

	YoY Chg	12-Mo. Forecast
995 €Mn Total Volume	▼	■
100 €Mn Office Volume	▼	▼
15 €Mn Retail Volume	▼	▼
305 €Mn Industrial Volume	▼	▼
180 €Mn Hospitality Volume	▼	▲
230 €Mn Living Volume	▼	▲
75 €Mn Healthcare Volume	▼	■
90 €Mn Mixed Use Volume	▼	■
- Other Volume	▼	■

ITALIAN ECONOMIC INDICATORS Q1 2023

+1.4% GDP Growth	▼	■
8.0% Unemployment Rate	▼	■
4.4% 10-Yr Treasury Yield	▲	▲

ECONOMY OVERVIEW

The longstanding geopolitical uncertainty, persistently high inflation and some tension affecting the banking sector marked the first quarter of the year. However, the economic outlook was better than expected in the last autumn, with GDP slowing down but still avoiding a recession. After stagnating in Q4 22, GDP in Italy appears to have rebounded in Q1 23 thanks to the easing of bottlenecks in the supply chain and the falling in energy prices which favored the manufacturing sector. Year-end expectation for GDP growth are still in the range of 0.8%. Inflation slowed down in Q1 23 (8.2% in March) but the still high core inflation (and the food component) is negatively affecting household spending. Employment continues to improve, as labor demand grew again in the early months of this year. Wage growth remains moderate. Monetary tightening continues: the ECB increased its key interest rates by 50 basis points at both its February and its March meetings, bringing the reference rate to 3.0%. The turmoil in the banking sector led by the failure of some banks in the United States and Switzerland drove to a sharp increase in risk aversion and greater volatility in the financial markets. This is postponing the price discovery moment (understanding of where and when the prices will lend) which could unlock deals and boost the CRE investment market.

INVESTMENT OVERVIEW

Market uncertainty slowed down investment volume which barely reached 1 €Bn during the first quarter, marking a general decline of 70% Y/Y and figures last seen in 2015. Nonetheless fundamentals in all sectors remained solid. The top performing asset classes were Industrial & Logistics and Living, accounting respectively for 23% and 18% of overall volumes. As in most times of uncertainty domestic capital dominated the market, accounting for 68% of investments, which were mostly for single asset transactions. Prime yields continued to move out and the gap between prime and non-prime assets increased further.

In the **Office** sector, the healthy occupier market recorded in both Milan and Rome was not reflected in investment volumes, which recorded a slowdown of 92% compared to Q1 22. In consideration of the persistent high debt costs, investors active on the market are full equity buyers which however reduces the size of transactions. Despite a 51% decline Q/Q interest in the **Industrial & Logistics** sector continued, with new investors monitoring the market. Prime yields increased by 25 bp in all major hubs reflecting a repricing underway in the sector.

Still under pressure, the **Retail** sector recorded only two very small transactions during Q1. Thanks to interesting yield levels, investors are returning to looking at this sector with a new desire to invest in this asset class, despite the uncertainty surrounding the more traditional format of physical shopping. A few secondary shopping centres are currently under exclusivity and their transactions are expected to be closed in the next quarters.

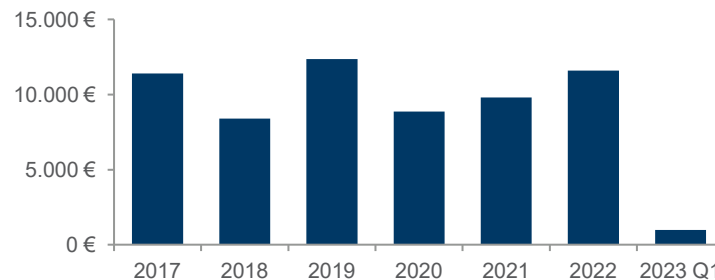
The **Hospitality** sector reached third place this quarter with 180 €Mn invested; the majority of transactions were for smaller pricings, between 20-30 €Mn, in secondary markets. A flurry of conversion and upgrading of existing stock together with rising tourism figures, is keeping investor interest high.

The Student housing segment accounted for the good performance of the **Living** sector during the first quarter, totaling circa 80% of volumes, with the main transaction of the quarter for a scheme in Milan estimated around 120 €Mn. A relatively new segment of the market, Living transactions centre on developments and asset repositioning. While BTR schemes are gathering interest among institutional investors, the macro economic situation is returning BTS to the forefront especially for value-add investors.

OUTLOOK

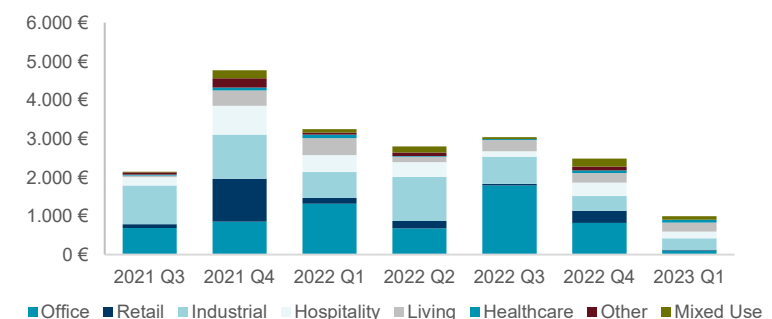
While the first half of 2023 will bear the brunt of the uncertain economic environment, a more positive outlook is expected for the end of the year and yield expansion is forecast to ease in most sectors.

INVESTMENT SALES VOLUME



Source: Cushman & Wakefield Research

INVESTMENT SALES VOLUME BY SECTOR



SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	MARKET
Aparto Milan Giovenale	Living	Colliers Global Investors	Hines	Est 120€Mn	North
Via Cadolini	Mixed Use	Supernova	AbitareIn SpA	72€Mn	North
Student Housing Cenisia	Living	Patrizia	StoneHill	70€Mn	North
IDI IRCCS	Healthcare	Ream Sgr	Fondazione Luigi Maria Monti	47,5€Mn	Centre
Logistics Verdellino	Logistic	Unipol	AF Logistics	c.a. 40€Mn	North
Mantova	Logistic	Barings	Ecodem	Est 35€Mn	North
6 B&B Hotel	Hospitality	Castello Sgr OBO ENPACL	Castello Sgr OBO Oaktree	Est 30€Mn	Multi-City

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(*) NOTES:

Yields are calculated on a net basis as reported below:

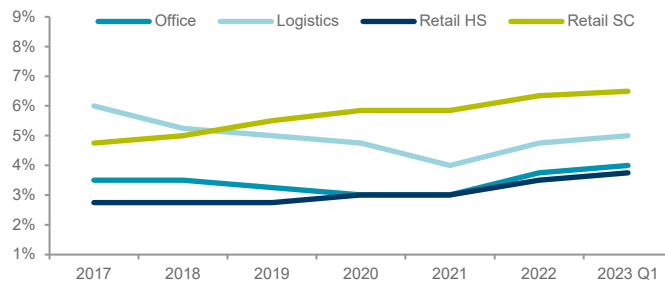
Net Yield = NOI (1) / PP (2)

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

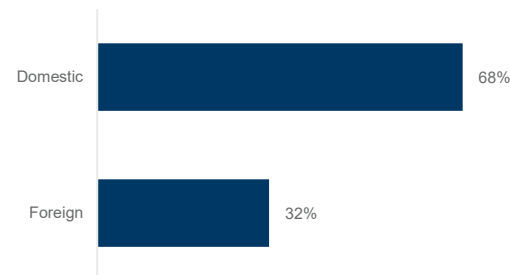
2. Purchasing Price – excluding transfer costs, tax and legal fees

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 2023 Q1



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