

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 Q1 2020

YoY Chg 12-Mo. Forecast

-4.1%

GDP



10.5%

Unemployment Rate



0.3%

Consumer Price Index



-1.4%

Retail Business Confidence



-4.2%

Consumer Confidence



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

Note: Data refers to Q1 2020 variations with respect to the previous year, except for unemployment rate.

ECONOMY OVERVIEW

The situation of the global economy is highly uncertain, due to the Covid-19 emergency, and the outcomes are hard to predict. The ongoing crisis has been described as unprecedented and is expected to be the worst since WW2. Italian yearly GDP was expected to be positive in 2020 (+0,3%), but due to the crisis it will follow the other European economies into recession, and current forecasts go from -6% to -9%, depending on the scenario, against the Eurozone forecast from -5,1% to -7.5%. The response of the government will be crucial in determining the recovery time from the crisis, and current information indicate a gradual reopening of the country from early May. The real evolution, however, is still unpredictable and depends also on external factors. Even if official data still do not embed the Covid-19 effect because of time-lags, the impact on unemployment and inflation is expected to be moderate, thus reducing the intensity of the shock on the demand and consumption sides.

OCCUPIERS & INVESTMENTS FOCUS

As the government keeps implementing its response to the pandemic, most shops are ordered to stay closed – except for the essential goods suppliers. Turnovers are expected to be contracted in the following weeks, and retailers must find alternative strategies, such as home deliveries, the improvement of ecommerce services and the logistics optimization. As consumer demand has increased on the online sector, the shift towards omnichannel is growing faster.

Due to the provision effect, strengthened by the closure of restaurants and bars, grocery demand boomed in the initial phase of the crisis – and now has stabilized. Online grocery shopping has grown even more, despite experiencing logistical issues.

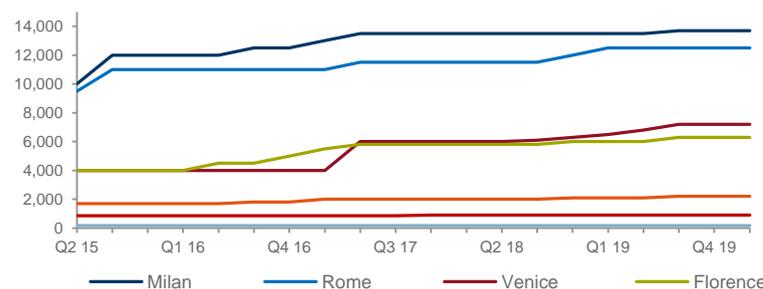
On the transactions side, the quarter registered a record in terms of invested volumes. An internal deal concentrated the ownership of Esselunga, and the sale of a Shopping Centre portfolio, negotiated in 2019, has been closed in Q1 2020. A slowdown may follow in Q2, due to the lack of deals being currently being closed, but the evolution of the following quarters is still uncertain.

The current context is forcing tenants to ask for rent suspensions, given potential liquidity issues. Landlords, on their side, could consider the postponement of payments and focus on medium-long term strategies. We expect rents to be temporarily adjusted, partially in the High Street and intensely in the Out of Town, except for supermarkets.

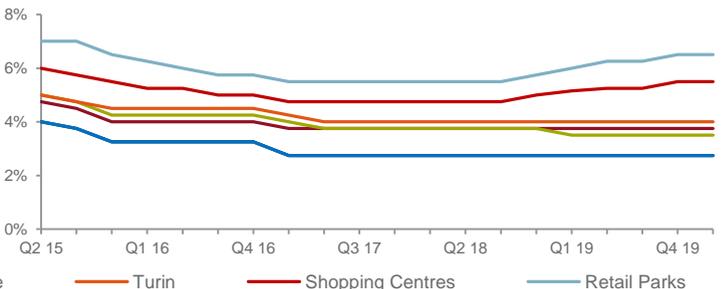
OUTLOOK

Following the economic downturn, the retail real estate market is expected to contract with respect to 2019. Forecasts, however, depend on the evolution of the current context, still highly uncertain. As the situation will become clearer in the following months, information and related predictions will become more reliable. On the other side, the recession will probably affect market prices, balancing the over-priced assets and thus creating opportunity for buyers. Since the real estate market is seen as a “safe spot” for investors, it is still characterized by strong liquidity supply.

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 2020

PROPERTY	SUBMARKET	TENANT
Via Condotti 61/A	Rome	Burberry
Via Borgognona 32	Rome	Zimmerman
Via del Gesù 17	Milan	Cartier
Via Torino 22	Milan	Sephora
Galleria Vittorio Emanuele	Milan	Fendi
Galleria Vittorio Emanuele	Milan	Dior

KEY SALES TRANSACTIONS YTD 2020

PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER	BUYER
ESSELUNGA Portfolio	Various	Portfolio - Hypermarket	Esselunga	Unicredit
Le Due Torri – La Corte Lombarda	Various	Portfolio – Shopping Centre	Altarea Cogedim	Credit Agricole
Retail Portion: Via Orefici 13	Milan	Single Asset – High Street	Hines	DEKA
Archimede Shopping Centre	Siracusa	Single Asset – Shopping Centre	CDS Holding	Serenissima Sgr

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	OWNER / DEVELOPER
Santa Caterina RP	Bari	Bari Immobiliare Srl

KEY PIPELINES 2020-22

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

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Notes:

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.

For Q1 2020, rent and yield values are based on January and February data, given the slowdown in transactions since the outbreak of the current emergency.

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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