

ITALY

Cushman & Wakefield
Global Cities Retail Guide



Italy is a modern and cosmopolitan country, a land of creativity, centrally located in the heart of the Mediterranean. It is at the crossroads linking the North and South of Europe.

Italian style, innovation, creativity and love for tradition are all key success factors of the “Made-in-Italy” brand in the competitive world market.

Shopping in Italy is also a serious business. Italians take price, style and quality into careful consideration before buying. More recently shopping habits have become more polarised as Italian shoppers are increasingly looking for value through discount and private label goods, though luxury and premium brand retailers’ sales have proved resilient. The shopping streets in all towns and cities are also places to be seen on the early evening “passeggiata.”

Compared to many Western European markets the Italian retail sector remains highly fragmented and is dominated by small independent businesses, the majority of which operate as single outlets.



ITALY OVERVIEW

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ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	0.8	-0.1	0.4	0.5	0.7
Consumer spending	0.6	0.3	0.4	0.6	0.6
Industrial production	0.7	-0.6	0.6	0.7	0.6
Investment	3.2	-0.3	0.4	0.7	0.8
Unemployment rate (%)	10.6	10.8	10.5	10.4	10.2
Inflation	1.1	0.9	0.9	1.1	1.7
US\$/€ (average)	1.2	1.1	1.2	1.2	1.3
Interest rates Short Term (%)	0.0	0.0	0.2	0.5	0.7
Interest rates 10-year (%)	2.6	2.9	3.4	3.7	4.1

ECONOMIC BREAKDOWN

Population	60.5 Million (2018)
GDP (nominal)	US\$2.07 Trillion (2018)
Public Sector Balance	-2.1% of GDP (2018)
Public Sector Debt	154% of GDP (2018)
Current Account Balance	2.5% of GDP (2018)
Parliament	The election in March 2018 resulted in a hung parliament with a majority for the populist parties (Five Star Movement and Lega) and formal consultations have now started.
Election Date	2023 (legislative)

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

ITALY	2018	2019F	2020F	2021F	2022F
Retail Volume*	-0.2	0.9	0.7	0.9	0.8

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

CITY	POPULATION (2016)
Roma	2,856,133
Milano	1,378,689
Napoli	959,188
Torino	875,698
Palermo	663,401
Genova	578,000
Bologna	390,636
Firenze	378,839
Bari	320,862
Catania	311,584
Venezia	260,520
Verona	257,993
Messina	232,555
Padova	210,912
Trieste	204,267
Taranto	196,702

SOURCE: ISTAT 2018



ITALY LARGEST CITIES

ITALY

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Coops (Ipercoop and Coop), Bennet, Conad, Iper, Esselunga

MAJOR INTERNATIONAL FOOD RETAILERS

Auchan, Carrefour

MAJOR DOMESTIC NON-FOOD RETAILERS

Coin, OVS, Piazza Italia, Benetton, Terranova, Pittarosso, Salmoiraghi & Viganò, Trony, Expert, Cisolfa Sport, Scarpe & Scarpe, Brico centre, Mondo Convenienza

INTERNATIONAL RETAILERS IN ITALY (a selection)

Inditex group, H&M group, Sephora, Muji, Mango, Abercrombie & Fitch, Hollister, GAP, Apple, Desigual, Mediaworld, Saturn, Decathlon, Celio, Deichmann, Tiger, The Disney Store, Tommy Hilfiger, Foot Locker, Timberland, Nike, Adidas, Puma, Kiabi, JD Sports, Primark, Maisons du Monde, Ikea, Leroy Merlin, Zara, Under Armour

FOOD AND BEVERAGE OPERATORS

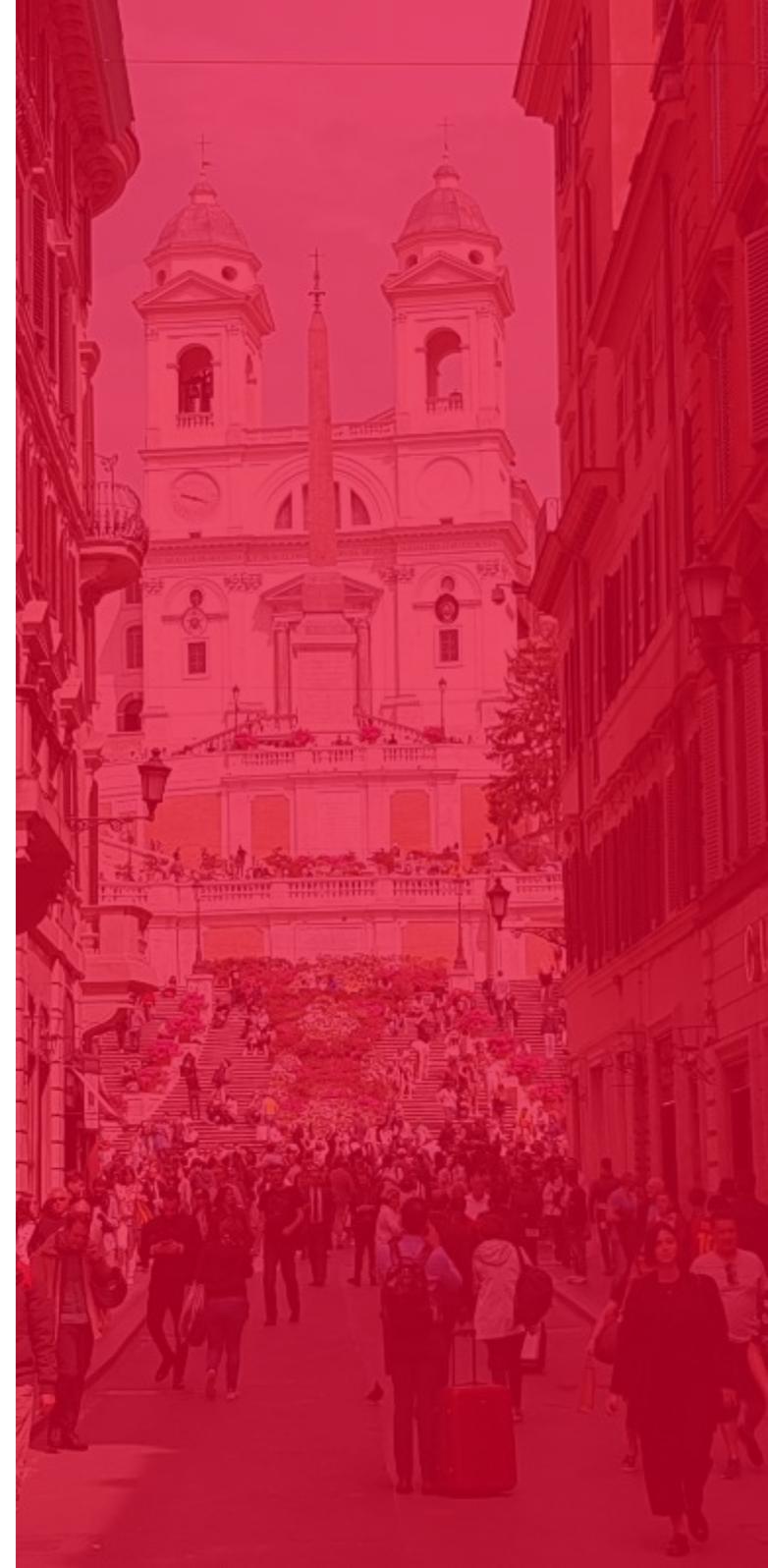
Autogrill group, McDonald's, Burger King, Rosso Pomodoro, Fratelli La Bufala, Old Wild West, Ladurée, Eataly, Grom, Wok, Sushiko, Roadhouse, Cioccolati Italiani, Venchi

TYPICAL HOURS

The liberalization of opening hours was introduced by the “save Italy” reforms in 2012, under Prime Minister Monti, allowing shops to stay open 365 days a year. However, local administrations have been granted power to establish more localised opening hours if deemed in the interest of the public.

NEW ENTRANTS TO MARKET

Primark, Urban Outfitters, Fielmann, Lego, Under Armour, Uniqlo, Starbucks, Five Guys



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RETAIL SCENE

The high street market in Italy has reached an important level of maturity, with growing interest on behalf of the main international brands and investors.

Milan remains the most sought after location both in the luxury and mass market sectors, further improving its ranking amongst the top high street locations worldwide, in terms of prime rental values. Rome, Venice and Florence, where retail activity is sustained by tourism, are also internationally recognised as prime locations, placed with the top ten in Europe.

The growing trend of online sales continues to be monitored by retailers and owners alike and has caused companies to contemplate new strategies. Top brands are integrating online shopping into the retail experience they offer and focusing on top locations and flagship stores. International mass market retailers continue to play an important role on Italian high streets and although domestic retailers have been cautious with their expansion plans, various brands have taken space in key locations over the last twelve months.

Food & beverage (F&B) operators have started to expand on the high street, providing new occupiers for secondary pitches. Whilst the appreciation of good food and drink is something imbued in all Italians from birth, the Slow Food movement that started in the 1980s was in response to the challenge posed by globalisation. Since then, the country has further developed its expertise in food technology and marketing.

Eataly exemplifies this concept, with a layout in the form of market stalls for fresh, local food and a mix of restaurant dining and fast quality food. The largest store is located in Rome, with around 16,000 sqm. A similar format is represented by Mercato Centrale, present in Florence and Rome, with a wide choice of restaurants and shops of typical Italian products. A different approach can be seen in the combination of luxury goods and F&B drink under one roof, such as La Rinascente department store in central Milan, which pioneered this concept.

It is also worth mentioning Fico Eataly World, representing the world's largest agri-food park, opened recently in Bologna, on an area of 10 hectares. The site comprises a total of 80,000 sqm of covered space dedicated to Italian food and wine and serving as a marketplace for local producers selling directly to the public.

The shopping centre market has been active and characterised by a number of projects focusing on innovation, technology and eco-sustainability. Completions in 2018 were approximately 100,000 sqm, including new schemes and extensions, reflecting the more cautious and selective approach to development.

The total supply of modern retail schemes in Italy (including all formats: shopping centres, factory outlet centres, retail parks and leisure centres) now amounts to 17.1 million sqm of GLA, placing Italy at no. 5 in Europe in terms of floor space (considering shopping centres only).

Shopping centre owners are increasingly dedicating resources to the analysis of consumer trends and modern retail demands: in addition to the increasing digitalisation of consumer life, the growth of the food & beverage and leisure sectors are among the most interesting trends, capable of improving the performance of shopping centres in terms of the number of visitors, the duration of customers' stay and turnover.

Main openings of 2018 included centres such as the 20,000 sqm Aura (Valle Aurelia) shopping centre in Rome and the 21,000 sqm La Fabbrica shopping centre in Salerno.

Main openings in first half 2019 included centres such as the 32,000 sqm Gran Roma shopping centre in Rome and the 21,000 sqm centre La Birreria, in Naples. The main extension concerned the Settimo Cielo retail park, located in the Turin area, that resulted in an overall surface of 67,000 sqm.



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SHOPPING CENTRES

TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM*)	YEAR OPENED
Porta Di Roma	Roma	137,000	2007
Etnapolis	Belpasso	105,000	2005
Orio centre	Orio al Serio	105,000	1998
Roma Est	Roma	102,905	2007
Campania	Marcianise	102,000	2007
Centro Sicilia	Misterbianco	96,000	2011
Parco Leonardo	Fiumicino	95,396	2005
Citta' Fiera	Martignacco	94,000	1992
Il Centro - Arese	Arese	92,000	2016
Tiare Shopping	Villesse	90,000	2013

*GLA also includes big box/retail park/leisure elements considered part of the shopping destination

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KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	<p>The standard form of Property Lease (Contratto di Locazione) may be used for commercial premises of all types, and its format is to some extent covered by different sources of regulations, including the Civil Code and other relevant laws (ie. law 392/1978). The lease term is 6 years minimum (often with automatic renewals of 6 years) for commercial properties with some exceptions (i.e. hotels for 9 years, or for other peculiar motivations). For leases exceeding €250,000/year all lease terms are subject to negotiation.</p> <p>The "Contratto di Affitto di Ramo D'Azienda" (business branch lease) is another form of contract frequently used for retail units, mainly in shopping centres or in town locations for spaces > than 250 sqm, where the landlord controls the retail trade license. Such "business leases" are usually for 5 to 7 years in retail schemes and 10-15 years in in town locations.</p>
Rental Payment	<p>Euro per square metre per year, generally due quarterly in advance. A security deposit is usually required and it is generally a maximum of 3 months rent. Often landlords ask for wider guarantees (usually bank guarantees) to cover tenants obligations.</p>
Rent Review	<p>The rent is adjusted on a yearly basis (at each anniversary of the lease) according to the inflation index published by ISTAT (Italian Institute of Statistics). Often the adjustment for Property leases is usually 75% of the ISTAT index (except for leases exceeding €250,000/year), while for Business leases is usually 100% of the ISTAT index.</p>
Service Charges, Repairs and Insurance	<p><i>Service charges</i> - Service charges vary depending on the scope of services provided by landlords. They normally include: building security, reception, common areas & plants both minor and major maintenance ("manutenzione ordinaria e straordinaria"), HVAC, utilities for common areas etc. The related costs are usually proportionally allocated to each tenant to reflect the amount of floor areas leased. In shopping centres, in addition to the service charge, tenants will typically contribute to marketing and promotion costs.</p> <p><i>Repairs</i> - Tenant: Ordinary repairs and maintenance of the space leased. Landlord: Extraordinary repairs and maintenance of the space leased and ordinary maintenance of the common areas.</p> <p><i>Insurance</i> - Subject to negotiations.</p>
Property Taxes and other costs	<p><i>Tenant</i>: Urban waste disposal tax <i>Landlord</i>: Property Tax <i>Tenant & Landlord</i>: Lease registration tax is generally at 1% of the headline rent (common practice for Property leases is to share this ½ between landlord and tenant) <i>VAT on rents</i>: 22% (although some tenants are VAT exempt).</p>

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KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Disposal of a Lease	<p><i>Assignment and sub-letting:</i> Subject to negotiations. Subletting is often allowed to tenants group companies but assignment and/or subletting to third parties requires prior landlord's consent.</p> <p><i>Early Termination:</i> The parties are allowed to negotiate an early break option (notice at least 6 months prior to the early break date). Early break options can be rolling (starting from a date) or one off (only upon a calendar or lease event). In the retail sector occupiers benefit from the "right first refusal" option for the purchase of the walls and of the automatic renewal of the contract.</p> <p><i>Tenant Liability:</i> Subject to negotiations.</p>
Valuation Methods	<p><i>Measurement Practice:</i> the measurement basis will depend on the type of letting (and can vary from one city to another). There is no universal adoption of a codified measuring standard. For an entire office building the area may be gross, save for the areas occupied by lifts and stairs. If a tenant has exclusive use of toilets these will be included in the area calculation, as will (frequently) balconies. The measurement is generally Retail High Street: Net Internal Area, Shopping Centres & Retail Parks: Gross Lettable Area</p>
Legislation	<p><i>Legislation in relation to lease contracts:</i> There are different sources of regulations which are applicable to lease practices: the main ones are the Civil Code and the Law no. 392/1978 and no. 164 of 11/11/2014 (for leases exceeding €250,000/year).</p> <p><i>Restrictions on foreign ownership:</i> there are no restrictions on the foreign ownership of commercial property.</p>

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WHAT'S NEXT

REDEFINING THE LANGUAGE OF
RETAIL & LEISURE

