

	YoY Chg	12-Mo. Forecast
1.66 €Bn Total Volume	▲	▲
306 €Mn Office Volume	▲	▲
405 €Mn Retail Volume	▲	▲
184 €Mn Industrial Volume	▼	■
599 €Mn Hospitality Volume	▲	▲
118 €Mn Living Volume	▲	▲
25 €Mn Healthcare Volume	▲	■
21 €Mn Mixed Use Volume	▼	▲
- €Mn Other Volume	▲	■

ECONOMY OVERVIEW

In H1 2024, Italy's economy showed signs of cautious optimism, leading to improved year-end forecasts. GDP grew by 0.9% in 2023 and 0.3% in early 2024, projecting an annual increase of 1%. The labor market strengthened, with a slight rise in employment and an expected 7.1% unemployment rate by year-end. Inflation was subdued at 0.8% in May, with a gradual return to ECB targets, leading to a significant drop in the household spending deflator to 1.7% in 2024 from 5.2% in 2023. Despite wage growth consolidation is expected to rise in the following months, 2025 inflation trend will show a moderate increase, but would remain aligned to the ECB 2% target. The ECB's June rate cut, the first since 2022, reduced government bond yields and returned the yield spread between Italian real estate and the 10-year bond to positive territory, fostering optimism among real estate investors, signaling a positive outlook for the property market. Overall, the forecast scenario remains characterized by uncertainty in the international framework, particularly due to ongoing geopolitical tensions. However, the economic forecast for Italy in H1 2024 offers a guardedly positive view, anticipating moderate expansion and a steady macroeconomic climate.

INVESTMENT OVERVIEW

In Q2, the investment market reached €1.66 billion, in line with the volume of the first quarter and 29% higher than Q2 2023, bringing H1 figures to almost €3.5 billion, a 50% increase compared to the same period in 2023, which was the lowest semester in the past 10 years. The first half of 2024 therefore confirms a moderate recovery of investor interest, supported by the ECB's 25 basis point rate cut in June. The top performing asset classes throughout the quarter were Hospitality and Retail, accounting respectively for 36% and 24% of quarterly volumes. Following Q1 which was slightly dominated by domestic capital, foreign investments have increased their market share throughout the quarter (53%), bringing the half-yearly share to 50%.

With 306€Mn invested in Q2 24, the **Office** sector have decreased in respect to the first quarter of the year, highlighting investors' cautious attitude towards this asset class. Main focus remain on central locations and on assets with future reversion or potential repositioning. This attitude contrasts with office fundamentals, characterized by continued strong occupier demand and potentially rising prime rents.

With a quarterly volume of approximately €405 million, **Retail** investment recorded nearly eight times the value transacted in Q1 24 and double the volume of Q2 2023. The RomaEst transaction was the most significant deal of the quarter, marking the first regional shopping center sale since 2017.

In the second quarter, **Industrial & Logistics** investment volume declined compared to the first quarter, but resulted in a half-year volume in line with H1 2023. The sector remains constrained by the gap between buyer and seller expectations.

With regards to Alternative asset classes, the **Hospitality** sector confirmed its attractiveness by recording a quarter-on-quarter increase in the first semester. It led the market, accounting for 36% of the quarterly volume and 24% of the semester volume. This growth was driven by an increasing number of transactions, particularly in the last quarter, with significant deals involving luxury hotels in Rome, Venice, and Lake Como.

The **Living** sector, which focuses on developments and asset repositioning, recorded a 21% increase in Q2 compared to the first quarter of the year, with circa 118€Mn, covering the 7% of the quarterly volume. However, the sector remains constrained by a lack of supply that meets institutional investors' expectations and the urban planning and administrative uncertainty currently affecting the city of Milan.

OUTLOOK

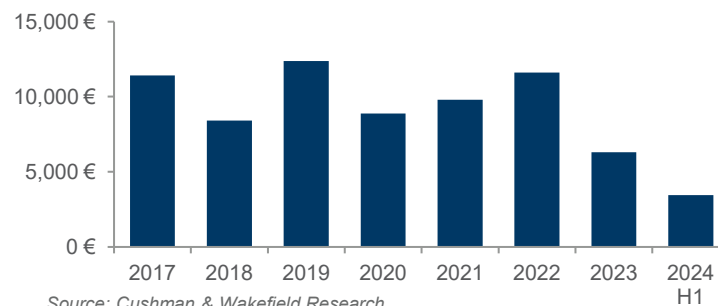
There is cautious optimism for the latter part of 2024. Growing interest in Core + / Value-add opportunities, with an increase in value through the dynamism of the rents in the recent years (across almost all the asset classes) and the achievement of green certifications with an additional impact on the appeal of the assets, should help to strengthen the investment trend in the second half of 2024 and in 2025.

ITALIAN ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
1.0% GDP Growth	▲	▲
6.8% Unemployment Rate	▼	▲
3.87% 10-Yr Treasury Yield	▲	▲

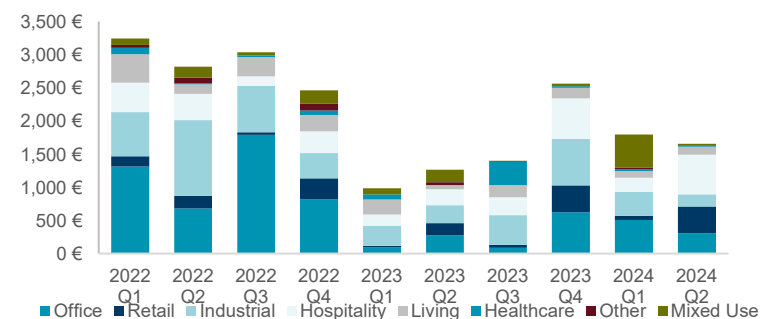
Source: Moody's Italy (GDP Growth estimate Q2 2024 on Q2 2023; Unemployment Rate Q2 2024; 10 yr Gov Bond at Q2 2024)

INVESTMENT SALES VOLUME



Source: Cushman & Wakefield Research

INVESTMENT SALES VOLUME BY SECTOR



Investment Q2 2024

SIGNIFICANT SALES YTD

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	MARKET
Scalo Farini (Unicredit / Hines)	Mixed Use	Unicredit	Ferrovie dello Stato	489 €Mn	North
Via Vittorio Veneto 89	Office	Deka Immobilien Investment GmbH	Ardian	269 €Mn	Centre
Shopping Center RomaEst	Retail	Klépierre	Government of Singapore Investment Corporation (GIC)	220 €Mn	Centre
IGD Portfolio	Retail	Starwood Capital;Sixth Street	IGD SIQ	155 €Mn	Various
Portfolio Fedrigoni (S&LB) - Phase 2	Industrial	WP Carey	Fedrigoni	133 €Mn	Various
Corso Europa 2 (Campari Headquarter)	Office	Campari Group	BNP Paribas REIM SGR	110 €Mn	North
Fondo Sapphire Portfolio (share 51%)	Office	Enasarco	Zurich; Morgan Stanley	103 €Mn	Centre
Metra Holding S&LB	Industrial	WP Carey	Metra Holding	90 €Mn	Various
Hotel Cicerone	Hospitality	Fattal Hotel Group	Banco BPM	74.9 €Mn	Centre
Grand Hotel Poltu Quatu	Hospitality	Anima Sgr	Famiglia Pulcini	70 €Mn	South
Palazzo di Fuoco	Office	Corum AM	Kryalos SGR	70 €Mn	North

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(* NOTES:

Yields are calculated on a net basis as reported below:

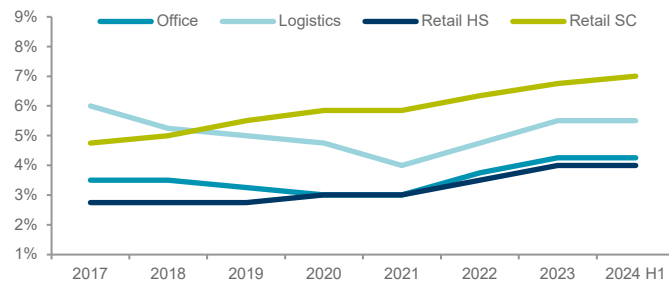
Net Yield = NOI (1) / PP (2)

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

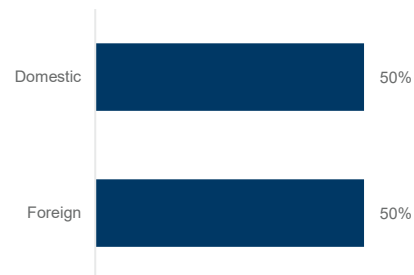
2. Purchasing Price – excluding transfer costs, tax and legal fees

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 H1 2024



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