

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 normality 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.

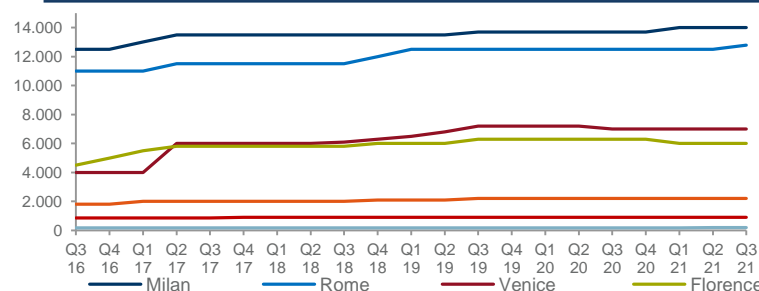
## OCCUPIERS & INVESTMENT FOCUS

In June the vaccination campaign got a significant boost due to the opening to 12-16 age range and to the introduction of green certification to access most public places such as restaurants, cinemas, theatres and public offices. The consequent fair success of the campaign led to a final easing of restrictions, which were almost completely lifted. The number of vaccinations is expected to grow further in Q4 due to green certification mandatory extension to workplaces. Post pandemic, online is becoming now a parallel channel to physical sales with several stores revisiting their internal layout dedicating some areas to online sales and move to more experiential shops, to be closer to their customers. Notwithstanding the restrictions reset, customer flows were still 10-15% lower than 2019, in part due to a change in habits and in part due to difficulties in the F&B and entertainment sectors. Due to the increasing attention to mental and physical health in a more general life balance, the sport sector has gathered momentum, together with automotive, which is demonstrating a rising interest for high street locations with new brands looking for physical spaces where the pure retail component is combined with more unconventional elements to create new brand experiences. Luxury retail was still resilient despite the lack of foreign tourists. F&B sector registered a certain ferment since new brands are appearing to market and easily finding locations due to some operators' difficulties caused by the prolonged lockdown period and to strong restrictions imposed to bars and restaurants. Tourist cities such as Florence and Venice confirmed stable rents in prime locations, thus reinforcing luxury sector resilience, while registered slight decreases in secondary streets. In general, Q3 confirmed prime rents values with Landlords still open to incentive packages. Q3 substantially confirmed trends of the last two quarters, both from Landlords' than from tenants' side, with uncertainty and caution driving decisions.

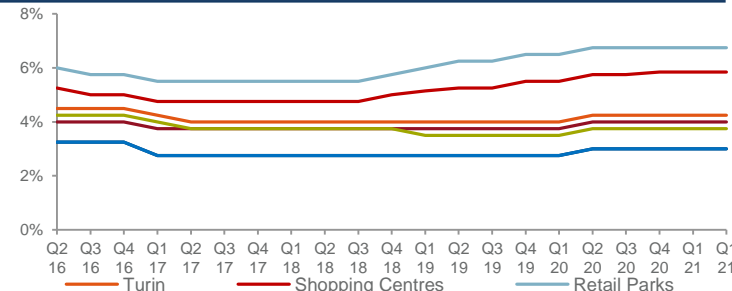
## OUTLOOK

Private investors remain focused on premium in-town assets in terms of location and fundamentals. With the Pandemic under control and given the low returns and high competition from office and logistics investments, institutional buyers are considering retail opportunities but are focused on assets let to food operators (resilient during Pandemic) or available at favourable conditions. Their expectations are not often aligned with those of the sellers and very few transactions were recorded in Q3.

## 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 Q3 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%	2.3%	3.00%	4.75%	2.75%
Rome	€ 12,800	2.4%	3.1%	3.00%	4.75%	2.75%
Venice	€ 7,000	0%	3.1%	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 Garibaldi	Milan	Supreme
Via Manzoni	Milan	Pal Zileri
Via San Pietro all'Orto	Milan	Lanvin
Corso Como	Milan	Cupra Garage
Corso di Porta Ticinese	Milan	Atipici
Via Verri	Milan	Golden Goose
Via Dante e Via Torino	Milan	Five Guys
Via Frattina	Rome	Colmar
Galleria Cavour	Bologna	Tiffany

## 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
Centro San Giuliano	Milano	Single Asset – High Street	Carrefour Property	Gallerie Bennet

## KEY PIPELINES 2021-23

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

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## Notes:

Renewals not included in leasing statistics

\*Yields are calculated on a net basis as  $\text{Net Yield} = \text{NOI} (1) / \text{PP} (2)$

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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