Italian real estate market:
Economic trends and investors perspective

ERES Industry Seminar
Institutional investments in Italian real estate market

Rome
Friday the 18th October 2013
Per capita GDP (2007=1) IMF hypothesis October 2013

Source: Nomisma forecast on IMF data
Enterprises who asked but not obtained credit (as a % of all enterprises who asked credit)

Source: Nomisma elaborations on Istat data
Perception of Italian banks on demand and supply of mortgages
(cumulated ratio of positive and negative answers 2005=0)

Source: Nomisma elaborations on Bank Lending Survey (Bank of Italy)
Rate of increase of non-performing loans (\%)  

Ratio between quarterly flow of non-performing loans and stock of loans at the end of the previous quarter: yearly data until the fourth quarter of 1995

Source: Bank of Italy
Mortgages to families
(quarterly data: million euros and forecast)

Note: from the third quarter 2013 Nomisma forecast

Source: Nomisma on Bank of Italy data
Italy – Evolution of sales (first semester of every year)

HOUSES

3.5%  4.9%  4.4%  -5.2%  -11.6%
2005  2006  2007  2008  2009  2010  2011  2012  2013

-5.8%  -14.9%  -14.9%  -22.6%

OFFICES AND STORES

3.5%  5.6%  -8.5%  -10.9%  -16.4%  -4.4%  -5.1%  -6.9%
2005  2006  2007  2008  2009  2010  2011  2012  2013

Source: Nomisma elaborations on Agenzia delle Entrate data
Italy – Number of house purchases

Source: Nomisma

(*) Forecast
Prices: the *repricing* continues
(*yearly % variation*)

**Average 13 big cities – Houses**

**Average 13 big cities – Offices**

**Average 13 big cities – Stores**

(*) Forecast

*Source: Nomisma*
Europe – Volume of real estate *corporate* investments (billion euros)

Source: Nomisma elaborations on BNP Paribas RE and CB Richard Ellis data
Italy – Real estate corporate investments

Italy – Volume of real estate corporate investments (billion euros)

Real estate investments in Italy as a % of European real estate investments

Source: Nomisma elaborations on BNP Paribas RE, CB Richard Ellis, DTZ and Savills data
Italy – Corporate investments by origin of investor (% on total investment)

Source: Nomisma elaborations on BNP Paribas RE and CB Richard Ellis data
Milan – real estate corporate investments

Milan – Volume of corporate real estate investments (million euros)

*note: in the III quarter of 2013, the 415 million euros under the category “other” are mostly related to the purchase of part of the project Porta Nuova Garibaldi by Qatar sovereign wealth fund

Source: Nomisma elaborations on BNP Paribas RE and CB Richard Ellis data
Source: Nomisma elaborations on BNP Paribas RE and CB Richard Ellis data
Rome – volume of real estate corporate investments
(million euros)

Source: Nomisma elaborations on BNP Paribas RE and CB Richard Ellis data
Rome – Vacancy rate

Rome – Vacancy rate corporate offices

Vacancy rate (thousand of sq m)  Vacancy rate (%)

- 2009: 646
- 2010: 585
- 2011: 598
- 2012: 610
- III Qrt 2013: 670

Source: Nomisma elaborations on BNP Paribas RE and CB Richard Ellis data
Milan and Rome—Prime yields offices

Milan – Prime yield offices

<table>
<thead>
<tr>
<th>Year</th>
<th>CBD</th>
<th>First periphery</th>
<th>Second periphery</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>6.85</td>
<td>5.55</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>6.55</td>
<td>5.30</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>6.25</td>
<td>5.35</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>6.45</td>
<td>5.50</td>
<td></td>
</tr>
<tr>
<td>III Qrt 2013</td>
<td>6.50</td>
<td>5.60</td>
<td></td>
</tr>
</tbody>
</table>

Rome – Prime yield offices

<table>
<thead>
<tr>
<th>Year</th>
<th>CBD</th>
<th>First periphery</th>
<th>Second periphery</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>6.10</td>
<td>6.85</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>5.85</td>
<td>6.75</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>5.75</td>
<td>6.50</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>5.90</td>
<td>6.60</td>
<td></td>
</tr>
<tr>
<td>III Qrt 2013</td>
<td>6.10</td>
<td>6.60</td>
<td></td>
</tr>
</tbody>
</table>

Source: Nomisma elaborations on Nomisma, BNP Paribas RE and Cushman & Wakefield data
## Italy – Evolution of the value of retail real estate funds by expiration date

<table>
<thead>
<tr>
<th>Expiration date</th>
<th>Number of expiring funds</th>
<th>Real estate value (million euros)</th>
<th>Value variation compared to previous semester</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3</td>
<td>1.169</td>
<td>-1.24%</td>
</tr>
<tr>
<td>2014</td>
<td>7</td>
<td>1.965</td>
<td>-2.28%</td>
</tr>
<tr>
<td>2015</td>
<td>6</td>
<td>1.362</td>
<td>-2.14%</td>
</tr>
<tr>
<td>2016</td>
<td>3</td>
<td>535</td>
<td>-2.70%</td>
</tr>
<tr>
<td>2017</td>
<td>2</td>
<td>239</td>
<td>-3.52%</td>
</tr>
<tr>
<td>2018</td>
<td>2</td>
<td>166</td>
<td>-2.01%</td>
</tr>
<tr>
<td>2019</td>
<td>1</td>
<td>407</td>
<td>-2.78%</td>
</tr>
<tr>
<td>2020</td>
<td>1</td>
<td>350</td>
<td>-1.71%</td>
</tr>
<tr>
<td>2021</td>
<td>1</td>
<td>306</td>
<td>-1.72%</td>
</tr>
<tr>
<td><strong>Totale</strong></td>
<td><strong>26</strong></td>
<td><strong>6.498</strong></td>
<td><strong>-2.11%</strong></td>
</tr>
</tbody>
</table>

*Source: Nomisma elaborations on funds balance sheets*
Asset allocation: casse private, foundations, pre-existing pension funds

Note*: for Casse private the variation 2007/2011 takes into account only the indirect investments
Note**: in order not to distort the figure, the assets of the “other” category of insurance companies have not been represented and are equal to roughly 360 billion euros

Source: Nomisma elaborations on various sources
Indirect real estate: actual and desired asset allocation, by localization and typology

Source: Nomisma elaborations on direct survey data
Evolution of institutional investors asset allocation

Past
- Equity: 60%
- Fixed Income: 40%

Present
- Equity: 50%
- Alternatives: 15%
- Fixed Income: 35%

Future
- Real Assets: 25%
- Absolute Return: 10%
- Equity: 35%
- Fixed Income: 30%

Source: JP Morgan Asset Management