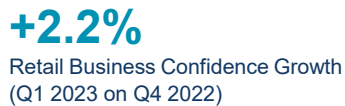


YoY Chg 12-Mo. Forecast



ITALIAN ECONOMIC INDICATORS Q1 2023



Sources: Moody's (GDP growth Q1 2023 on Q1 2022 and Retail and consumer confidence); ISTAT: Unemployment rate (February 2023 preliminary); CPI (Harmonized average March 2023).

ECONOMY OVERVIEW

The longstanding geopolitical uncertainty, persistently high inflation and some tensions affecting the banking sector marked the first quarter of the year. Nonetheless the economic outlook was better than expected 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 fall in the energy prices which favored the manufacturing sector. End of year expectations 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. Despite this consumer confidence improved in the first quarter of the year. 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 %.

OCCUPIERS & INVESTMENT FOCUS

The first quarter of 2023 registered stable rental values in most of the Italian **high streets**, with a slight increase in touristic cities such as Florence, Venice and Naples. Retailers have a positive attitude proven by good market activities, which however require longer negotiation periods. Luxury retailers are starting to explore new markets represented by seaside and mountain holiday resorts.

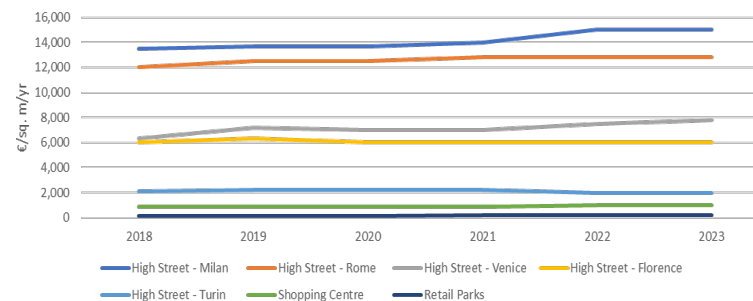
On the **shopping centre** side, the market is blurred. Leasing activities are mainly represented by operators with low margins, in connection to the widening gap in the purchasing power of the different classes of the Italian population. Fundamentals are more and more driven by new customers' habits, corresponding to lower footfall and higher sales; turnover is in line with pre-pandemic figures and the average receipt registered a 20% increase.

With retail **investment** volumes below 20 €Mn, the first quarter of the year is testament to the difficult period retail is encountering. Scarcity of product on the market is underlining the limited number of sellers and investors have higher expectations, with a very selective approach on an asset-by-asset basis. Q1 saw a further 25 bps increase on prime yields, but there are positive expectations for balance in the market in the course of 2023.

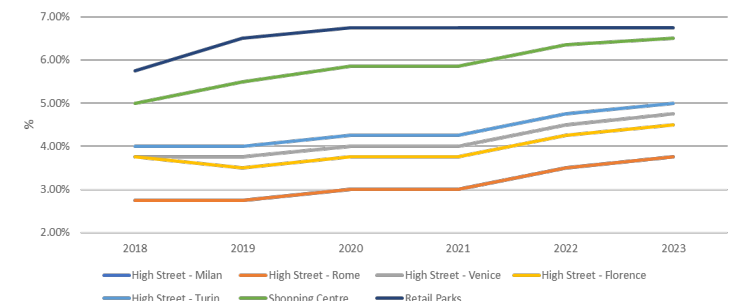
OUTLOOK

Despite the retail sector is facing new challenges as inflation impact on consumption, it showed and keep showing a good recovery towards pre-Covid performances. Investors continued to maintain a wait-and-see attitude in the first quarter of 2023 with a more and more speculative approach towards investment opportunities. While only two very small transactions were carried out during Q1 2023, few secondary shopping centres are currently under exclusivity and are expected to be closed in the next quarters.

PRIME RENTS



PRIME YIELDS



MARKET STATISTICS (*)

SUBMARKET	PRIME RENT	1 YEAR GROWTH	5 YEARS CAGR	PRIME YIELD (NET*)	1 YEAR GROWTH	5 YEARS CAGR
Milan	€ 15,000	3.40%	2.10%	3.75%	25.00%	6.40%
Rome	€ 12,800	0.00%	2.20%	3.75%	25.00%	6.40%
Venice	€ 7,800	11.40%	5.40%	4.75%	18.80%	4.80%
Florence	€ 6,000	0.00%	0.70%	4.50%	20.00%	3.70%
Turin	€ 2,000	0.00%	0.00%	5.00%	17.60%	4.60%
Shopping Centres	€ 1,000	11.10%	2.10%	6.50%	11.10%	6.50%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT
Corso Buenos Aires	Milan	Naïma Allscent
Corso Buenos Aires	Milan	Nashi Argan (next opening)
Corso Buenos Aires	Milan	Salmoiraghi & Viganò (next opening)
Corso Matteotti	Milan	Kick Game
Via Torino	Milan	Pull&Bear
Via Garibaldi	Torino	Doppelgänger

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER	BUYER
Via del Tritone 297	Rome	Single Asset – High Street	Private	BNP Paribas REIM
Via Francesco Giordani	Naples	Single Asset – High Street	Private	Private

KEY PIPELINES 2023-25

PROPERTY	SUBMARKET	OWNER / DEVELOPER
MaxiMall Pompei	Naples	IrgenRE
Merlata Bloom	Milan	Nhood
Milanord 2	Milan	Nhood
Walther Park	Bolzano	Signa Group

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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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