

	YoY Chg	12-Mo. Forecast
6.3 €Bn Total Volume	▼	■
1.1€Bn Office Volume	▼	■
650 €Mn Retail Volume	▼	■
1.7 €Bn Industrial Volume	▼	▲
1.35 €Mn Hospitality Volume	■	▲
650 €Mn Living Volume	▼	▲
450 €Mn Healthcare Volume	▲	■
340 €Mn Mixed Use Volume	▼	■
50 €Mn Other Volume	▼	■

ITALIAN ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
0.7% GDP Growth	▼	▼
7.7% Unemployment Rate	▼	▲
4.34% 10-Yr Treasury Yield	▲	▼

Source: Moody's (2023 on 2022 change; 2023 data for unemployment rate; 10 yr Gov Bond at 2023)

ECONOMY OVERVIEW

Italy's GDP remained stable in Q4 2023, with negligible growth due to tight credit conditions and high energy prices, causing stagnation in consumption and a contraction in investment. Manufacturing experienced a downturn, while services remained stable, and construction grew with tax incentives. Projections for 2024 estimate a 0.6% GDP growth, slightly lower than the estimated 0.7% in 2023, and subsequent years are expected to see 1.1% growth. Employment continued to rise, with robust wage growth in the non-farm private sector. Inflation fell, particularly in core inflation, and is projected to slow to 1.9% in 2024 from 5.9% in 2023, with expectations of easing inflationary pressures in the short to medium term. The European Central Bank (ECB) kept key interest rates steady, anticipating their prolonged maintenance to contribute to achieving the 2% inflation target. Monetary tightening has led to decreased demand for credit, impacting the growth of monetary aggregates, while government bond yields have decreased, and spreads between Italian and German bonds have narrowed.

INVESTMENT OVERVIEW

Last quarter investment volumes surged +80% from the previous quarter, nearing 3€Bn, aligned with the same period last year. It marked a positive move since the end of last year, following a return of confidence among investors since last December. FY 23 volumes reached 6.2€Bn, a decrease of 46% YY. Industrial & Logistics and Hospitality confirmed at the forefront of the market also in the last quarter, bringing the FY data at 28% and 21% of yearly volumes, respectively. Office, which is facing a challenging outlook more than other asset classes, experienced a recovery in the last quarter bringing its share on the yearly total at 18%. Since the start of the year, when domestic capital was dominant, the share of foreign investors has grown, with FY accounting 60% of the total volume.

With 624€Mn invested in Q4 23, the **Office** sector witnessed a recovery compared to the lower levels in the previous quarters. This positive result was mainly driven by a single transaction in the Milan CBD, which accounted for 34% of the quarterly volume. FY volume stood at 1.1€Bn, a sharp contraction on 2022.

Industrial & Logistics sector has maintained its supremacy on the market: 27% of the FY investment volume. The fastest repricing compared to other asset classes favored the greater liquidity in this sector: + 50 bps since the beginning of the year in prime yields. Two big portfolios, over 150€Mn each, lead the activity, accounting for 20% of the annual sector volume.

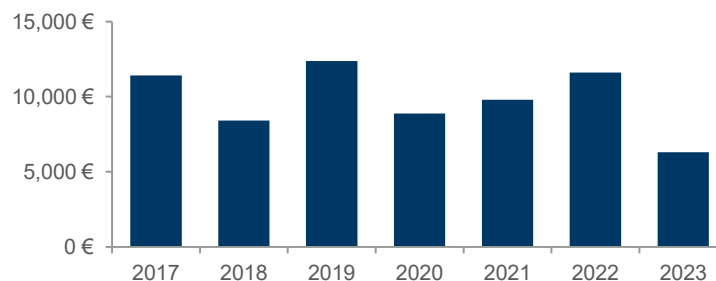
Retail volumes remained modest at some 650€Mn, broadly in line with 2022, representing some 11% of total CRE investments recorded for 2023. Demand is confirmed focused on out of town retail namely retail warehouses portfolios and secondary retail galleries. Buyers are mainly international speculative investors or domestic investors often owner occupiers of the close-by food anchor unit. The worsening of the financial environment and limited investment activity recorded in 2023 suggested an increase of the benchmark of prime returns for retail investments by some 25-50 bps.

Within the alternative asset classes, the **Hospitality** sector was the second best performer, with 1.4€Bn invested over the year and recording the largest transaction in 2023 all sectors: Sixth Sense in Rome for circa 250€Mn. It highlights the momentum for this asset witnessing how investors are betting on the potential that tourism industry in Italy presents, mainly in the consolidated luxury segment. **Living** Investment volumes remained subdued at ca. 600€Mn despite value-add investors are still keen to invest in developing the sector in Italy, mostly in established locations, backed by the strong unbalance between supply and demand for new products.

OUTLOOK

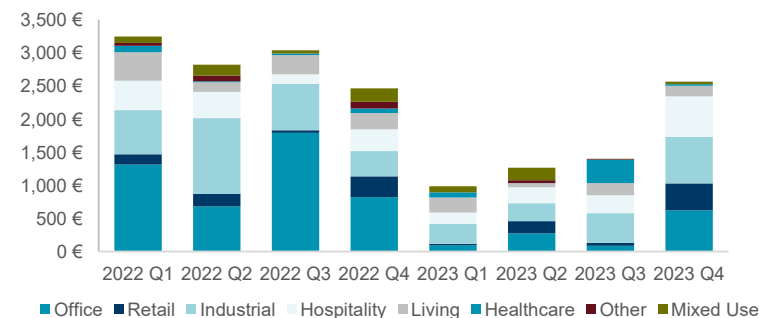
Following price discovery, investors are now more aware of the market pricing and there's a cautious optimism for 2024. Repricing is still ongoing and this will contribute to further improve liquidity and prime yields are expected to stabilize since the second part of the year, at different level according to the sectors and quality of the assets. The mix of good fundamentals and already adjusted high returns for retail investments together with the expectations of a reduction in financial rates let envisage a recover of investment activity in this asset class for 2024.

INVESTMENT SALES VOLUME



Source: Cushman & Wakefield Research

INVESTMENT SALES VOLUME BY SECTOR



■ Office ■ Retail ■ Industrial ■ Hospitality ■ Living ■ Healthcare ■ Other ■ Mixed Use

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	MARKET
Six Senses	Hospitality	Gruppo Statuto	Orion Capital Managers	245 €Mn	Centre
Piazza San Fedele 1-3	Office	Union Investment	Qatar Investment Authority	Est 210 €Mn	North
Portfolio Logiman (phase 2)	Industrial	Starwood	Logiman	170 €Mn	North
Project Aurora Portfolio	Industrial	Boreal IM	Logicor	155 €Mn	North
Project Falcon Portfolio	Hospitality	Aermont	Pellicano Hotels	Est 130 €Mn	Various
Aparto Milan Giovenale	Living	Colliers Global Investors	Hines	Est 120 €Mn	North
Piazza Affari 2	Office	Kryalos Sgr	Cromwell Property	93.6 €Mn	North
Portfolio Fedrigoni (S&LB)	Industrial	WP Carey	Fedrigoni	91 €Mn	Various

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(* NOTES:

Yields are calculated on a net basis as reported below:

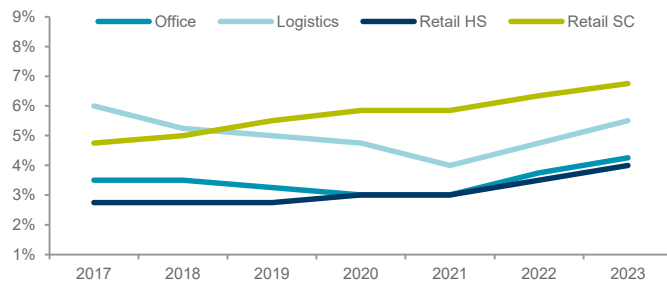
Net Yield = NOI (1) / PP (2)

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

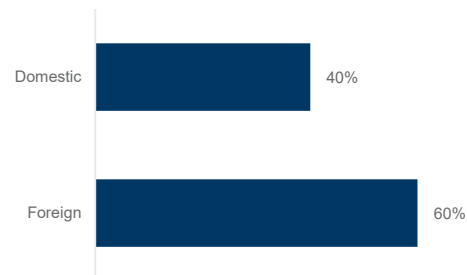
2. Purchasing Price – excluding transfer costs, tax and legal fees

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



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