

YoY Chg 12-Mo. Forecast

€18,000
Milan Prime Rent /sqm/yr

€15,000
Rome Prime Rent /sqm/yr

€1,000
Prime Shopping Centres Rent /sqm/yr

ITALIAN ECONOMIC INDICATORS Q4 2023

+0.7%
GDP Growth

7.7%
Unemployment Rate

5.7%
Consumer Price Index

-1.6%
Retail Business Confidence Growth
(Q4 2023 on Q3 2023)

-2%
Consumer Confidence Growth
(Q4 2023 on Q3 2023)

Sources: Moody's (GDP growth Q4 2023 on Q4 2022, Retail and consumer confidence, Unemployment rate) and ISTAT (HICP Italian harmonized index year 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.

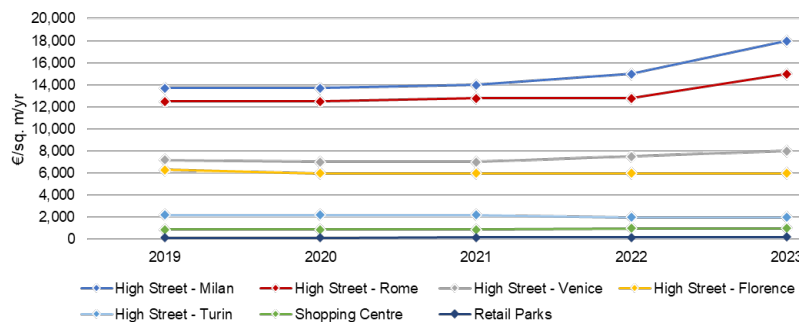
OCCUPIERS & INVESTMENT FOCUS

The last quarter of 2023 registered **stable rental values** in Italian **high streets**, confirming the **positive performance** of the entire year. **Luxury prime market rents** are amongst the **highest of the world**, according to **Main Streets Across the World** report ranking the most expensive retail locations. Via Montenapoleone gained the second place at global level, hitting the first place of the European ranking with a 20% YOY increase; Via Condotti follows in the third position of the European ranking with a 17% YOY increase. In general, retailers have a positive attitude and are demanding in terms of **quality**, location and store layout being the main requisites for best-in-class **physical stores**. Their interest is expanding even to secondary cities with an eye on tourists' flows. On the **shopping centre** side, fundamentals reinforced in terms of turnover and footfall, with an increase in the average expenditure per client, and footfall slightly below pre-pandemic figures. Prime rents remained stable at 1,000 €/sqm/yr for shopping centres and at 200 €/sqm/yr for retail parks. **Retail volumes** remained **modest** at 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.

OUTLOOK

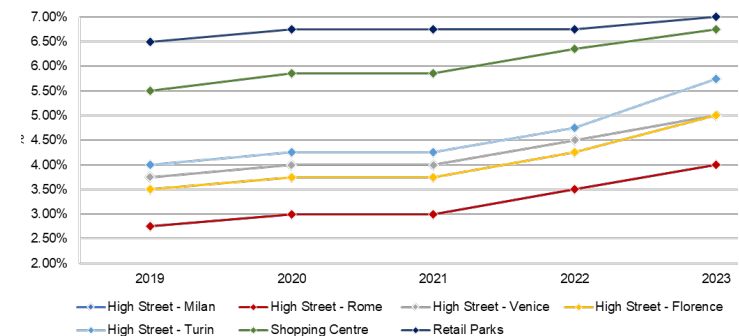
The mix of good fundamentals and already adjusted high returns for retail investments together with the expectations of a reduction in financial rates let envisage a recover of investment activity in this asset class for 2024.

PRIME RENTS



PRIME YIELDS

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



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	€ 15,000	17.20%	4.60%	4.00%	14.30%	7.80%
Venice	€ 8,000	6.70%	4.90%	5.00%	11.10%	5.90%
Florence	€ 6,000	0.00%	0.00%	5.00%	17.60%	5.90%
Turin	€ 2,000	0.00%	-1.00%	5.75%	21.10%	7.50%
Shopping Centres	€ 1,000	0.00%	2.10%	6.75%	6.30%	6.20%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT
Via Manzoni	Milan	Elisabetta Franchi (next opening)
Corso Vercelli	Milan	Pandora
Galleria Alberto Sordi	Rome	Uniqlo (next opening)
Palazzo Marignoli	Rome	Starbucks
Via Roma	Turin	Hugo Boss
Via Calimala	Florence	Zara Uomo
Piazza della Repubblica	Florence	Chanel Beauty
Via de' Tornabuoni	Florence	Van Cleef Arpels

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER	BUYER
Porta di Siena SC	Siena	Single Asset – Shopping Centre	AXA REIM SGR	Indotek
Happio SC	Rome	Single Asset – Shopping Centre	Regeim SpA	Finleonardo
Biocca Village	Milan	Single Asset – Shopping Centre	Apollo	Hifyn
Decathlon Pan European Portfolio	Multi-city	Portfolio – Big Boxes	Decathlon	Realty Income
OBI Portfolio	Multi-city	Portfolio – Big Boxes	Confidential	Confidential
Palazzo Reina – Via Bagutta 12	Milan	Single Asset – High Street	Société Générale Immobilier	Investire SGR

NEW OPENING AND KEY PIPELINES 2024-25

PROPERTY	SUBMARKET	OWNER / DEVELOPER	YEAR
Merlata Bloom	Milan	Nhood	2023
To Dream	Turin	Romania Sviluppo	2023
Porta a Mare	Livorno	IGD	2023
Waterfront Mall	Genoa	CDS	2024
Maximall Pompei	Naples	Irgen RE	2024
Chorus Life	Bergamo	Costim	2024
Waltherpark	Bolzano	Hager	2025

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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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