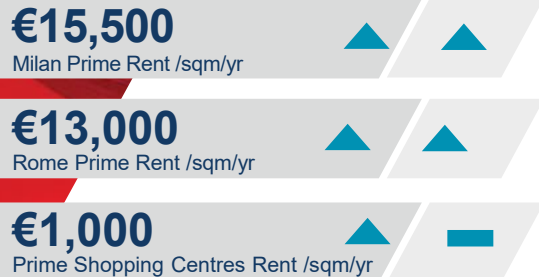


YoY Chg      12-Mo. Forecast



### ITALIAN ECONOMIC INDICATORS Q2 2023



### ECONOMY OVERVIEW

GDP growth in Italy paused in the spring, remaining broadly unchanged, mainly due to the contraction in manufacturing activity, affected by the weakening of the industrial cycle at global level. Despite that, GDP yearly growth to June 23 stands at around 1% and year end estimates are confirmed in the range of +1.3%. Consumer price inflation fell further standing at 6.7% in June thanks to the sharp decline in the energy component, although it remains high. Households and firms expect inflationary pressures to ease further. The expansion in household consumption continued at a slower pace. Investment was held back by tighter financing conditions and by a less favorable outlook for demand.

Over the next few quarters, recovery will likely be affected by the tightening of financing conditions and by weak international trade. Between May and June, the ECB raised interest rates by further 50 basis points overall with the reference rate increasing at 3.5%, and further hikes are likely to happen. The yields on ten-year government bond rose slightly while the spread with the corresponding German bund narrowed.

Employment continues to rise with unemployment rate lending at 7.6% in May. Wage growth is expected to strengthen over the remainder of the year, though remaining lower than the rise in prices. High uncertainty continues to be a key feature of the macroeconomic outlook and it will continue to affect real estate investment flows.

### OCCUPIERS & INVESTMENT FOCUS

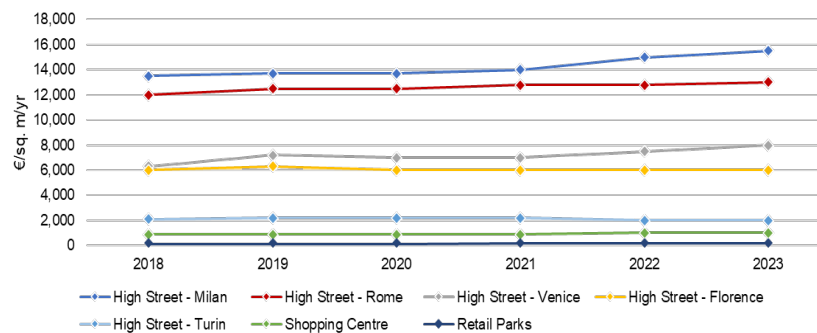
The second quarter of the year 2023 registered stable rental values in the **high street market**, while **luxury** locations rents are growing due to exceptional demand from retailers. The general attitude is positive, even though retailers are more selective in terms of location and visibility. International operators are returning to explore and expand in Italy, mainly focusing on touristic cities.

On the **shopping centre** side, turnover and footfall continued with positive trends. Retailers showed a cautious optimism and aren't giving up with their expansion plans. Shopping centers prime rents were stable over the second quarter at 1,000 €/sqm/yr while retail parks prime rents increased by 5.2% at €200 €/sqm/yr. The retail **investment** volume stood at ca €190M in Q2, bringing the total H1 volume at circa €200M (40% decrease on 2022). Limited investment activity was registered during the quarter, mainly represented by Aedes delisting.

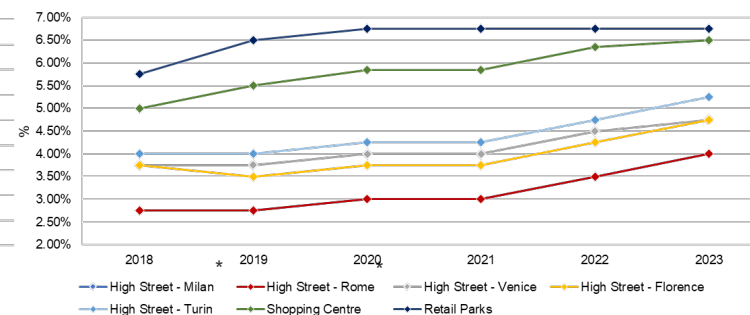
### OUTLOOK

Very few opportunistic investors are active in the market. Few deals related to secondary stabilized shopping centres are ongoing, expected to close at double-digit yields in the second half of the year, postponed due to the increased timing to find financing. Timing to close a deal has substantially increased compared to one year ago. High inflation has contributed to support turnovers which are recorded in line with 2019. Investors keep a wait-and-see attitude with a general speculative approach towards retail. Increasing cost of financing and return on risk-free bonds have and are expected to strongly influence CRE returns in the short-medium term.

### PRIME RENTS



### PRIME YIELDS



\* NOTE: Milan and Rome yields coincide and are both represented by the red line

Sources: Moody's (GDP growth Q2 2023 on Q2 2022 and Retail and consumer confidence); ISTAT: Unemployment rate (July 2023) and HICP (Italian harmonized index June 2023).

## MARKET STATISTICS (\*)

| SUBMARKET        | PRIME RENT | 1 YEAR GROWTH | 5 YEARS CAGR | PRIME YIELD (NET*) | 1 YEAR GROWTH | 5 YEARS CAGR |
|------------------|------------|---------------|--------------|--------------------|---------------|--------------|
| Milan            | € 15,500   | 6.90%         | 2.80%        | 4.00%              | 33.30%        | 7.80%        |
| Rome             | € 13,000   | 1.60%         | 2.50%        | 4.00%              | 33.30%        | 7.80%        |
| Venice           | € 8,000    | 14.30%        | 5.90%        | 4.75%              | 18.80%        | 4.80%        |
| Florence         | € 6,000    | 0.00%         | 0.70%        | 4.75%              | 26.70%        | 4.80%        |
| Turin            | € 2,000    | 0.00%         | 0.00%        | 5.25%              | 23.50%        | 5.60%        |
| Shopping Centres | € 1,000    | 11.10%        | 2.10%        | 6.50%              | 11.10%        | 6.50%        |

## KEY LEASE TRANSACTIONS

| PROPERTY           | SUBMARKET | TENANT                     |
|--------------------|-----------|----------------------------|
| Via Montenapoleone | Milan     | Jäger Lecoultré            |
| Corso Buenos Aires | Milan     | Terranova                  |
| Piazza Duomo       | Milan     | Swarovski (next opening)   |
| Via Torino         | Milan     | Douglas                    |
| Torre Velasca      | Milan     | Sushi Samba (next opening) |
| Piazza Beccaria    | Milan     | Netflix (Stranger Things)  |
| Via del Corso      | Rome      | Tommy Hilfiger             |
| Via Garibaldi      | Torino    | Lush                       |

## KEY SALES TRANSACTIONS

| PROPERTY                      | SUBMARKET  | PROPERTY TYPE                  | SELLER                        | BUYER            |
|-------------------------------|------------|--------------------------------|-------------------------------|------------------|
| Portfolio                     | Multi-city | Delisting                      | Aedes SGR                     | Hines            |
| Piazza Umbra SC               | Perugia    | Single Asset – Shopping Centre | Mediolanum Gestione Fondi SGR | Undisclosed      |
| Bricoman Portfolio            | Multi-city | Portfolio – Big Boxes          | Tecnomat/Bricoman             | Polis Fondi SGR  |
| Hypermarket Aurelia Antica SC | Grosseto   | Single Asset - Hypermarket     | Private                       | Unicoop Tirreno  |
| Via del Tritone 297           | Rome       | Single Asset – High Street     | Private                       | BNP Paribas REIM |
| Via Francesco Giordani        | Naples     | Single Asset – High Street     | Private                       | Private          |

## NEW OPENING AND KEY PIPELINES 2023-25

| PROPERTY                         | SUBMARKET | OWNER / DEVELOPER | YEAR |
|----------------------------------|-----------|-------------------|------|
| To Dream                         | Turin     | Romania Sviluppo  | 2023 |
| Merlata Bloom                    | Milan     | Nhood             | 2023 |
| Officine Storiche – Porta a Mare | Livorno   | IGD               | 2023 |
| Waterfront Mall                  | Genoa     | CDS               | 2024 |
| Maximall Pompei                  | Naples    | Irgen RE          | 2024 |

## THOMAS CASOLO

International Partner, Head of Retail

+39 02 61290784

[thomas.casolo@cushwake.com](mailto:thomas.casolo@cushwake.com)

## ANDREA ORSA

Partner, Head of Capital Markets Retail

+39 02 63799279

[andrea.orsa@cushwake.com](mailto:andrea.orsa@cushwake.com)

## FRANCESCA NEGRONI

Retail Research

+39 02 63799240

[francesca.negrone@cushwake.com](mailto:francesca.negrone@cushwake.com)

## 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.

## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit

[www.cushmanwakefield.com](http://www.cushmanwakefield.com)

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.