

	YoY Chg	12-Mo. Forecast
11.60 €Bn Total Volume	▲	■
4.60 €Bn Office Volume	▲	▼
700 €Mn Retail Volume	▲	▼
2.90 €Bn Industrial Volume	■	▼
1.320 €Bn Hospitality Volume	▼	▲
1.12 €Bn Living Volume	▲	▲
250 €Mn Healthcare Volume	▼	■
500 €Mn Mixed Use Volume	▲	■
240 €Mn Other Volume	▼	■

ITALIAN ECONOMIC INDICATORS Q4 2022

+3.7% GDP Growth	▼	■
7.8% Unemployment Rate	▼	■
4.6% 10-Yr Treasury Yield	▲	▲

ECONOMY OVERVIEW

The general outlook in Q4 worsened but one positive emerged: previous worries that Italy's new government might have negatively affected investors' sentiment have been sidelined at least for the time being. October and December marked a further increase in ECB interest rates by 75 and 50 bps respectively, and although hikes have not ended, future increases will mark a slower pace. The cost of lending continues to rise and between August and November, bank lending to the non-financial private sector slowed. The yield on the Italian 10-year BTP in Q4 stood at 4.6% and property yield further increased by 25 bps to keep the pace. Economic activity in Italy slowed down due to both the waning recovery in services and the decline in industrial production. Household spending appears to have slowed while unemployment rate was stable at 7.8%. Wage growth remains moderate. Preliminary estimate for the year end exceed expectations with 2022 GDP growth standing at almost 4% while growth should weaken below 1% in 2023, and strengthen again in the following two years, starting with a modest recovery from the second half of this year. Inflation remains high, still mainly driven by energy prices, despite the government's energy-related measures appear to have partially mitigated consumer price growth.

INVESTMENT OVERVIEW

The Italian investment market slowed down during Q4, despite a 16% increase in volumes Y/Y, reaching 11,60 €Bn. Investors remain active but still deciphering how to factor in the new costs (debt and capex) in their underwritings. The divide between prime and non-prime assets is widening; despite the current environment there are still investors willing to give a premium for top quality assets compared to the quoted prime yield.

The **Office** sector witnessed a decrease of 54% Q/Q, but the yearly total almost double 2021. Quarterly yields expanded by +50 bps, standing at 3.75% in Milan and 4.00% in Rome. Milan continued to attract most office investment (75% of total) and although no transactions were recorded in Rome during Q4, H1 figures were the best ever recorded.

Industrial & Logistics investment stood at roughly 380 €Mn during Q4, with yearly figures in line with 2021 and totaling a third of the overall CRE investment. Slowdown is mainly due to rising cost of capital and construction costs. Prime yield values, reflecting repricing on the market, increased by 50-75bps in all major hubs; Milan recorded at 4.75% and Rome 4.85%.

The **Retail** sector recorded the highest quarterly value over 2022 (300 €Mn), despite ending the year with figures 50% below 2021. A large deal (210 €Mn) marked the quarter with a new entrant in the market: Realty Income Corporation, confirming that an appetite for the grocery format is still there. Overall, the sentiment toward retail is still cold from investors and lenders with inflationary headwinds weighing on the future resilience of consumers and the sustainability of rents.

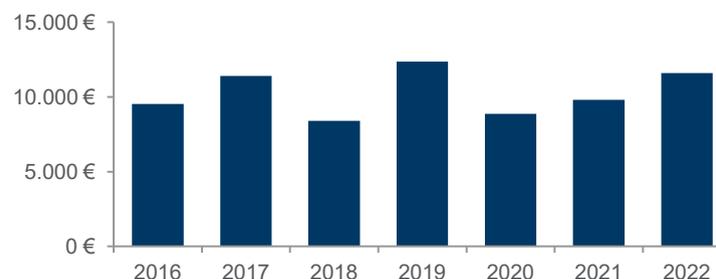
The sale of the W Hotel in Rome brought quarterly figures for the **Hospitality** sector to roughly 350€Mn and full year volume almost in line with 2021. Demand from investors is still robust, thanks to sectors' performance which confirmed to be strong and above pre-covid levels.

The **Living** sector recorded a sharp increase of 60% on 2021, +429% on 2019 level. Investors continue to be keen, backed by resilient demand and anticyclical asset classes. Transactions relate primarily to developments and asset repositioning, mainly involving international investors. Milan remains the most active and attractive market, characterized by a high level of demand and by vivacious demographic and job market trends. Despite challenges from rising cost of capital and rising construction costs, interest in this asset class remained strong.

OUTLOOK

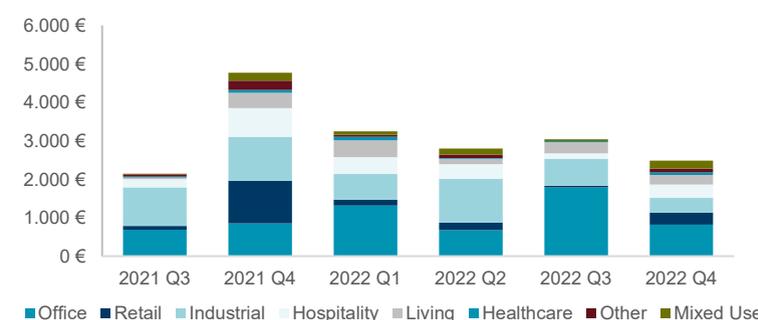
A slowdown of activity is expected during the first half of 2023, due to the uncertain economic environment, especially considering the cost (and availability) of borrowing. The presence of cross border capital, that entered the market in the last 10 years, may help the real estate market to react faster to shocks, compared to the past. Forecast for the upcoming year is an active but selective investment activity.

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
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
Via San Marco Via Balzan	Office	Kryalos Sgr OBO Allianz	Kryalos Sgr OBO Blackstone	210€Mn	North
Metro Cash & Carry Portfolio	Retail	Savills IM SGR OBO Realty Income & Metro Cash & Carry	BNP Paribas REIM SGR	210€Mn	Multi-Region
Building U1&U3, Milanofiori	Office	Generali OBO Cassa degli Agricoltori	Brioschi Sviluppo	188€Mn	North

GWENDOLYN FAIS

Research Consultant
+39 06 4200791
gwendolyn.fais@cushwake.com

CARLO VANINI

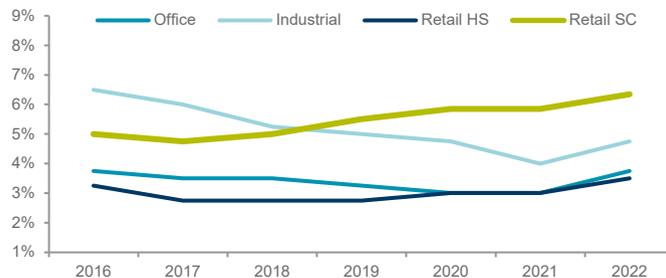
MRICS International Partner
Head of Capital Markets Italy
+39 02 63799302
carlo.vanini@cushwake.com

(*) NOTES:

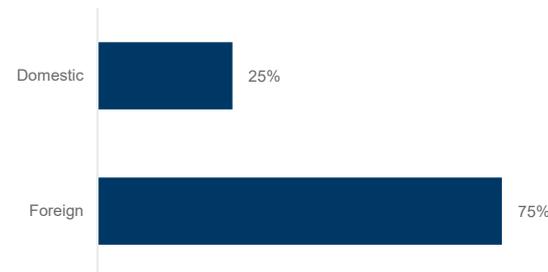
Yields are calculated on a net basis as reported below:
Net Yield = NOI (1) / PP (2)

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 2022



cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

C&W (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. C&W is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management.