

YoY Chg 12-Mo. Forecast

<p>€18,000</p> <p>Milan Prime Rent /sqm/yr</p>	▲	▲
<p>€14,500</p> <p>Rome Prime Rent /sqm/yr</p>	▲	▲
<p>€1,000</p> <p>Prime Shopping Centres Rent /sqm/yr</p>	▲	▬

ITALIAN ECONOMIC INDICATORS Q3 2023

<p>+1.0%</p> <p>GDP Growth</p>	▲	▲
<p>7.7%</p> <p>Unemployment Rate</p>	▼	▲
<p>5.4%</p> <p>Consumer Price Index</p>	▲	▬
<p>-2.1%</p> <p>Retail Business Confidence Growth (Q3 2023 on Q2 2023)</p>	▲	▲
<p>-0.2%</p> <p>Consumer Confidence Growth (Q2 2023 on Q1 2023)</p>	▲	▬

Sources: Moody's (GDP growth Q3 2023 on Q3 2022 and Retail and consumer confidence; Unemployment rate) ISTAT: HICP (Italian harmonized index October 2023).

ECONOMY OVERVIEW

GDP growth in Italy remains weak after a decline during the second quarter, mainly due to the contraction in manufacturing and service activity. The indicators confirm the fragility of domestic demand, which reflects tighter credit conditions inflation-based erosion of household income, and a slowdown in the labour market. Projections for GDP growth are revised downwards, in the range of +0.7%. Consumer price inflation increased slightly in September, due to higher fuel prices, following a few months of decline. Households and businesses anticipate a reduction in inflationary pressures. HICP inflation is projected to moderate to 5.9% in 2023. The European Central Bank (ECB) has raised interest rates twice, by a total of 50 bp, in July and September, resulting in an overall increase in the reference rate to 4.00%. The yield on Italian ten-year government bonds has risen significantly compared with the first days of July, due to higher key interest rates and expectations of a cyclical downturn. The spread between Italian and German ten-year government bond yields has widened. In the second quarter of 2023, the number of workers continued to increase, and the unemployment rate further declined to 7.4%. Nevertheless, signs of a slowdown surfaced in early summer. High levels of uncertainty remain a prominent feature of the macroeconomic outlook and will have an ongoing impact on the flow of investment in real estate.

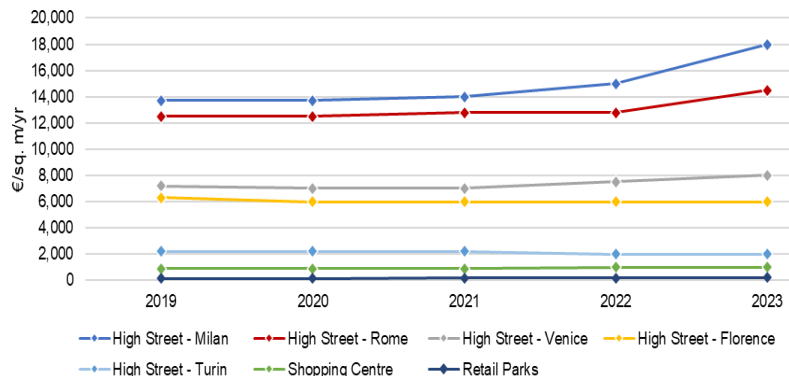
OCCUPIERS & INVESTMENT FOCUS

The third quarter of 2023 saw **stable rental values** in most of the Italian **high streets**, which performed well during the summer period due to the significant presence of tourists. **Luxury market rents** are once again exceeding predictions, touching +16% and +12% in Via Montenapoleone, Milan and Via Condotti, Rome respectively. These values are due to the exceptional demand from high-end retailers and to enduring popularity of Italian luxury shopping destinations. The general attitude is positive since physical stores play a key-role in retailers' omnichannel sales chain. On the **shopping centre** side, turnover and footfall remained aligned with the trends registered in the first half of the year. Performance indicators are still slightly below pre-pandemic levels but are gradually recovering and are expected to return to pre-Covid values in the first half of 2024. Prime rents were stable even in the third quarter at 1,000 €/sqm/yr for shopping centres and at 200 €/sqm/yr for retail parks. **Investment activities** in the retail segment were very limited in the third quarter of the year, adding only 45€Mn to **total volumes** for 2023, that reached circa 250€Mn from the beginning of the year (37% decrease on 2022). Since the beginning of 2023, few deals related to secondary out of town products have been closed, all below €30M and at double-digit yields.

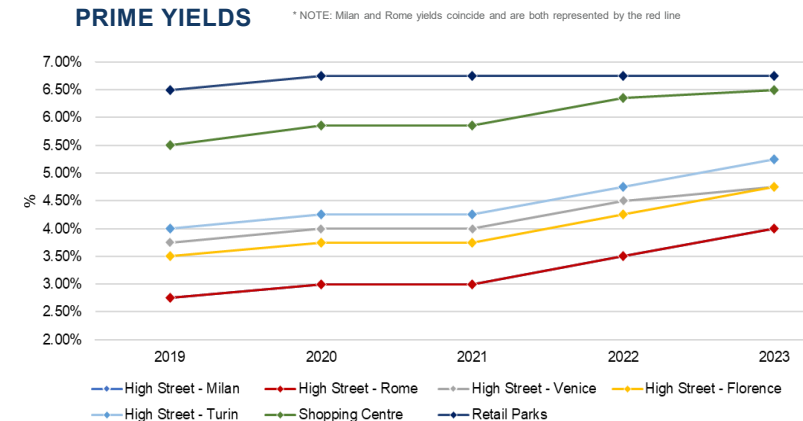
OUTLOOK

Very few opportunistic investors are active in the market. Timing to close a deal has definitely increased compared to one year ago, mainly due to difficulty in finding financing. Increasing cost of financing and higher return on risk-free bonds are expected to continue to influence CRE returns in the short-medium term.

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	€ 18,000	20.00%	5.90%	4.00%	23.10%	7.80%
Rome	€ 14,500	13.30%	4.70%	4.00%	23.10%	7.80%
Venice	€ 8,000	6.70%	5.60%	4.75%	11.80%	4.80%
Florence	€ 6,000	0.00%	0.70%	4.75%	18.80%	4.80%
Turin	€ 2,000	0.00%	0.00%	5.25%	16.70%	5.60%
Shopping Centres	€ 1,000	11.10%	2.10%	6.50%	6.60%	6.50%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT
Corso Vittorio Emanuele II	Milan	Weekend Max Mara
Via de' Cerretani	Florence	Mango
Via del Babuino	Rome	Moschino
Via Roma	Turin	Falconeri
Via Montenapoleone	Milan	Jäger Lecoultre
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)

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER	BUYER
Il Grifone SC	Vicenza	Single Asset – Shopping Centre	MCAP Global Finance	SES
Conad Superstore	Turin	Single Asset – Supermarket	Castello SGR	Ream SGR
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

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

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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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