

Q3 MARKET FUNDAMENTALS

| | YOY Chg | 12-Month Forecast |
|---|---------|-------------------|
| 3 €B Total Volume | ▲ | ▲ |
| 434 €M Office | ▲ | ▬ |
| 1.3 €B Retail | ▲ | ▲ |
| 645 €M Industrial & Logistics | ▲ | ▲ |
| 415 €M Hospitality | ▲ | ▲ |
| 80 €M Living | ▼ | ▬ |
| 15 €M Healthcare | ▼ | ▲ |
| 5 €M Mixed Use | ▬ | ▲ |
| 58 €M Other | ▲ | ▬ |

ECONOMIC INDICATORS

| | YOY Chg | 12-Month Forecast |
|--------------------------------------|---------|-------------------|
| +0.6% GDP Growth | ▲ | ▲ |
| 3.73% 10-Yr Treasury Yield | ▼ | ▼ |

Source: Moody's Italy, October 7 update (GDP Growth estimate Q3 2024 on Q3 2023; Unemployment Rate Q3 2024; 10-Yr Gov Bond at Q3 2024).

ECONOMY

Italy is managing to maintain a steady growth trajectory for its economy amidst a backdrop of cautious optimism and persistent global uncertainties. According to preliminary estimate by ISTAT (June 2024), Italy's economy showed moderate growth in the first nine months 2024, despite facing several challenges. The GDP growth by the year end is still expected by approximately 1%, supported by both domestic and foreign demand. Private consumption saw a slight increase, driven by a stronger labor market and rising real wages. The employment rate improved, with a slight decrease in the unemployment rate to 7.1%. Inflation rates began to stabilize, moving closer to the European Central Bank's targets, with a notable decrease in the household spending deflator. Despite these positive trends, the international economic environment remained uncertain, influenced by ongoing geopolitical tensions.

INVESTMENT OVERVIEW

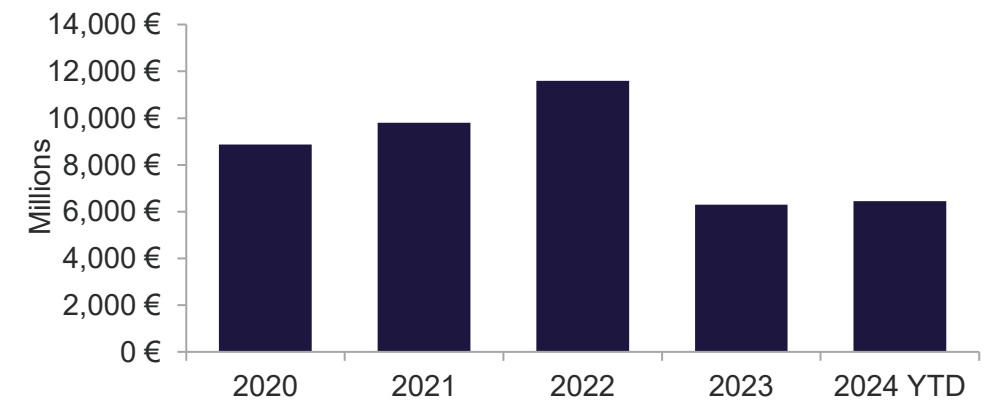
In Q3, the investment market showed a marked recovery, achieving more than 3 €Bn, doubling the volume of the same period last year. This brought the total volume for the first three quarters to nearly 6.45 €Bn, exceeding the total annual volume recorded last year.

Retail was the top-performing asset class throughout the quarter accounting for the 45% of the total volume, primarily driven by the acquisition of Via Monte Napoleone 8, which represents the 96% of the quarterly sector volume and the largest single-asset deal in Italy to date. The Industrial & Logistics sector followed, reaffirming its position as one of the most sought-after asset classes, accounted for 22% of the quarterly volume, driven by two significant core portfolio transactions.

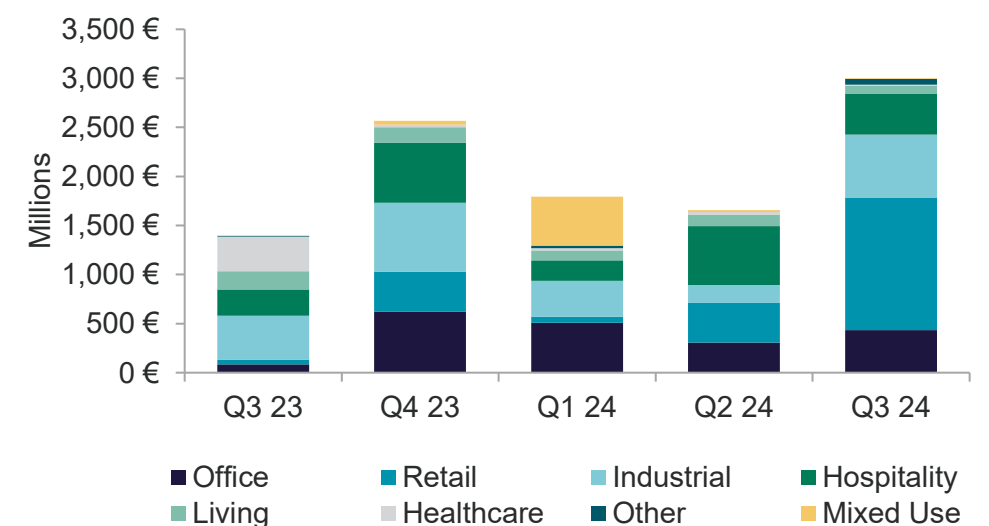
Following a first half of the year marked by a slight dominance of domestic capital, foreign investments progressively increased their market share quarter-on-quarter, reaching 78% in the third quarter. This growth brings foreign capital's overall share to 64% for the first three quarters of the year.

With 435€Mn invested in Q3, the **Office** sector is gaining interest compared to last year's trend, reaching an year-to-date volume of 1.2€Bn, which already surpasses the total investment volumes for all of 2023.

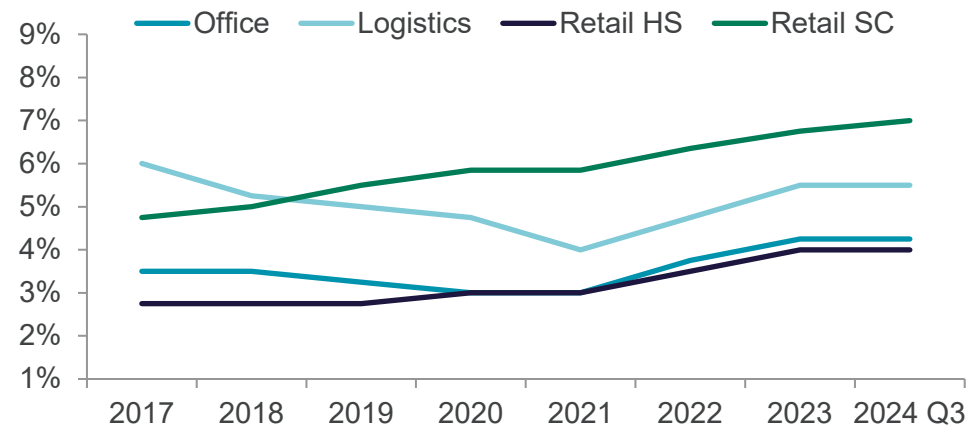
INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR

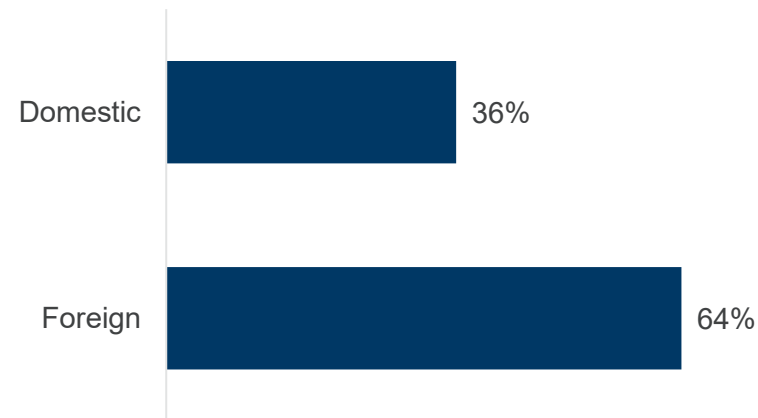


PRIME YIELD (NET)



(*) 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.

SOURCE OF CAPITAL INVESTED YTD



Investment activity remains concentrated in the cities of Milan and Rome, which have accounted for 47% and 46% of the total volume year-to-date, respectively. Investor’s capital remains extremely selective and focused on centrally located Core / Core plus assets. Value-add products, with potential for future reversion or repositioning, continue to be highly attractive. This is supported by an occupier market that demonstrates solid fundamentals, particularly for sustainable assets located in prime areas with limited availability.

Retail investment has reached a quarterly volume of more than 1.3 €Bn, totaling 1.8 €Bn year-to-date, which is three times higher than the total volume for the entire previous year. This significant result was boosted by a single transaction involving the purchase of a prestigious high street asset by a major luxury group, in line with the growing trend of real estate investments by high-end fashion brands in Europe and worldwide. This transaction highlights the continuing need for luxury groups to secure exclusive locations for their flagship stores.

In Q3, Industrial & Logistics transaction volumes reached 655 €Mn, driven by a major portfolio deal, and marking a 45% increase compared to Q3 2023. The year-to-date (YTD) total reached 1.2 €Bn, representing a 17% rise from the same period in 2023. Investors are focusing on Value Add assets, but capital for Core products is also being deployed, with strong interest in ESG-certified assets and logistics, especially in key urban markets like Milan and Rome.

With regards to Alternative asset classes, the Hospitality sector confirmed its attractiveness with quarterly volume of 415 €Mn, recording a 48% increase compared to Q3 23. Value Add investments dominated the market, largely fueled by luxury brand entries, with Rome attracting significant capital for property redevelopment, representing 26% of the sector’s total volume year-to-date. An emerging trend is the rising interest in luxury camping, highlighted by the quarter’s largest deal. Additionally, while domestic investments were prevalent in the first half of the year, foreign investment surged in Q3, accounting for 80% of the quarterly volume, indicating heightened international interest in Italy’s luxury hospitality market.

The Living sector, recorded circa 76 €Mn, below both the previous quarter and the same period last year. It remains constrained by a lack of supply that meets institutional investors’ expectations, as well as an ongoing mismatch between buyer and vendor expectations. Additionally, the sector is facing challenges from urban planning and administrative uncertainty, particularly in Milan. Despite these factors interest from investors in this asset class remains high, primarily due to the significant gap between the strong demand and the current supply of housing accommodations in the country, which is of low quality. This context therefore presents a significant opportunity for investors.

OUTLOOK

- The further rate cut by the ECB will give investors even more confidence, leading to optimistic outlook for the latter part of 2024 and 2025.
- Growing interest in Core + and Value-add opportunities, driven by robust rent growth in recent years and forecasts of rent growth, albeit at a more moderate pace than in previous years, in almost all asset classes.
- Furthermore, green certifications have become a key factor in determining the attractiveness of assets, as sustainability gains importance in the investment decision-making process. This convergence between robust rental dynamics and a focus on sustainable practices is expected to strengthen investment momentum in the latter part of 2024 and extend into 2025.

SIGNIFICANT SALES YTD

| QUARTER | PROPERTY NAME | TYPE | BUYER | SELLER | TOTAL SQM | PURCHASE PRICE | MARKET |
|---------|--|------------------------|-----------------------------------|--|----------------|----------------|--------------|
| 3 | Via Monte Napoleone 8 | Retail | Kering | Blackstone | 11,800 | 1.3 €Bn | North |
| 1 | Scalo Farini (Unicredit / Hines) | Mixed Use | Unicredit | Ferrovie dello Stato | 363,000 | 489 €Mn | North |
| 3 | Portfolio Segro | Industrial & Logistics | Pontegadea | Segro | 339,000 | 327 €Mn | North/Centre |
| 1 | Via Vittorio Veneto 89 | Office | Deka Immobilien Investment GmbH | Prelios | 23,000 | 269 €Mn | Centre |
| 2 | Shopping Center RomaEst | Retail | Klépierre | Government of Singapore Investment Corporation (GIC) | 100,000 | 220 €Mn | Centre |
| 2 | IGD Portfolio | Retail | Starwood Capital;Sixth Street | IGD SIIQ | - | 155 €Mn | Various |
| 1 | Portfolio Fedrigoni (S&LB) - Phase 2 | Industrial & Logistics | WP Carey | Fedrigoni | - | 133 €Mn | Various |
| 3 | Corso Italia 41 | Office | National Agency for Cybersecurity | Colliers GI | 30,000 | 125 €Mn | Centre |
| 3 | Logistics Castel San Giovanni | Industrial & Logistics | Savills IM | DIE Italy | 164,000 | 114 €Mn | North |
| 3 | PGIM Open Air Hospitality Portfolio | Hospitality | SAS Sandaya | PGIM | - | 110 €Mn | Various |
| 2 | Corso Europa 2 (Campari Headquarter) | Office | Campari Group | BNP Paribas REIM SGR | 10,000 | 110 €Mn | North |
| 2 | Fondo Sapphire Portfolio (share 51%) | Office | COIMA | Zurich; Morgan Stanley | Part of 40,000 | 103 €Mn | Centre |
| 1 | Metra Holding S&LB | Industrial & Logistics | Savills IM | Metra Holding | 108,000 | 90 €Mn | Various |
| 3 | Time Building – Via Filzi 29 | Office | Fabrica Immobiliare | Invesco | 12,100 | 84.5 €Mn | North |
| 3 | Via delle Vergini 16-18 | Hospitality | Kryalos | Dea Capital | 105 Keys | 80 €Mn | Centre |
| 2 | Hotel Cicerone | Hospitality | Fattal Hotel Group | Banco BPM | 300 Keys | >70 €Mn | Centre |

ANNA STRAZZA

Associate Director, Research & Insight

Tel: +39 02 63799278

anna.strazza@cushwake.com**CARLO VANINI**

MRICS International Partner, Head of Capital Markets Italy

Tel: +39 02 63799302

carlo.vanini@cushwake.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

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