

ECONOMY OVERVIEW

GDP growth has accelerated in the second quarter and now is expected to grow by 5.9% in the year 2021, 1 percentage point more than previous forecasts. Considering this pace, Italy's GDP will reach its pre-pandemic level by mid-2022, slightly later than the euro zone average. The vaccination campaign proceeds smoothly, keeping hospitalizations under control. The declining health risks allow the economy to operate at a nearly normal level. As restriction measures ease further, economic activities are almost back to normal with family consumptions close to complete recovery and savings declining gradually; to be noted that Consumer Confidence in September reached the highest level since the beginning of the Index's series (1998). Strong GDP growth and the return to pre-Covid conditions is supporting labour market; unemployment is under control also thanks to government benefits, but even when these will be lifted it is not expected to rise significantly. Mainly due to the rise of energy prices, inflation has accelerated at a rate not seen since 2012, nevertheless CPI is still behind the ECB's target and forecasts are for a moderate growth in 2022. In mid-August, as one of the main beneficiaries of the Recovery Fund, Italy received a first payment worth around €25 billion of grants and loans that will help ensure the sustainability of Italy's debt favouring a smoother path to recovery. The positive effects of Mario Draghi's government continues, calming financial markets and averting eventual spikes in government bond spreads.

INVESTMENT OVERVIEW

The Italian investment market continued to perform well with quarterly volumes recording an increase of 4% compared the same period of 2020. Total capital invested since the beginning of the year reached 5 €Bn and, although this figure is circa 15% less than figures for the same period of 2020, it is above the 10 year average (4,5 €Bn). Investor focus is firmly on **Industrial & Logistics** which accounts for the majority of capital invested since the beginning of the year – reaching 1,7€Bn a 78% increase on 2020 – and an end of year forecast of over 2€Bn.

For the **Office** sector, despite the recovering occupier market in key cities such as Milan and Rome, some pragmatism on behalf of investors continues, linked mostly to the new hybrid requirements requested by tenants. The sector recorded a decrease of 44% on figures reported in 2020.

The success of the vaccination campaign (with 80% of the population fully vaccinated) and the decrease in hospitalizations has impacted on the easing of travel restrictions and in the increase in tourism. This reflected positively on the **Hospitality** sector which is firmly on investors radar; although the transaction process remains lengthy, there are a number of opportunities set to close by the end of the year, beginning of the next.

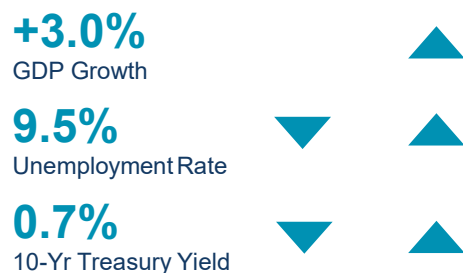
The dilemma in the **Retail** sector continues even with the return of consumer confidence with many people returning to shop in person rather than on-line; figures show a yearly decrease of 75% for a total of nearly 300€Ml during the first nine months of the year. Overall investors still focus on premium assets in terms of location and fundamentals but are mainly waiting for more favorable conditions.

Investor interest for the **Living** sector is growing and activity registered from the beginning of the year is significant even though there is a 30% decrease in recorded transactions. Several significant preliminary agreements were signed this quarter as well as forward purchases the results of which will be evident only in the coming years.

OUTLOOK

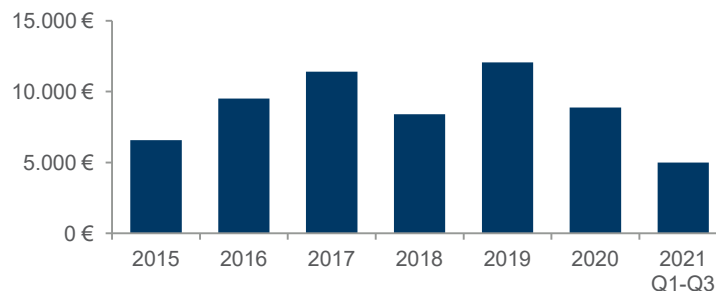
With at least two large portfolios due to close in the last quarter, the Italian investment market could reach 9 €Bn for the entire year, with Industrial & Logistics leading the way. Moving forward sustainability will factor more and more into investments, not only in the form of ESG's but also as a way to future proof investments.

ITALIAN ECONOMIC INDICATORS Q3 2021



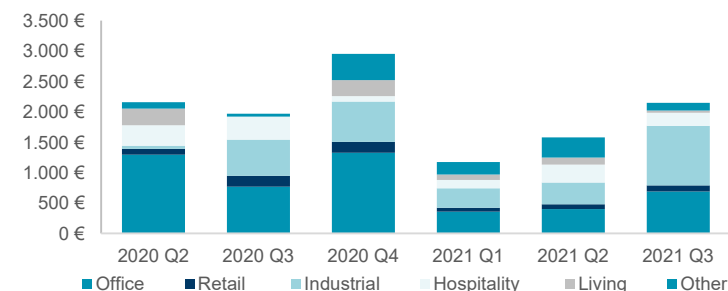
Sources: ISTAT, Moody's, Ministry of Economy and Finance.

INVESTMENT SALES VOLUME



Source: Cushman & Wakefield Research

INVESTMENT SALES VOLUME BY SECTOR



SIGNIFICANT SALES 2021

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	MARKET
Century portfolio	Industrial	Kryalos Sgr OBO GLP	Kryalos Sgr OBO Balckstone	260 €MI	North
RSA portfolio	Other	Cofinimmo	Gruppo Batipart	190 €MI	North
Torre Libeskind	Office	ENPAIA	Generali	160 €MI	Milan
Tristan Portfolio	Industrial	GLP	BNP OBO Tristan Capital Partners	Confidential	Multi-City
Pluto Portfolio	Industrial	SEGRO	AXA IM	c.a. 130€MI	Multi-City
GO Italia IV Portfolio	Industrial	CBRE GI	DeA Capital Sgr OBO BentallGreenOak	Confidential	Multi-City
The 16 – Via Broletto 16	Office	Deka Immobilien	Invesco	c.a. 120 €MI	Milan
Elizabeth Portfolio	Industrial	EQT EXETER	Round Hill Capital/ KKR	c.a. 120€MI	Multi-City
Baglioni Luna Hotel	Hospitality	Reuben Brothers	Baglioni	100 €MI	Venice

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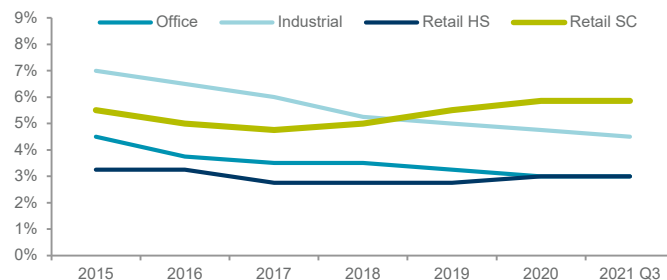
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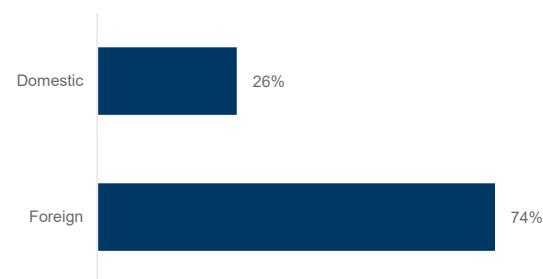
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PRIME YIELD TREND



TOTAL VOLUME INVESTED



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