

| | YoY Chg | 12-Mo. Forecast |
|--------------------------------------|---------|-----------------|
| 8.71 €Bn Total Volume | ▲ | ■ |
| 3.50 €Bn Office Volume | ▲ | ▼ |
| 370 €Mn Retail Volume | ▲ | ▼ |
| 2.50 €Bn Industrial Volume | ▲ | ▼ |
| 950 €Mn Hospitality Volume | ▲ | ▲ |
| 850 €Mn Living Volume | ▲ | ▲ |
| 145 €Mn Healthcare Volume | ▼ | ■ |
| 295 €Mn Mixed Use Volume | ▲ | ■ |
| 100 €Mn Other Volume | ▼ | ■ |

ECONOMY OVERVIEW

Aggressive ECB Policy on interest rates - which increased by a further 75 bps (8th Sep.) – is rapidly affecting the financing market which is one of the pillars in real estate investment. The yield on the Italian 10-year BTP rose to 4.6% at the end of September (for the first time since 2012) from 3.2% of the beginning of July, far surpassing the prime property yields for the major asset classes. This is leading to an acceleration of the repricing process. Indicating the beginning of a new market cycle, Q3 property yields marked an increase of 25-50 bps Q/Q, according to the different asset classes. The real economy is still in a better shape than the financial markets although preliminary data points to a more dismal outlook with increasing downside risks to the economy which are reflected in a slowdown of all the major indicators. Indeed, after a strong first half supported by positive household consumption and fixed investments contributions, preliminary data reflects a slowdown of GDP Q/Q, bringing yearly growth back to 2.1%. Retail sales trend has been positive over the summer while estimate for Q3 points out a slow-down in growth – but still positive - in both retail sales and online retail, +5.3% and +2.2% respectively. The labor market is still robust with unemployment rate further declined at 7.8% in the first 8 months. National employment fell slightly in August Q/Q but the trend is still positive, +1.8% (on August 2021). Consumer price inflation accelerated to 8.9% year over year in September as high electricity and gas prices spill over to other key sectors. For the year end, the improved first half results led to an upward revision of the GDP growth, by 3.6%.

INVESTMENT OVERVIEW

Despite the declining macroeconomic situation, the Italian real estate market totaled **circa 2.7 €Bn in Q3 2022**, +24% YY, reaching an overall total of **8.7 €Bn** invested since January; foreign capital accounted for the majority of volumes (75%). Overall investors remained active, reacting differently to the changed scenario: some continuing to work on deals secured at a different pricing level, others waiting for price discovery while still others moving their strategies along the risk curve. Prime yields have started to move out, with at least +25 bps in all sectors.

The **Office** sector (together with **Industrial & Logistics**) continued to lead the market, although a slowing down and partial repricing of some deals has begun. The focus remains on the primary markets of Milan, the key destination and Rome, where investor interest continues to be very selective.

Growing absorption and a demand that rewards developments in strategic locations with high rents is behind the appetite for **Industrial & Logistics** which has reached 2.5 €Bn since the beginning of the year (+40% on 2021 figures). Yields are rising but there is still liquidity to be deployed to the sector.

A buyer-oriented market, the **Retail** sector continued to show low activity during Q3 with particular attention to opportunities on pricing. Supermarkets remain an attractive target for investors thanks to the resilience shown during the lockdown. Overall, increasing inflation and energy costs are cause for concern due to the indirect effects on reduced purchasing power.

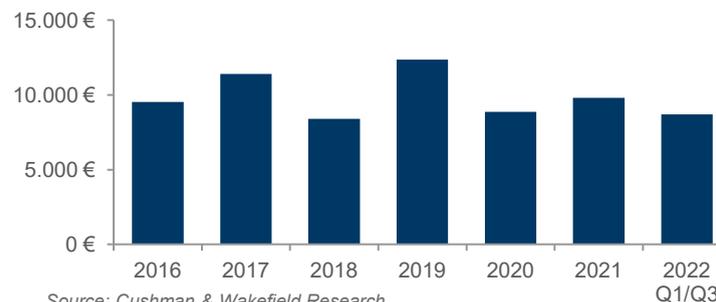
Increased demand from investors and improved tourism flows saw volumes of the **Hospitality** sector grow by 35% on 2021 figures. Although core assets are few, there are opportunities to enter and expand the current supply.

With almost 900 €Mn invested since the beginning of the year, the **Living** sector is becoming more institutionalized. Still a market in the making, transactions mainly refer to land developments and asset repositioning with investors strengthening their position on the market especially in Milan.

OUTLOOK

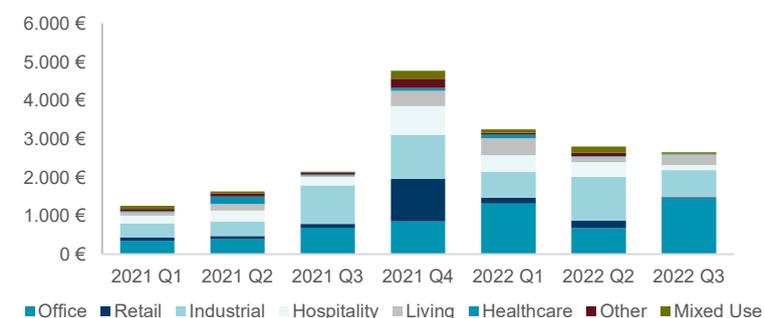
Uncertainty surrounding inflation, the worsening of households' income purchasing power, continuous surge on energy prices, construction costs and rising cost of capital are just some of the challenges facing investors over the coming months. A certain degree of re-pricing on ongoing transactions is expected in all sectors marking the dawning of a new market cycle.

INVESTMENT SALES VOLUME



Source: Cushman & Wakefield Research

INVESTMENT SALES VOLUME BY SECTOR



ITALIAN ECONOMIC INDICATORS Q3 2022

| | | |
|-------------------------------------|---|---|
| +2.1% GDP Growth | ▼ | ■ |
| 7.8% Unemployment Rate | ▼ | ■ |
| 4.6% 10-Yr Treasury Yield | ▲ | ▲ |

SIGNIFICANT SALES

| PROPERTY NAME | TYPE | BUYER | SELLER | PURCHASE PRICE | MARKET |
|-------------------------------|-------------|--|----------------------------|-----------------|--------------|
| ENPAM portfolio | Mixed Use | Apollo | ENPAM | Over 800€Mn | Multi-City |
| Cortile della Seta | Office | Generali | Savills IM Sgr | Circa 350€Mn | North |
| Crossbay Portfolio | Logistics | Prologis | Crossbay | Est over 300€Mn | Pan European |
| Rosewood Castiglion del Bosco | Hospitality | Undisclosed Buyer | Ferragamo Group | Est. 300€Mn | Centre |
| Logistic Park Oppeano | Logistic | COIMA Sgr | Patrizia AM | 274€Mn | North |
| Via Montebello 18 | Office | Kryalos Sgr OBO Milan Trophy RE Fund 4 | Kryalos Sgr OBO Blackstone | 235€Mn | North |
| 3 Asset Portfolio | Office | Henderson Park | A2A | Over 200€Mn | North |
| Building U1&U3, Milanofiori | Office | Generali OBO Cassa degli Agricoltori | Brioschi Sviluppo | 188€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 |

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(*) NOTES:

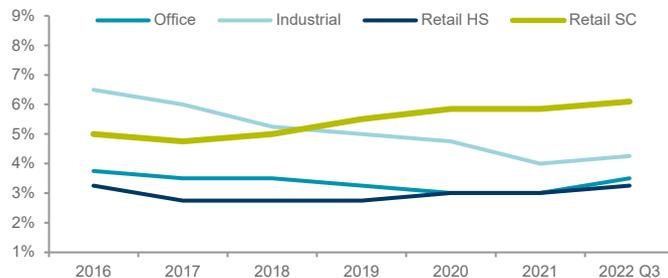
Yields are calculated on a net basis as reported below:
Net Yield = NOI (1) / PP (2)

1. Net Operating Income - after deducting all non-recoverable expenditure

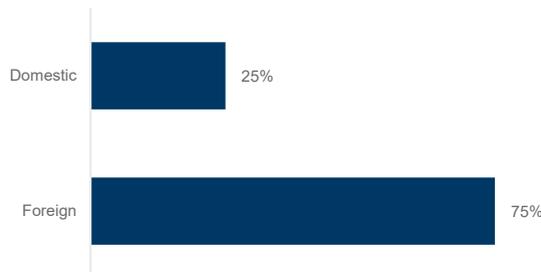
2. Purchasing Price – excluding transfer costs, tax and legal fees

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 YTD 2022



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