

YoY Chg 12-Mo. Forecast

€14,000
Milan Prime Rent /sqm/yr



€12,500
Rome Prime Rent /sqm/yr



€900
Prime Shopping Centres Rent /sqm/yr



ECONOMY OVERVIEW

Thanks to positive vaccine developments and effective safety measures, the second wave of Covid-19 has come to an end prompting business reopening since the end of April. After a contraction of 1.4% in the first quarter; GDP is expected to rebound in the second quarter. Growth should accelerate in the second half of 2021 thanks to recovery of domestic demand and global trade as well as the Next Generation EU funds support. The labour market continued to show moderate improvements thanks to the extension of layoff prohibitions and short-time work benefits, that should mitigate job losses at least until the end of June. As employment protection schemes expire, unemployment rate could rise to 11% by year's end. In the first quarter, household spending was flattened by political instability and new restrictions, but since expectations for the future economic climate are more optimistic, consumption expenditures are expected to support GDP growth in the second and following quarters. The growth of inflation is largely due to rise in prices of energy products, a temporary factor that shouldn't impact 2021 expectations (+1%) behind the ECB's target. The outlook is subject to high uncertainty, the risk of resurgence of contagions across Europe could force the introduction of a new wave of containment measures and, consequently, postpone the economic recovery.

OCCUPIERS & INVESTMENT FOCUS

The implementation of vaccinations has led to an easing of restrictions, allowing retailers to a partial but encouraging return to normality, albeit with a cautious approach, such as reducing customers numbers, ensuring social distancing and imposing curtailed opening hours. Both high street and shopping centres stores are benefitting of this easing and footfall is beginning to recover in many destinations, especially for Shopping Centres where ban for weekends was lifted at the end of May. As early data seem to confirm, customers habits are more purchase oriented, with visits gather for targeted shopping. The rollout of "Covid passports" has begun, enabling free movement of travellers between certain EU countries and will likely facilitate a much needed boost for the European tourism industry in general, with an increasing number of visitors in the most popular Italian cities in the next coming months. The leisure sector faced more stringent restrictions, particularly indoor F&B, cinemas and gyms, but are now looking for opportunities like in pre-Covid periods. Prime rents were stable in Q2, with lower initial values combined with incentives, but with steady headline rents. Q2 substantially was a standby quarter, since both Landlords and Tenants are waiting to understand how the market and consumers will respond to the partial return to normality; even if first data of footfall and sales are promising, operators are waiting for these trends to consolidate before taking any concrete action.

OUTLOOK

Investors mainly focus their attention on premium assets with strong fundamentals. The last quarter registered few transactions in the retail market, due to the lack of product featuring the required characteristics of income, terms and sustainability. Interest for Retail Parks is growing, both from Tenants' and Investors'. The former can have good performances with more convenient leasing conditions, while the latter focus their attention on the few existing schemes with modern layouts.

ITALIAN ECONOMIC INDICATORS Q2 2021

+15.3%
GDP Growth



10.6%
Unemployment Rate

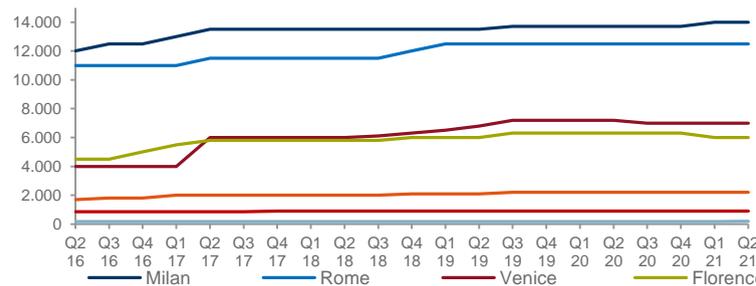


1.1%
Consumer Price Index

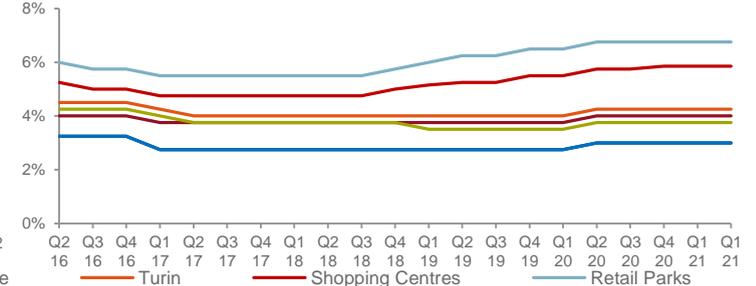
+37.4%
Retail Business Confidence Growth

+14.2%
Consumer Confidence Growth

PRIME RENTS



PRIME YIELDS



Sources: ISTAT and Moody's

Note: with the exception for Unemployment Rate (percentage of unemployed persons in relation to the corresponding labour force), data refers to Q2 2021 variations with respect to the previous year.

MARKET STATISTICS (*)

SUBMARKET	PRIME RENT	1 YEAR GROWTH	5 YEARS CAGR	PRIME YIELD (NET*)	10 YEARS HIGH	10 YEARS LOW
Milan	€ 14,000	2.2%	3.1%	3.00%	4.75%	2.75%
Rome	€ 12,500	0.0%	2.6%	3.00%	4.75%	2.75%
Venice	€ 7,000	-2.8%	11.8%	4.00%	5.25%	3.75%
Florence	€ 6,000	-4.8%	5.9%	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
Corso Vittorio Emanuele	Milan	Wycon
Corso Vittorio Emanuele	Milan	Lama Optical
Corso Buenos Aires	Milan	Doppelgänger
Corso Garibaldi	Milan	Supreme
Via Manzoni	Milan	Pal Zileri
Via San Pietro all'Orto	Milan	Lanvin
Via Verri	Milan	Golden Goose
Piazza dei Martiri	Naples	Harmont&Blaine

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER	BUYER
OBI	Venezia	Single Asset – Big Box	Blackstone	Private
L'Arsenale	Treviso	Single Asset – Shopping Centre	Gruppo Basso	C-Quadrat
Brunello Cucinelli	Firenze	Single Asset – High Street	Kish Group	Private
ParcoFiore	Treviso	Single Asset – Retail Park	Barings	Immofinanz

KEY PIPELINES 2021-23

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

THOMAS CASOLO

International Partner, Head of Retail

+39 02 61290784

thomas.casolo@cushwake.com

ANDREA ORSA

Partner, Head of Capital Markets Retail

+39 02 63799279

andrea.orsa@cushwake.com

FABIO FRAULINO

Associate, Data Analysis Asset Services

+39 02 61290784

fabio.fraulino@cushwake.com

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.

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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