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
Source: Cushman & Wakefield Research
**SIGNIFICANT SALES 2021**

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

**PRIME YIELD TREND**

**TOTAL VOLUME INVESTED**

- **Domestic** 27%
- **Foreign** 73%

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