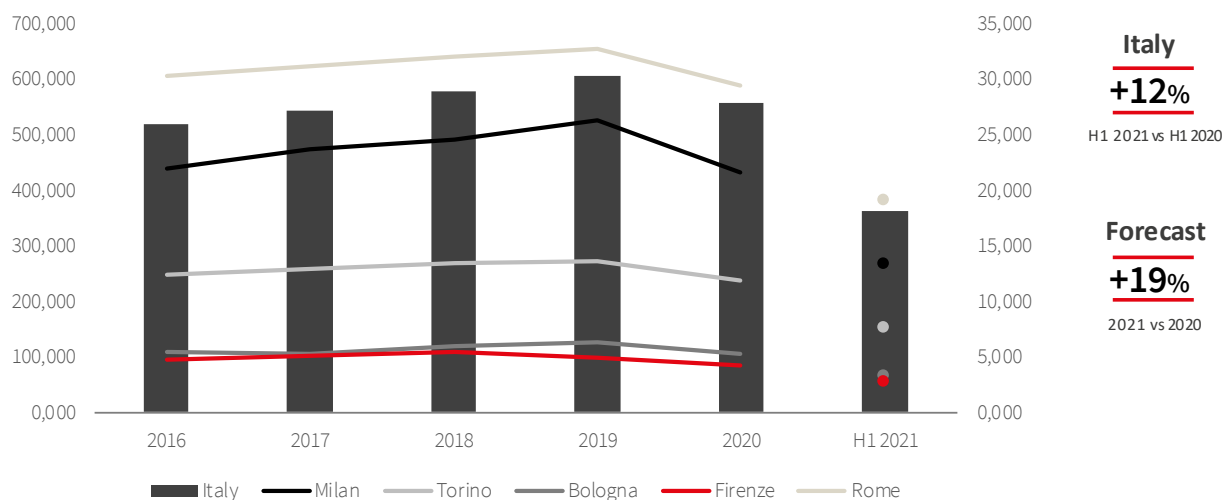
Q3 2021 – Residential Rental Clock



Based on central city geographies

NTN

Number of normalised transactions, Italy (left axis) and main cities (right axis)

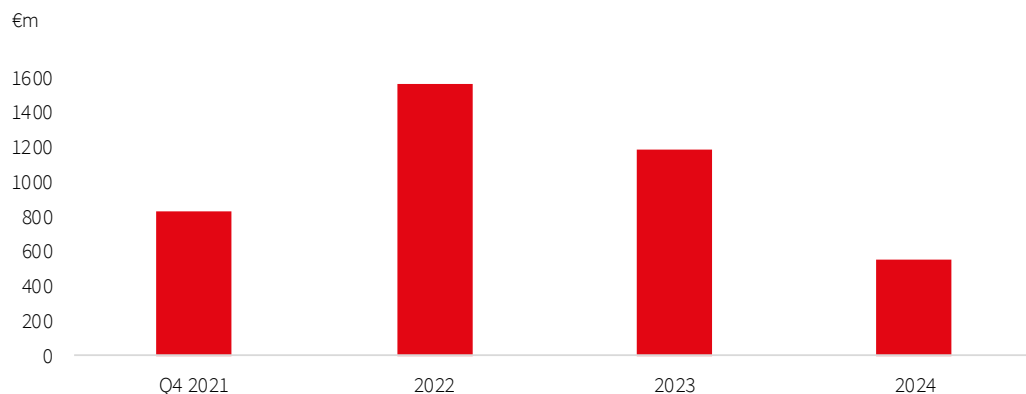


% NTN change H1 2021 vs H1 2020

Milan	Rome	Bologna	Firenze	Torino
+31%	+42%	+28%	+34%	+43%

Residential projects

Investment volume in residential development projects



Source: JLL elaboration on NII Progetti data

Main international projects

Angelo Gordon | Parco Adriano

- **Location:** Milan
- **Size:** 30,400 sqm - 500 dwellings
- **Delivery date:** 2025

Hines | Roncaglia, Villoreti, Trivulzio

- **Location:** Milan
- **Size:** 70,000 sqm – 300 dwellings
- **Delivery date:** 2023

Oaktree | Porta dei Leoni

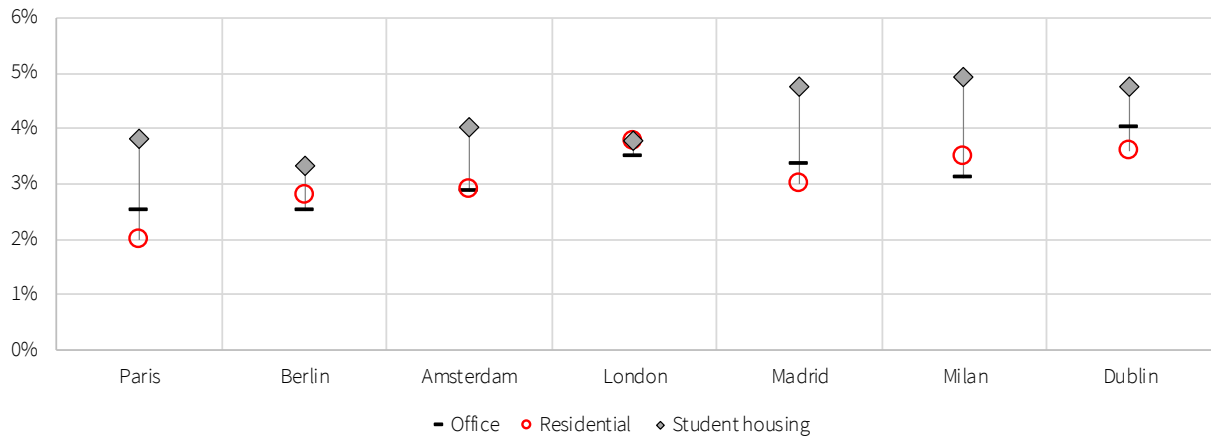
- **Location:** Rome
- **Size:** 10,000 sqm – 100 dwellings + retail + offices
- **Delivery date:** 2021

JP Morgan , GWM | Via Boncompagni

- **Location:** Rome
- **Size:** 30,000 sqm (mixed use: offices + residential)
- **Delivery date:** 2024

Prime yields

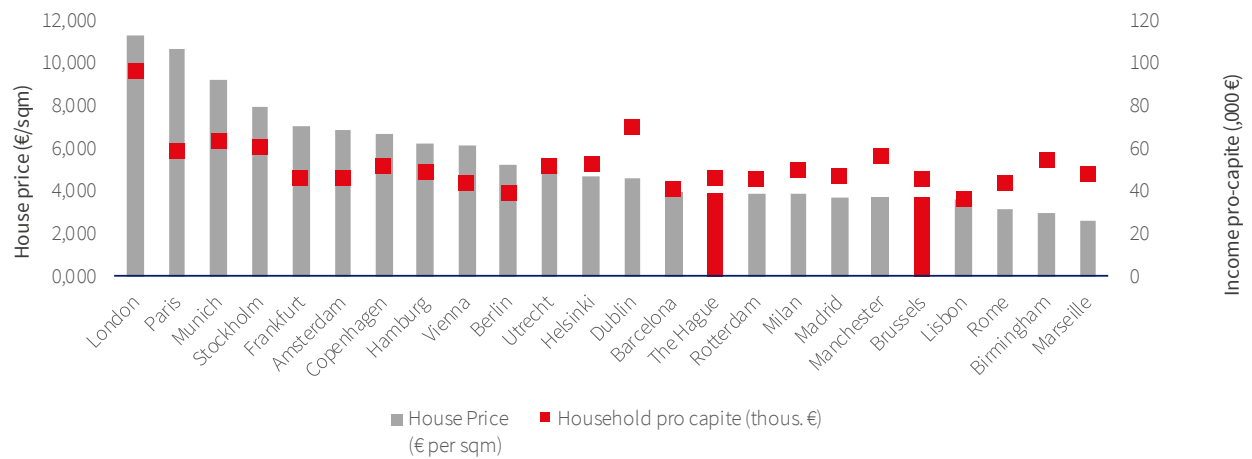
Europe, residential yields vs office, student housing and 10-year government bond yields



Source: JLL and Investing.com

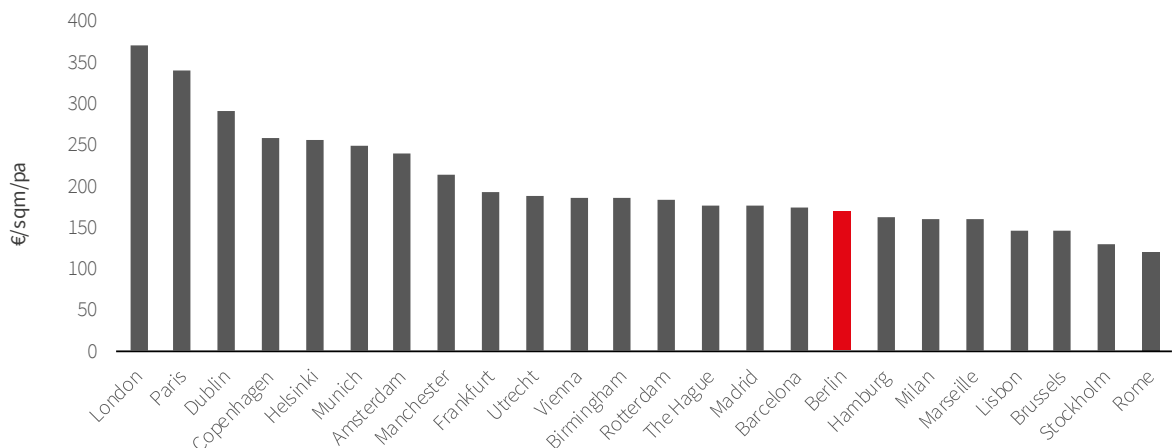
Italy vs Europe

Europe, average house prices and income pro-capite



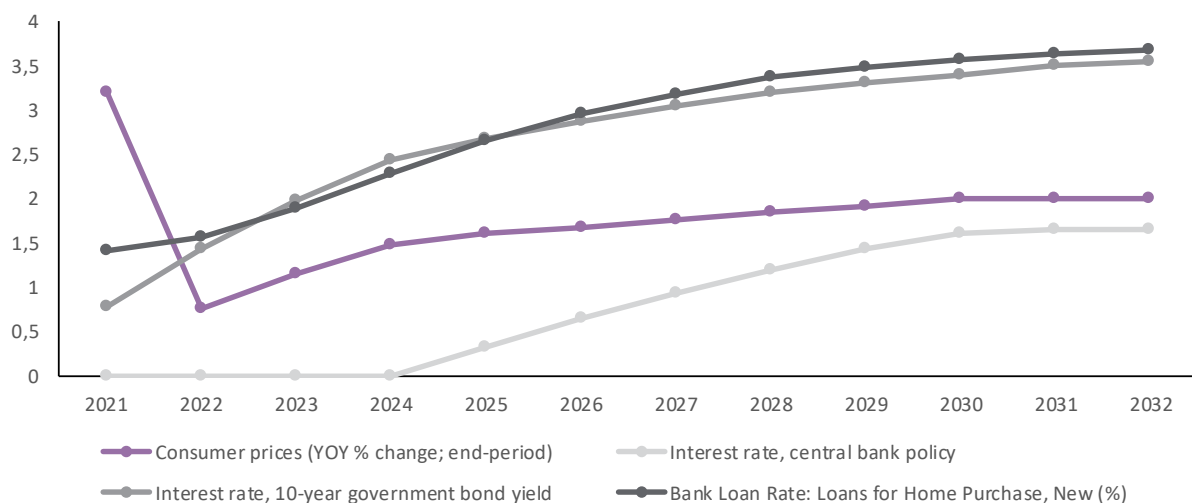
Source: JLL and Oxford Economics data

Europe, average rent comparison



Source: JLL, Various

Inflation and interest rate forecasts



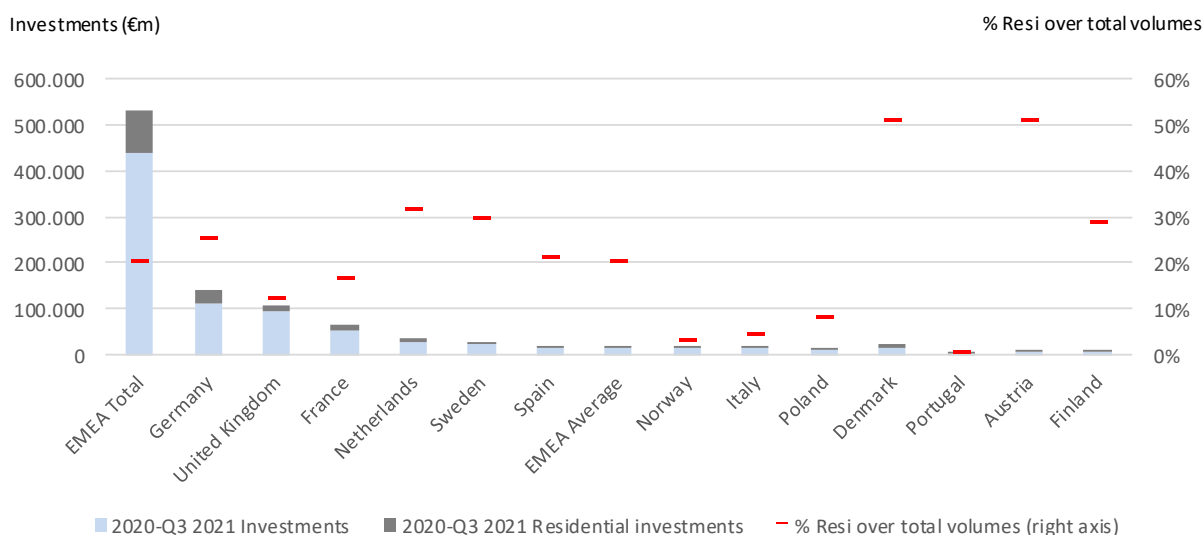
Source: Oxford Economics

In Autumn 2021, inflation exceeded expectations. Some European central banks decided to raise interest rates as early as September; other central banks are more cautious for fear of weakening the fragile economic recovery. Oxford Economics see Italian inflation to return below 1% in 2022 although supply-related shortages and surging energy costs will continue in the next months. ECB don't expect this bout of higher inflation to last so the key interest rate are forecasted to remained at their present or lower levels until 2024. In the last Monetary Policy Decision meeting of October 2021, the Governing Council continues to judge that favourable financing conditions can be maintained with a moderately lower pace of net asset purchases under the pandemic emergency purchase programme (PEPP) than in the second and third quarters of this year. Bond markets' outlook is currently driven by higher inflation, even if at a lower pace than six months ago, and this could affect public debt management.

The growing concern related to climate change and the need for investment in cleaner energy technologies will necessitate greater spending programs for governments, corporates and consumers as well as a geopolitical race to secure resources. All of this is likely to have an impact on taxes and consumer prices.

Investments' volume






2020-Q3 2021 EMEA total investments vs residential volume



ROME

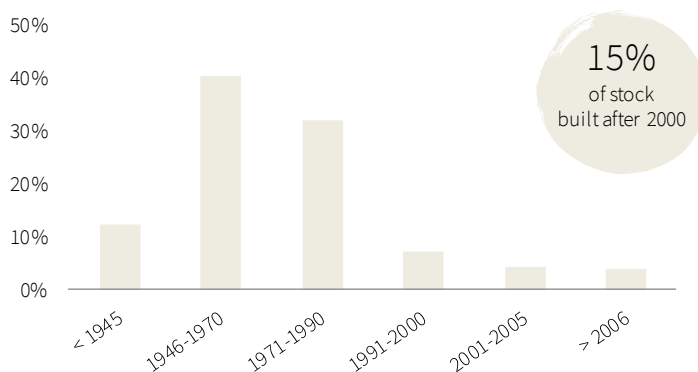
Rome is a universally recognized landmark for history, culture and for the service industry. The government houses, the embassies, the headquarters of the biggest Italian enterprises (Telecom, Finmeccanica, Ferrovie, Eni, Enel), the 22 universities campus characterize the vocation of the city, and therefore its real estate market. Today, Rome is facing an important and unavoidable challenge: leverage its strengths in order to gain a spot at the table of global investments. The Recovery and Resilience Plan allocates €1bn to the city; the 2025 Jubilee and the candidacy for the EXPO 2030 represent a unique opportunity to ground structural developments and create a new vision of the city. The biggest projects will concern public infrastructure, such as the renovation of the actual subways, the completion of the Linea C and the construction of new tramways. A second set of investments will concern the cultural assets, starting from the complete renovations of the Cinecittà Studios. The overall goal is to make Rome the smartest city of art in the world, capable of attracting tourists as well as human capital and becoming a hub for research and new endeavours as well as guaranteeing a better quality of life for its 3 million citizens.

Key figures for the metropolitan area of Rome

Area	Inhabitants	Employment Rate	Household disposable income per household	Active Companies
				
5,300 Km ²	4.2 mln (12% foreigners)	64% (national average: 60%)	44,400 € (national average: 43,600 €)	365,000 (Milan: 312,000)

Source: Oxford Economics, ISTAT, Infocamere

Rome, housing stock by year of construction



Source: ISTAT

The outdated real estate stock of Rome is an opportunity to redevelop vacant and dismissed buildings to new and modern Sell/ Built to Rent stock. New residential buildings are under development but under-supply is still characterizing the city residential market. New schemes proved to be very interesting for both domestic and international buyers, the latter usually seeking for prime properties in central locations.



Despite the Covid -19 emergency, Rome's housing market has proven to be resilient. The historic centre and the semicentral areas remain dynamic, powered by the interest and demand for new houses, replacements and investment opportunities. Rental sector proved to be resilient too, with increasing prime rents and a time to rent homogeneous in centre and semicentral areas. The prestigious areas of the city are mainly located in the historic centre and the adjacent locations; these neighbourhoods attract HNWI international buyers, even though Rome's residential market is predominantly domestic. International buyers typically look for trophy assets and historical buildings. In central areas, the average price range is very broad and varies according to the location, the type and the status of maintenance.

Most expensive locations

Tridente
(Campo Marzio,
Colonna, Pigna)



Corso Vittorio Emanuele II
(Ponte, Parione,
Regola)



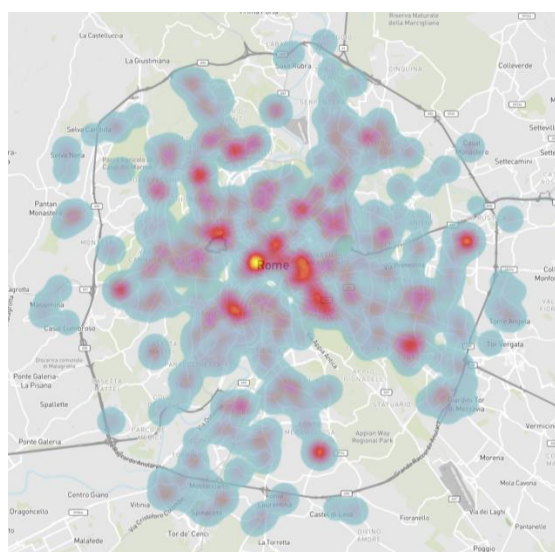
Sant'Angelo,
Borgo



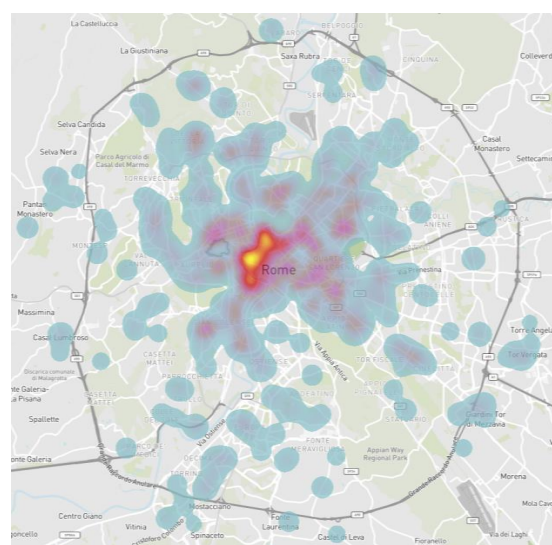
Aventino,
Trastevere



Prices heatmap



Rental heatmap



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