MARKETBEAT

ITALY

Investment Q2 2021

	YoY Chg	12-Mo. Forecast
2.80 €Bn Total Volume	▼	▼
750 €Mn Office Volume	▼	▬
170 €Mn Retail Volume	▼	▼
680 €Mn Industrial Volume	▲	▬
440 €Mn Hospitality Volume	▼	▼
220 €Mn Living Volume	▬	▲
540 €Mn Other Volume	▲	▲

ITALIAN ECONOMIC INDICATORS Q2 2021

+15.3% GDP Growth		▲
10.6% Unemployment Rate	▲	▲
0.9% 10-Yr Treasury Yield	▼	▲

Sources: ISTAT, Moody's, Ministry of Economy and Finance.

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. Draghi's government calmed financial markets during January's political crisis and is expected to keep the spread between Italian and German 10-year government bond yields low. 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.

INVESTMENT OVERVIEW

At half year volumes invested in Italy stand at just below 3 €Bn. Although this marks a 28% decrease on the figures reported for the same period in 2020, there has been a 30% grown between Q1 and Q2 of 2021. Interest from foreign capital continues, accounting for over 70% of capital invested and is mostly concentrated in Industrial, hospitality as well as the alternative sector.

Despite decreasing volumes (-29% on H1 2020 and -46% on 2019), **Office** continues to account for the majority of capital invested in Italy, with investor interest focused almost exclusively on Milan. Rome could represent a valid alternative to Milan on core product thanks to the spread and slightly higher yields.

Industrial & Logistics sector doubled the figures recorded in H1 2020 (reaching almost 700€Ml) with investors showing more flexibility and evaluating all types of opportunities such as new developments, last mile, cross dock or added-value.

Interest in the **Hospitality** sector continues, with a fair level of transactions and no significant discounts on prices compared to the before the pandemic. Despite their seasonality, resorts and holiday villages are expected to show a faster recovery as well as long term growth and are gathering an increasing interest from investors.

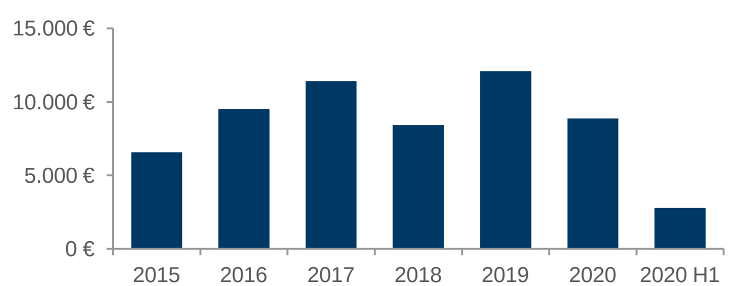
The **Living** sector continued to gather attention especially from foreign capital a sign that international investors look at Italy as an interesting market, with significant growth potential. The majority of activity was concentrated in Milan where two transactions above 80€Ml were closed during the first half of the year, as well as smaller redevelopment projects.

Retail showed the weakest performance with the second quarter matching figures from Q1, the most significant transactions being for a Retail Park in the north (35€Ml). In general, there is interest for this asset type (Retail Parks) as they have showed resilient performances during the pandemic period.

OUTLOOK

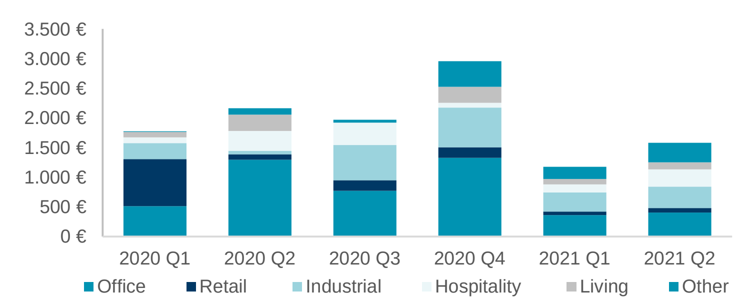
A more dynamic second part of the year is expected especially in the **Office** and **Industrial & Logistics** sectors where some sizeable assets and portfolios already underway will be closed. The **Living** sector will register a similar dynamic but on projects which will be completed over the coming years. Starting from September an increased deal flow with closing dates due at year end will compensate the current gap in terms of volume compared to 2020.

INVESTMENT SALES VOLUME



Source: Cushman & Wakefield Research

INVESTMENT SALES VOLUME BY SECTOR



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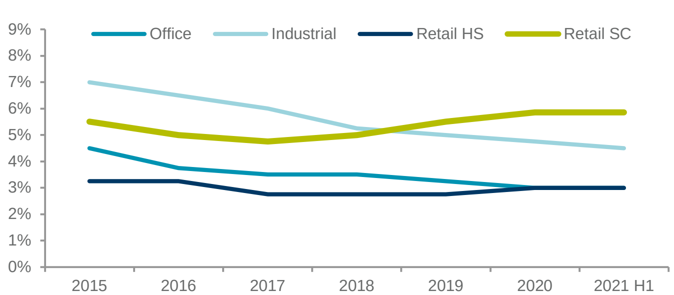
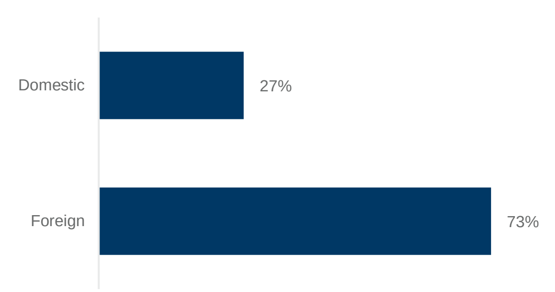
SIGNIFICANT SALES 2021

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	MARKET
RSA portfolio	Other	Cofinimmo	Gruppo Batipart	190 €Ml	North
Torre Libeskind	Office	ENPAIA	Generali	160 €Ml	Milan
Tristan Portfolio	Industrial	GLP	BNP OBO Tristan Capital Partners	Confidential	Multi-City
GO Italia IV Portfolio	Industrial	CBRE GI	DeA Capital Sgr	Confidential	Multi-City
Baglioni Luna Hotel	Hospitality	Reuben Brothers	Baglioni	100 €Ml	Venezia
Complesso Bonvecchiati	Hospitality	ECE Real Estate Partners	Undisclosed	Est.97 €Ml	Venezia
Maggiolina	Living	Generali	Unicredit Fondo Pensione	c.a.80 €Ml	Milan
Office - Torre Velasca	Office	Hines	Unipol	c.a.80 €Ml	Milan
Residential - Torre Velasca	Living	Hines	Unipol	c.a. 80 €Ml	Milan

PRIME YIELD TREND



TOTAL VOLUME INVESTED



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