

	YoY Chg	12-Mo. Forecast
6.10 €Bn Total Volume	▲	▲
2.00 €Bn Office Volume	▲	▬
340 €Mn Retail Volume	▲	▼
1.80 €Bn Industrial Volume	▲	▲
820 €Mn Hospitality Volume	▲	▲
580 €Mn Living Volume	▲	▲
125 €Mn Healthcare Volume	▲	▲
260 €Mn Mixed Use Volume	▲	▬
130 €Mn Other Volume	▼	▲

ITALIAN ECONOMIC INDICATORS Q2 2022

+3.6% GDP Growth	▲
8.3% Unemployment Rate	▼
3.0% 10-Yr Treasury Yield	▲

ECONOMY OVERVIEW

Beating preliminary estimates of a modest contraction, GDP should also rise in the second quarter; economy was supported by fixed investment and government consumption. The unemployment rate is still below pre-pandemic values and employment is higher than it was a year ago, however job gains were concentrated among temporary workers, suggesting that firms' human capital investments remain cautious. The oil and gas shortages, resulting from the ongoing war, have led to higher energy prices which have impacted other key sectors; headline inflation rose to 8.0% year over year in June, the highest value since January 1986. The ECB announced dramatic policy shifts and will rapidly raise interest rates, the Italian bond yields are expected to increase further as tightening policy sets in. The Italy-Germany 10-year spread will also increase by the end of the year, before converging to just above 1% by 2024 in the longer-term. CPI will increase by more than 6.4% over 2022 as a whole and should go back to the 2% EU target only in 2023. In the short term, high inflation could put the country at risk of recession. Moreover, recent political events could impact the implementation of the investments and reforms proposed in National Recovery and Resilience Plan. A period of political instability would jeopardize the sustainability of Italy's debt, especially since sovereign spreads are already rising.

INVESTMENT OVERVIEW

The market registered a record first half-year with 6.1 €Bn invested, confirming the positive trend underway since the second half of last year, which had closed with 6.9 €billion - leading to a value in the last 12 months of 13 €Bn a volume never reached before. Office and logistics led the market, accounting together for 63% of the volume invested since the beginning of the year.

Strong fundamentals in the Milan and Rome markets supported **Office** investments, which are currently focused on primary markets, with Milan's CBD gathering interest regardless of the risk profile and Rome interested mainly by Core transactions.

Investments in **Industrial & Logistics** more than doubled compared to the first half of last year: looking solely at Q2 figures four deals were recorded which accounted for circa 30% of volume invested.

The **Retail** is still under pressure and recorded few opportunistic and value-add transactions, low in volumes, regarding secondary shopping centers and big boxes in portfolio transactions.

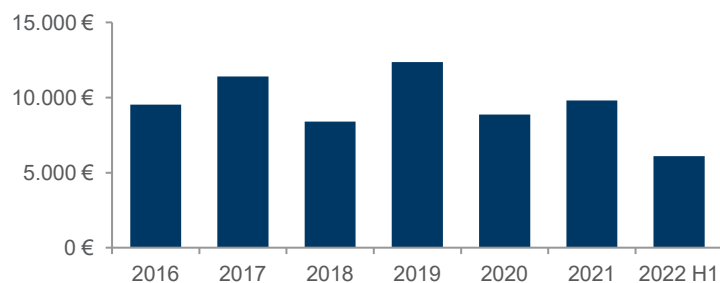
The **Hospitality** sector was again boosted by a large transaction (over 100 €Mn) for a conversion project in the centre of Rome bringing H1 figures circa + 40% above the 10-year average. Fundamentals are improving boosted by tourism from the US which has returned thanks also to a favorable exchange rate.

With volumes increasing over the twelve-month period - confirming the high interest in this asset class - transactions in the **Living** sector centered on new developments, both for residential projects in Milan and Rome and student housing; investors could become more selective, due to the rising costs of raw materials as well as financing.

OUTLOOK

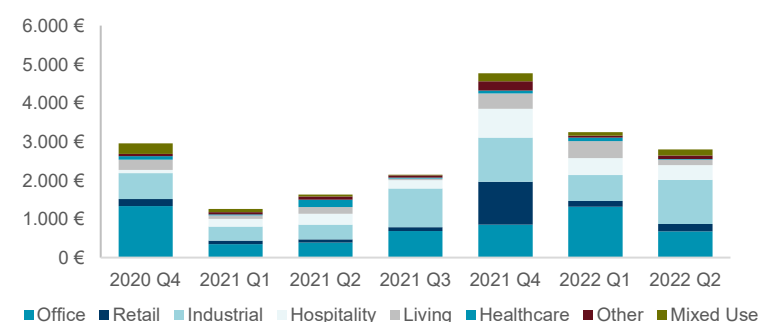
The macroeconomic and geopolitical context has changed profoundly since the beginning of the year, creating new uncertainties mainly related to political uncertainty, inflation, rising interest rates, as well as construction and energy costs, which could cause a potential market slowdown in the second half of the year, with some re-pricings already occurring.

INVESTMENT SALES VOLUME



Source: Cushman & Wakefield Research

INVESTMENT SALES VOLUME BY SECTOR



SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	MARKET
ENPAM portfolio	Mixed Use	Apollo	ENPAM	Over 800€Mn	Multi-City
Rosewood Castiglion del Bosco	Hospitality	Undisclosed Buyer	Ferragamo Group	Est. 300€Mn	Centre
Logistic Park Oppeano	Logistic	COIMA Sgr	Patrizia AM	274€MI	North
3 Asset Portfolio	Office	Henderson Park	A2A	Over 200 €Mn	North
Via Curtatone 3	Office	DeA Capital Sgr OBO Allianz	DeA Capital Sgr	173,5 €Mn	Centre
I Marini 3-4	Hospitality	DeA Capital Sgr OBO Fort Partners	DeA Capital Sgr	165 €Mn	Centre
SNATT Portfolio	Logistic	Prelios Sgr OBO Hines	SNATT	146 €Mn	Various
Residential Development Navigli	Living	Savills Sgr	Undisclosed Vendor	140 €Mn	North
Palazzo Mancini – Via del Corso	Office	Unipol	Kryalos Sgr	140 €Mn	Centre
Via P. di Dono 44	Office	Castello Sgr	Prelios Sgr	c.a.130 €Mn	Centre

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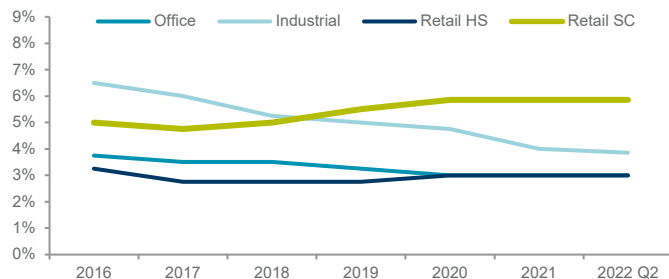
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(*) NOTES:

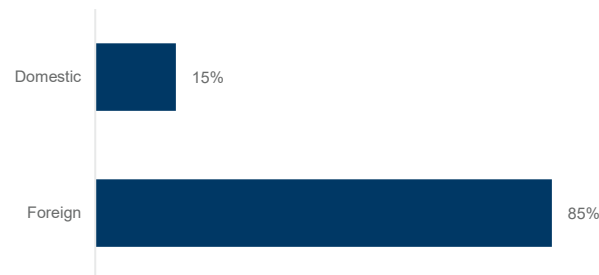
Yields are calculated on a net basis as reported below:
Net Yield = NOI (1) / PP (2)

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.

PRIME YIELD TREND



TOTAL VOLUME INVESTED



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