

YoY Chg 12-Mo. Forecast

<p>€20,000</p> <p>Milan Prime Rent /sqm/yr</p>	▲	▲
<p>€15,000</p> <p>Rome Prime Rent /sqm/yr</p>	▲	▲
<p>€1,100</p> <p>Prime Shopping Centres Rent /sqm/yr</p>	▲	▬

ITALIAN ECONOMIC INDICATORS Q2 2024

<p>+1.0%</p> <p>GDP Growth</p>	▲	▲
<p>6.8%</p> <p>Unemployment Rate</p>	▼	▲
<p>3.87%</p> <p>10-Yr Treasury Yield</p>	▲	▲

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

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.

OCCUPIERS & INVESTMENT FOCUS

The second quarter of the year recorded an almost **stable rental trend** except for the luxury prime streets of Milan and Rome, where rents are rising steadily due to the limited availability of space and the continuous demand from brands, and prime shopping centers, which, on the strength of their market position, are raising rents for space in their malls.

The Italian market, and particularly Northern Italy, is now part of the expansion plans of several **international retailers** who are opening their first shops in the main shopping streets of tourist destination cities.

F&B operators are focusing on new formats to meet the demand for healthy and sustainable food: innovative concepts such as food delivery services, ghost kitchens and pop-up restaurants are becoming increasingly popular.

Operators in the **luxury** sector are mainly focusing on resorts offering luxury hotels in the wake of the correlation between retail and hospitality.

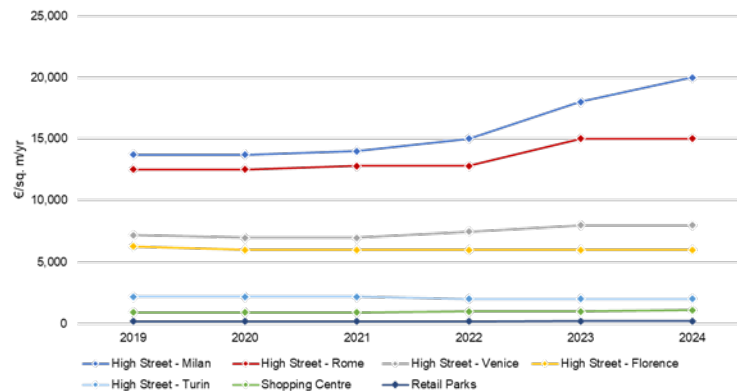
Retail investment counted a further 4 transactions in the second quarter of the year, with a volume of **405 €Mn**, almost 7 times the value transacted in the first quarter and reaching in the first semester a volume of 465 €Mn, doubling the volume recorded in H1 2023. RomaEst transaction represented the most significant deal in the quarter, being the first regional shopping centre transacted since 2017.

Active investors are mainly represented by retail specialists and value-add investors drawn by potential significant returns, together with end-users acquiring real estate as strategic assets in their business plan .

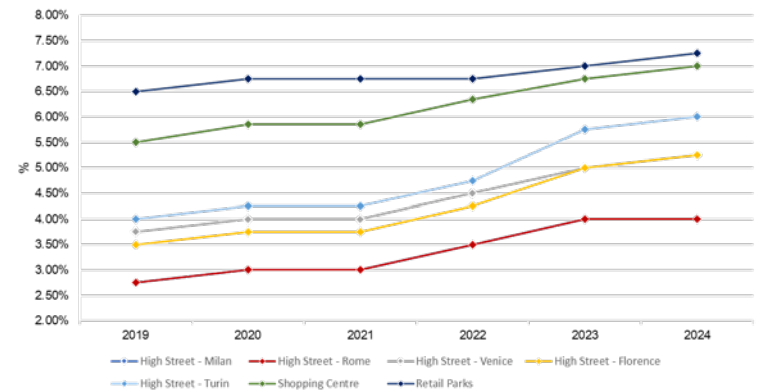
OUTLOOK

Interest for retail is gradually improving due to attractive returns and the resilience of occupiers' market. Investors could benefit from ECB's more supportive monetary policy to access credit and consolidate their interest for performing schemes.

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	€ 20,000	29%	8.20%	4.00%	0.00%	7.80%
Rome	€ 15,000	15.40%	3.70%	4.00%	0.00%	7.80%
Venice	€ 8,000	0.00%	3.30%	5.25%	10.50%	7.00%
Florence	€ 6,000	0.00%	0.00%	5.25%	10.50%	8.40%
Turin	€ 2,000	0.00%	-1.00%	6.00%	14.30%	8.40%
Shopping Centres	€ 1,100	10.00%	4.10%	7.00%	7.70%	5.90%
Retail Parks	€ 200	0.00%	2.1%	7.25%	7.40%	3.0%

KEY LEASE TRANSACTIONS YTD

PROPERTY	SUBMARKET	TENANT
Via Borgognona	Rome	Golden Goose
Galleria Cavour	Bologna	Elisabetta Franchi
Via Lagrange	Turin	Zara Home
Via Ruggiero Settimo	Palermo	Swarovski
Corso Vittorio Emanuele II	Milan	On Running (next opening)
Piazza Cordusio, The Medelan	Milan	Kave Home
Via Manzoni	Milan	Elisabetta Franchi (next opening)
Via del Babuino	Rome	Kave Home (next opening)
Calle Vallaresso	Venice	Zimmermann (next opening)

KEY SALES TRANSACTIONS YTD

PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER	BUYER
Roma Est	Rome	Single Asset – Shopping Center	GIC	Klépierre
IGD - Retail Portfolio	Multi-city	Portfolio – Hypermarket, Supermarket and Mall	IGD SIIQ	Prelios SGR on behalf of Sixth Street and Starwood Capital
Portfolio Tecnomat	Multi-city	Portfolio – Big Boxes	Tecnomat	Polis Fondi SGR on behalf of LeadCrest Capital Partners
Spazio Conad Superstore	Cagliari	Single Asset – Hypermarket	Hines	End user
Esselunga	Pisa	Single Asset - Supermarket	Hines	End user

NEW OPENING AND KEY PIPELINES 2024-25

PROPERTY	SUBMARKET	OWNER / DEVELOPER	EXPECTED OPENING
To Dream (extension)	Turin	Nhood	Q2 2024
Maximall Pompei	Naples	Irgen RE	Q4 2024
Scalo Milano (extension)	Milan	Private	Q4 2024
Waterfront Mall	Genoa	CDS	Q4 2024
Chorus Life	Bergamo	Costim	Q2 2025
Waltherpark	Bolzano	Hager	Q2 2025

THOMAS CASOLO

International Partner, Head of Retail

+39 02 61290784

thomas.casolo@cushwake.com

ANDREA ORSA

Partner, Head of Capital Markets Retail

+39 02 63799279

andrea.orsa@cushwake.com

FRANCESCA NEGRONI

Retail Research

+39 02 63799240

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.

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