ITALY

Retail Q4 2020



ITALIAN ECONOMIC INDICATORS Q4 2020

-8.8% GDP

9.1% Unemployment Rate

-0.2%Consumer Price Index

-13.4%
Retail Business Confidence

-8.3%
Consumer Confidence

Sources: ISTAT and Moody's

Note: Data refers to Q4 2020 variations with respect to the previous year, except for the unemployment rate.



After a sharp recovery in Q3 (15.9% against Q2), the new containment measures led to a slowdown in economic activity in Q4. GDP for the entire year is expected to decrease by 8.8% in 2020 and to grow by around 5.2% in 2021. A full recovery to pre-Covid levels is expected in late 2022 or beginning of 2023 with a slight delay compared to the EU average. The recovery, mainly from investments and exports, is supported by the fiscal policy and the expansionary stimulus from the Next Generation EU program. On the other hand, consumption should recover more gradually owing to the strong increase in household savings started with the pandemic and is expected to remain stable over the next quarters. With an unemployment rate of 2020 lower than 2019, the labour market was relatively impacted from the pandemic, but only thanks to the support of the government policies that will be gradually withdrawn making less bright the 2021 forecasts. Weakness in demand, especially in service sectors, have pushed down prices causing deflation in December for the eighth-consecutive month, such trend is expected to persist, while in 2022 the forecasts are for an inflation below 1%. The economic outlook will be strongly related to the evolution of the pandemic and the successful roll-out of the vaccine campaign.

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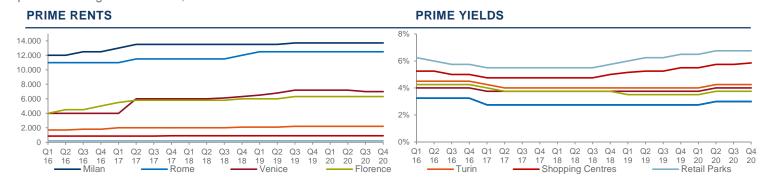
OCCUPIERS & INVESTMENT FOCUS

The worsening of the pandemic after the summer with the hardening of restriction measures since October has cooled optimism, partially offsetting the improvement gained since May and reversing the positive performance experienced by the retail properties in the third quarter. It was mainly true for shopping centres that had to face week-end closures since November (late October in some areas); these measures caused a closure for 51.6% of the holiday season (7 Dec – 6 Jan). After a Q3 with sales close to 2019 levels, the containment measures of Q4 impacted severely driving turnover for shopping centres to a contraction of 29.9% for the whole year. High street stores experienced a softer treatment in Q4, being allowed to stay open over the weekends, but overall, performances have been hit hard, especially where tourism and workers have a strong role in visitors flows. The occupiers' perspective remains gloomy, particularly for some categories, such as F&B, entertainments and services.

Rents were stable in Q4, confirmed also by ongoing agreements, where rents remained flat in favour of some temporary concessions or short periods of turnover rent. Both tenants and landlords postponed major decisions, waiting to have a clearer picture of the pandemic evolution. This trend is also confirmed from the investors who once again are adopting a "wait and see" approach.

OUTLOOK

Investors are very selective, the attention is towards premium assets with strong fundamentals, but also assets that had solid performances during the pandemic and proved a good degree of resilience such as Supermarkets, DIY and Electronics. Good conditions, like lack of break options and longer lease terms, are crucial.



MARKET STATISTICS (*)

SUBMARKET	PRIME RENT	1 YEAR GROWTH	5 YEARS CAGR	PRIME YIELD (NET*)	10 YEARS HIGH	10 YEARS LOW
Milan	€13,700	0.0%	1.9%	3.00%	4.75%	2.75%
Rome	€12,500	0.0%	2.6%	3.00%	4.75%	2.75%
Venice	€7,000	-2.7%	11.8%	4.00%	5.25%	3.75%
Florence	€6,000	0.0%	6.7%	3.75%	5.25%	3.50%
Turin	€2,200	0.0%	4.1%	4.25%	5.50%	4.00%
Shopping Centres	€900	0.0%	1,1%	5,85%	6.50%	4,75%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT
Via XX Settembre 237	Genoa	Nike
Corso Matteotti 7	Milan	C.P. Company
Via Lagrange	Turin	Patrizia Pepe
Piazzetta Tonini	Forte dei Marmi	Forte Forte
Via Verri	Milan	Golden Goose
Via Spiga 22	Milan	Hermès

KEY SALES TRANSACTIONS

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
Leroy Merlin - Bricoman	Various	Portflolio – Big Box	Gruppo Adeo	Blue Sgr (JV Batipart, Covéa)
Retail Portion: Via Dante 16	Milan	Single Asset – High Street	Hines	Amundi Sgr RE
Archimede Shopping Centre	Siracusa	Single Asset – Shopping Centre	CDS Holding	Serenissima Sgr
DOCKS Cash & Carry	Piemonte	Portfolio – Supermarket	BNP Paribas REIM Italy SGR	Kryalos
SC Primavera	Rome	Single Asset – Shopping Centre	Kryalos Sgr OBO Partners Group	PAC 2000
Tory Burch Via del Babuino 36-37	Rome	Single Asset – High Street	Private	Tander Inversiones Premier Alliance

KEY CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	OWNER / DEVELOPER
Santa Caterina RP	Bari	Bari Immobiliare Srl
Da Vinci Village (extension)	Rome	GWM Group
Maximo	Rome	Parsec 6

KEY PIPELINES 2021-23

PROPERTY	SUBMARKET	OWNER / DEVELOPER
MaxiMall	Naples	IrgenRE
Merlata Bloom	Milan	Ceetrus
Milanord 2	Milan	Ceetrus

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Votes.

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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