

YoY Chg 12-Mo. Forecast

€14,000
Milan Prime Rent /sqm/yr



€12,800
Rome Prime Rent /sqm/yr



€900
Prime Shopping Centres Rent /sqm/yr



ECONOMY OVERVIEW

GDP growth accelerated in the second part of 2021 and is now expected to grow by 5.9% in Q4 and 6.2% for the full year, considerably higher than previous forecasts. Still, Italy's GDP is expected to reach its pre-pandemic level by mid-2022, slightly later than European pairs. Inflation is rising, but it seems under control, since it is lower than other countries and mainly dependent on energetic goods. While the vaccination campaign is slowing, government is trying to keep the pace through 3rd dose introduction, new rules to persuade the undecided and extending jobs to younger population. In late December new restriction measures were introduced to deal with Omicron variant; new rules were relatively soft and had a minor impact on business and consumer confidence. The unexpected and rapid recovery of GDP in 2021, together with the good results in curbing the still-raging pandemic, has promoted a fresh trust by investors and foreign institutions, as confirmed by The Economist which selected Italy as Country of the year.

OCCUPIERS & INVESTMENT FOCUS

Rental values for the fourth and last quarter of 2021 were stable and market trends generally positive, in line with the previous months due to the success of vaccination campaign and to its positive effects on the market and on economy more in general. Restrictions became part of a new normality and containment measures are changing depending on the evolution of Covid-19 pandemic. Its deep impact on the retail market drove landlords and tenants to look for new perspectives, challenges and opportunities. The growth of ecommerce has slowed down, after the unusual increase of 2020, but it remains one of the key components in the transformation of the entire retail sector together with more transitory factors such as working from home and limited tourists' flows. In out-of-town venues, footfall is still lagging, but sales are mostly back to pre-Covid levels with some categories and assets performing particularly well (electronics, household, retail parks).

Milan, being one of the most influential global fashion life-styles cities, is recovering enthusiasm and promoting change for life quality. A number of projects will further change the shape of the city and in parallel mobility enhancement with a new metro line, additional pedestrian areas and cycle lanes will reinforce appeal of the city for retailers. The Quadrilatero della Moda luxury area confirmed prime rental values, which are likely to increase due to ongoing requalification projects redefining the identity of this popular shopping destination. Other vibrant areas such as Piazza Cordusio saw the recent opening of the first Italian FAO Schwarz flagship store, while Corso Buenos Aires refreshed its mass-market leading position with the recent debut of Ba59 (previous Corti di Bayres). Rome, one of the top tourist destinations in the world, is enhancing its appeal with the opening of high-end hotels, which will impact and redesign the retail landscape with retail operators looking for new opportunities.

Other popular retail destinations, such as Venice, Florence and Bologna are following the restart phase anticipated by Milan with luxury destinations leading the process and confirming stable rents in prime locations.

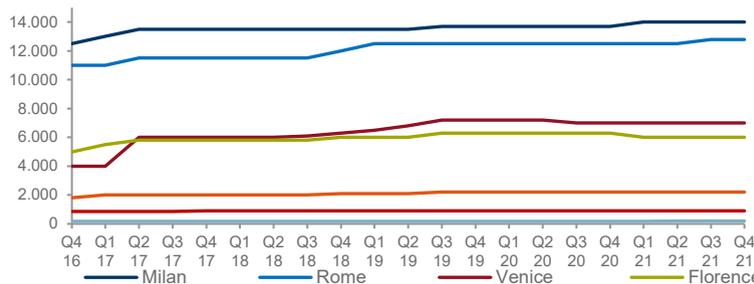
The total volume of pure retail investments (excluding Reale Compagnia portfolio acquired by Blackstone for circa 1.3 €Bn and indicatively counting 60% of retail according to market rumors) recorded in 2021 was still impacted by Covid-19 pandemic, circa 50% lower than 2020 and 64% lower than 2019.

Two different players' profiles were active on retail investments: on one side core investors either on high street prime locations, rarely available on the market, or on super/hypermarkets and retail parks because of their resilience during lockdown months; on the other side opportunistic investors looking for double digit returns in retail galleries schemes. It is important to highlight that some new foreign investors arrived in Italy for the first time this year buying retail, such as ICG and Crestline.

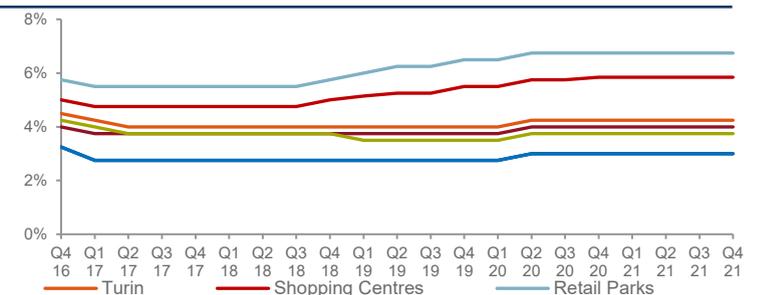
OUTLOOK

Recent rise of Covid-19 cases and new restrictions could reduce mobility and impact flows to retail destinations in the near term, but we expect a rapid recovery when pandemic is back under control. While premium in-town assets are not affected by these new uncertainties, most of retail assets will need a longer period of positive performances from retailers to return in the target of institutional investors. From the end of 2021 the retail investment market has started to be more liquid, showing in Q4 signs of recovery. Q4 2021 accounted for 50% of the total year investment volumes, doubling the amounts invested over the same quarter in 2020 and 2019.

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 Q4 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%	3.7%	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 Como	Milan	Cupra Garage
Via Torino	Milan	Dr. Martens
Via Orefici	Milan	FAO Schwarz
Corso Venezia	Milan	Borbonese (next opening)
Via Spiga	Milan	Ralph Lauren (next opening)
Corso Buenos Aires 59	Milan	Nike / La Esse / Maisons du Monde
Via Tornabuoni	Florence	Zimmermann
Calle Larga XXII Marzo	Venice	Ermanno Scervino
Via Frattina	Rome	Colmar
Galleria Cavour	Bologna	Tiffany

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER	BUYER
OBI	Venice	Single Asset – Big Box	Blackstone	Private
Jill Sander	Milan	Single Asset – High Street	Savills IM	Red Circle
ParcoFiore	Treviso	Single Asset – Retail Park	Barings	Immofinanz
Centro San Giuliano	Milan	Single Asset – High Street	Carrefour Property	Gallerie Bennet
Coop portfolio	Multicity	Portfolio – Supermarkets	IGD SIIQ	Savills IM Sgr OBO ICG and IGD
Il Ducale / Costaverde	Multicity	Portfolio– Shopping Centres	Kryalos Sgr OBO BAIN	CrestLine

KEY PIPELINES 2022-24

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 $Net\ Yield = NOI\ (1) / PP\ (2)$

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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