

€13,700

Milan Prime Rent /sqm/yr

YoY Chg



12-Mo. Forecast



€12,500

Rome Prime Rent /sqm/yr



€900

Out of Town Prime Rent /sqm/yr



ITALIAN ECONOMIC INDICATORS Q2 2020

-17.3%

GDP

YoY Chg



12-Mo. Forecast



8.3%

Unemployment Rate



-0.1%

Consumer Price Index



-29.8%

Retail Business Confidence



-12.6%

Consumer Confidence



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

Note: Data refers to Q2 2020 variations with respect to the previous year, except for unemployment rate.

Note: Consumer and Business confidence data does not include April data, since it has not been published by the national statistical institute.

ECONOMY OVERVIEW

Despite the partial slowdown of the Covid-19 pandemic, the level of uncertainty is still high and the economic forecasts are likely to change during the year. As the current economic crisis is unprecedented, Italian GDP saw a record fall in Q2, but it is likely to rebound in the remaining quarters, performing between -9% and -10% in 2020, slightly below the Eurozone average (-7,9%). GDP will grow 5,7% in 2021 and is expected to recover to pre-Covid levels in 2024. The government managed to control the rise of infections after the gradual re-opening, but the risk of a new outbreak is making consumers cautious and more inclined to save rather than spend. So far, the impact of Covid-19 on unemployment appears to be limited, but official data underestimates the real situation since it does not reflect the lower participation rate and does not consider temporary workers. Inflation rate has decreased and is expected to remain steady around zero, potentially sustaining private consumption.

OCCUPIERS & INVESTMENT FOCUS

As a consequence of the pandemic, most retailers were forced to stay closed until the 18th of May and, once opened, went through major changes in their operations due to the new regulations. The shopping experience has been drastically affected, but the situation is slowly coming back to normality and consumers seem to have reconsidered the shift towards online – particularly marked during lockdown. Retailers' performances are considerably different and mostly depend on locations and categories. If the High Street market is suffering from the lack of tourism flows and the widespread smart working practices, Out-of-Town is benefiting from the good performance of some anchor stores (electronics, DIY, home & furniture) and has almost reached pre-Covid levels in terms of footfall (around -20%). Retail Parks are favoured by the better perception of customers in terms of safety, given the open-air layouts.

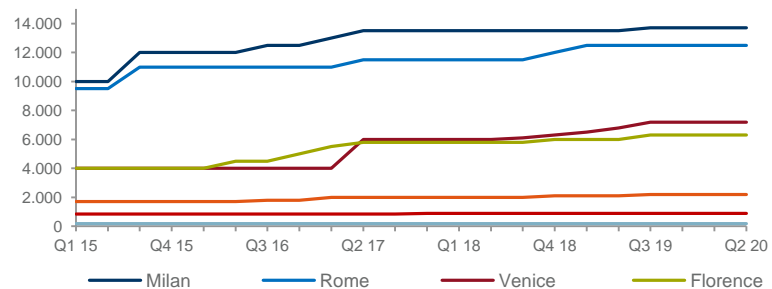
Many retailers are asking for discounts or other incentives within the limits of the closure period and the following months, showing confidence in a full recovery in the long term. Most landlords are willing to accept temporary concessions in exchange of better conditions in the long term, such as extensions of leasing terms. In many cases the parts are still negotiating, but both understand that the impact and the risks of the pandemic should be shared.

In Q1, a couple of major deals pushed the investment volumes to a record high, following which Q2 registered a limited number of transactions with many deals postponed or put on-hold because of the pandemic uncertainties. The general sentiment due to Covid-19 crisis has promoted a cautious approach among investors, reflected by an expected increase in yields for both High Street and Out-of-Town markets.

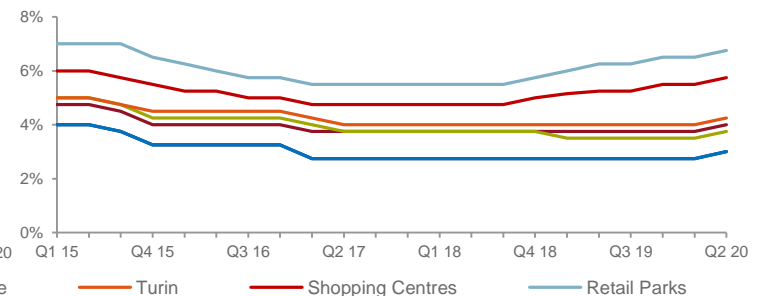
OUTLOOK

Provided a gradual return to normality, rents are expected to be stable over the next quarters. However, any negative evolution of the emergency would certainly impact rental values. Low interest rates make Real Estate a safe market for investors, and the potential downside trend in prices makes it even more appealing.

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%	3.00%	4.75%	2.75%
Rome	€ 12,500	4.2%	9.3%	3.00%	4.75%	2.75%
Venice	€ 7,200	14.3%	15.5%	4.00%	5.25%	3.75%
Florence	€ 6,300	5.0%	9.5%	3.75%	5.25%	3.50%
Turin	€ 2,200	4.8%	5.3%	4.25%	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
Primavera	Rome	Single Asset – Shopping Centre	Kryalos	PAC 2000 (Conad)
DOCKS Cash & Carry	Piemonte	Portfolio – Supermarket	BNP Paribas REIM Italy SGR	Kryalos
Tory Burch Via del Babuino 36-37	Rome	Single Asset – High Street	Private	Tander Inversiones Premier Alliance

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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