

	YoY Chg	12-Mo. Forecast
€13,700 Milan Prime Rent /sqm/yr	▲	▬
€12,500 Rome Prime Rent /sqm/yr	▲	▬
€900 Out of Town Prime Rent /sqm/yr	▬	▬

ITALIAN ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
0.0% GDP Growth	▲	▬
9.8% Unemployment Rate	▲	▬
0.4% Consumer Price Index Growth	▼	▲
-3.9% Consumer Confidence Growth	▼	▬
6.1% Retail Business Confidence Index Growth	▲	▬

Sources: C&W elaborations based on ISTAT and Oxford Economics.

Note: Data refers to Q4 2019 variations with respect to the previous year, except for unemployment rate.

ECONOMY OVERVIEW

A combination factors negatively affected the Italian economy in 2019. GDP has been stable in Q4 (+0.0%) and the same trend is expected in 2020. Unemployment rate rose in Q4 (up to 9.8%) but forecasts are stable. Low inflation levels provide a favorable background for an increase in future real incomes. Retail sales grew in 2019 (+0.7% Ytd Jan-Nov), and estimations for 2020 are positive, given the improvement of the retail business confidence index (+6.1% in Q4). On the other hand, consumer confidence index decreased by -3.9% YoY in Q4. Finally, e-Commerce sales recorded a strong growth (+15.4% Ytd Jan-Nov, YoY).

OCCUPIERS

Interest in prime locations of the main Italian cities has been high in 2019 and will continue in 2020. The luxury fashion industry has been characterized by an aggregation tendency, in which several M&A operations have led to the creation of groups with strong bargaining power towards landlords. These players are expanding their presence nationwide.

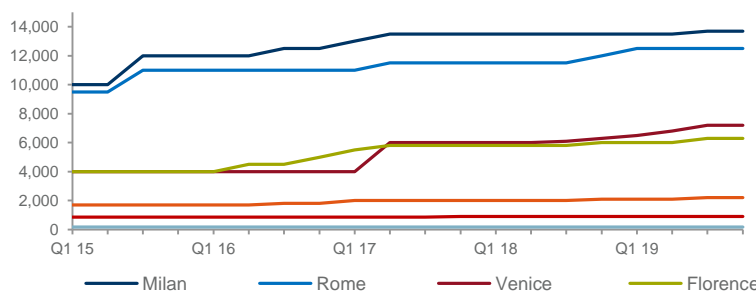
F&B are crucial in the attraction of customers, in both high street and out of town markets. In this context, several brands are testing a shift in format, focusing on the experiential side. Several mass retail chains are trying to diversify their value proposition by introducing new formats, integrations of restaurants and supermarkets smaller in sizes. Many technological innovations are being introduced, such as the RFID tags, self-ordering systems and refrigerated lockers for click and collect purchases. Esselunga with its new concept store La Esse in Milan is a remarkable example of this trend.

The out of town sector is still going through a unit size-reduction trend, seeking spaces and rents optimization. Prime centres are performing well, while secondary schemes are experiencing longer vacancies and several shifts to entertainment, F&B and services. The first coworking space opened in a Shopping Centre, as an experiment to make the most from a secondary product. Retailers are looking for solutions to address the competition with the online channel, and some of them seem to succeed. Large electronics stores are being downsized, and omnichannel strategies are being implemented.

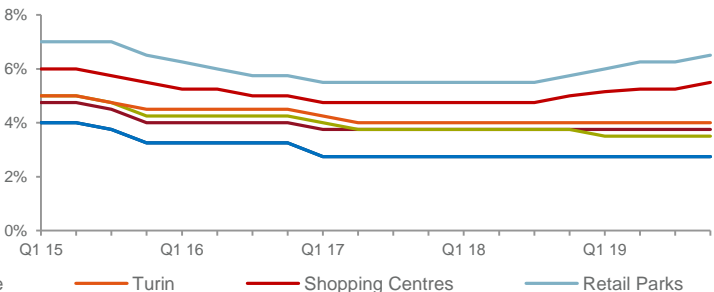
OUTLOOK

Retail investment volumes are expected to be stable. Following recent trends, demand in high street top locations will thrive, supported by growing interest of private investors. In addition, main touristic cities, especially Florence and Venice, are expected to confirm their recent attractiveness. In the out-of-town, Secondary products will have to be revitalized to regain competitiveness, while Prime schemes will perform well. Regional centres will continue to be monitored by institutional investors.

PRIME RENTS



PRIME YIELDS



MARKET STATISTICS (*)

SUBMARKET	PRIME RENT	1 YEAR GROWTH	5 YEARS CAGR	PRIME YIELD (NET*)	10 YEARS HIGH	10 YEARS LOW
Milan	€ 13,700	1.5%	10.0%	2.75%	4.75%	2.75%
Rome	€ 12,500	4.2%	9.3%	2.75%	4.75%	2.75%
Venice	€ 7,200	14.3%	15.5%	3.75%	5.25%	3.75%
Florence	€ 6,300	5.0%	9.5%	3.50%	5.25%	3.50%
Turin	€ 2,200	4.8%	5.3%	4.00%	5.50%	4.00%

KEY LEASE TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	TENANT
Via del Corso	Rome	Apple
Via Condotti 59	Rome	Bottega Veneta
Via Spiga 18	Milan	Canada Goose
Via Montenapoleone 21	Milan	Moorer
Corso Matteotti 12	Milan	Lenovo
Via Roma 53	Turin	Nike
Via Meravigli 2	Milan	Chicco

KEY SALES TRANSACTIONS YTD 2019

PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER	BUYER
Percassi Outlet Portfolio	Various	Portfolio - Outlet	Percassi	Orion
Via Calimala 17	Florence	Single Asset – High Street	Atlantica Properties	Private Investor
Via Tornabuoni 17	Florence	Single Asset – High Street	Kryalos	Edizione Property
Via della Spiga 26	Milan	Single Asset – High Street	Invesco	Savills Sgr / OBO Hines JV PGGM
Ex Garage Traversi	Milan	Single Asset – High Street	BNP Paribas Sgr OBO Hayrish Italia	Invesco Re
Barberino Designer Outlet	Florence	Single Asset – Outlet	Nuveen RE	DWS
Parco Leonardo	Rome	Single Asset – Shopping Centre	Caltagirone	Generali / Poste Vita
GranRoma	Rome	Single Asset – Shopping Centre	Gruppo Fresia (Federici)	Savills Sgr

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	OWNER / DEVELOPER
GranRoma	Rome	Aventicum Real Estate
Settimo Cielo Retail Park	Turin	Settimo Sviluppo
The Mall	Sanremo	Kering

KEY PIPELINES 2020-22

PROPERTY	SUBMARKET	OWNER / DEVELOPER
Maximo	Rome	Parsec 6
MaxiMall	Naples	IrgenRE
Cascina Merlata	Milan	Ceetrus

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Note:

Renewals not included in leasing statistics

*Yields are calculated on a net basis as $Net\ Yield = NOI(1) / PP(2)$

1. Net Operating Income - after deducting all non-recoverable expenditure
 2. Purchasing Price – excluding transfer costs, tax and legal fees.
- With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property. Yields may be based either on estimations or market sentiment, depending on the number of transactions occurred in the selected submarkets.

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