

**MARKET FUNDAMENTALS**

	YOY Chg	12-Month Forecast
<b>€20,000</b> Milan Prime Rent/sqm/yr	▲	▲
<b>€15,000</b> Rome Prime Rent/sqm/yr	▲	▲
<b>€1,100</b> Prime Shopping Center Rent/sqm/yr	▲	▬

**ITALIAN ECONOMIC INDICATORS**

	YOY Chg	12-Month Forecast
<b>+0.6%</b> GDP Growth	▲	▲
<b>6.3%</b> Unemployment Rate	▼	▲
<b>3.73%</b> 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 of 2024, despite facing several challenges. By the end of the year, GDP growth is expected to be around 1%, driven by both domestic and international 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 European Central Bank targets, with a notable decrease in the household spending deflator. Despite these positive trends, the international economic environment remains uncertain, influenced by ongoing geopolitical tensions.

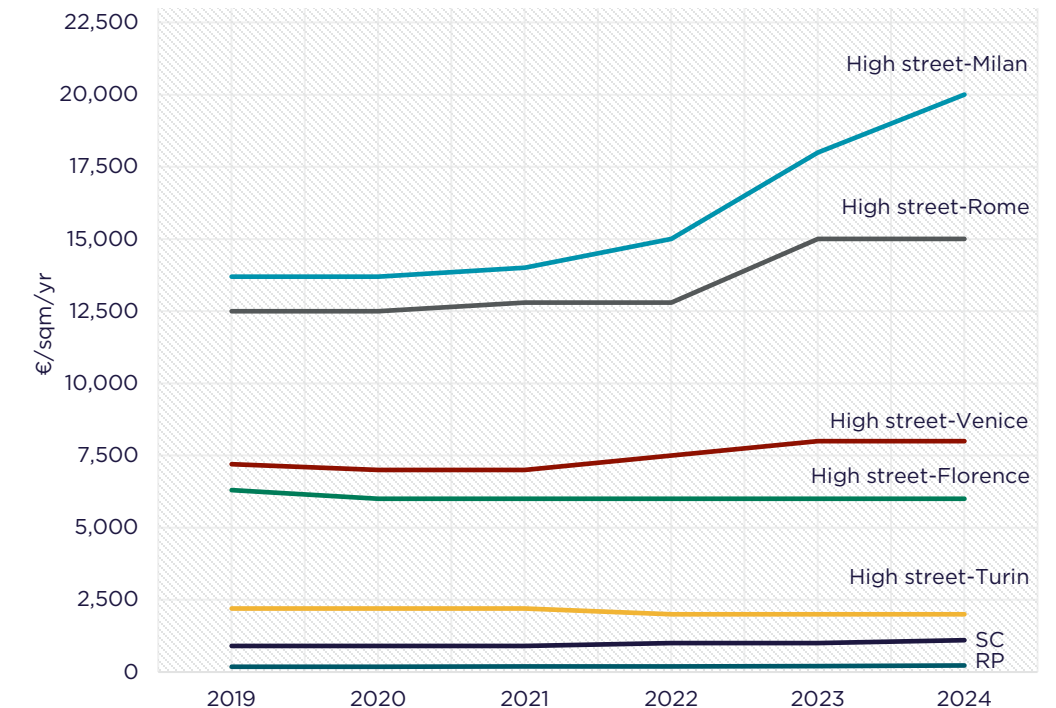
**OCCUPIER**

Retailers' activity is still robust on both high street and out of town markets, although confirming the greater selectivity of the location in their expansion strategies.

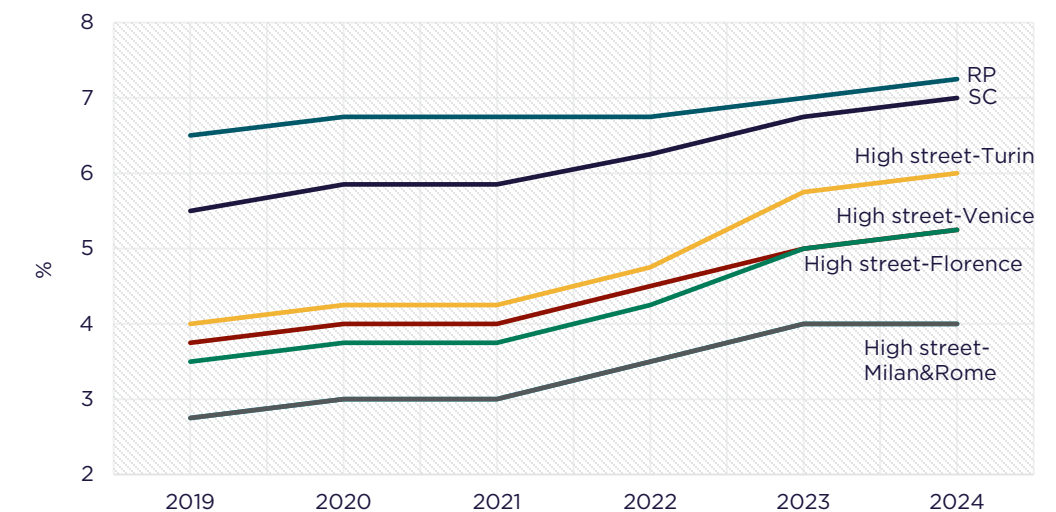
Operators in the mass market segment stay active, despite concern and tensions related to the geopolitical situation and to global economic market trends.

In Milan retail activity remains robust, both in luxury and mass market segments. Worth of mention sports fashion brands like ON and Lululemon increasingly drawn to the city, leveraging its vibrant market and reputation to enter the Italian retail scene. ON, renowned for its innovative running shoes, has recently opened a flagship store on Corso Vittorio Emanuele, appealing to Milan's fashion-forward consumers who value both style and performance. Lululemon, the American-Canadian premium athletic apparel retailer, is rumored to have chosen a location on the same street for its first flagship store in Italy. Beyond mainstream sports fashion, Milan is also attracting brands focused on mountain sports. The city's proximity to the Alps and its affluent, active population create an ideal environment for brands

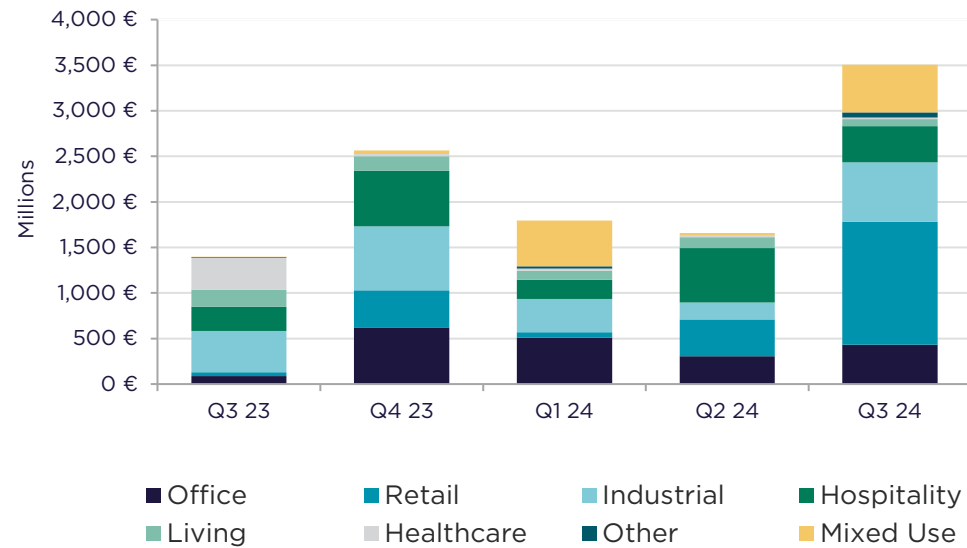
**PRIME RENTS**



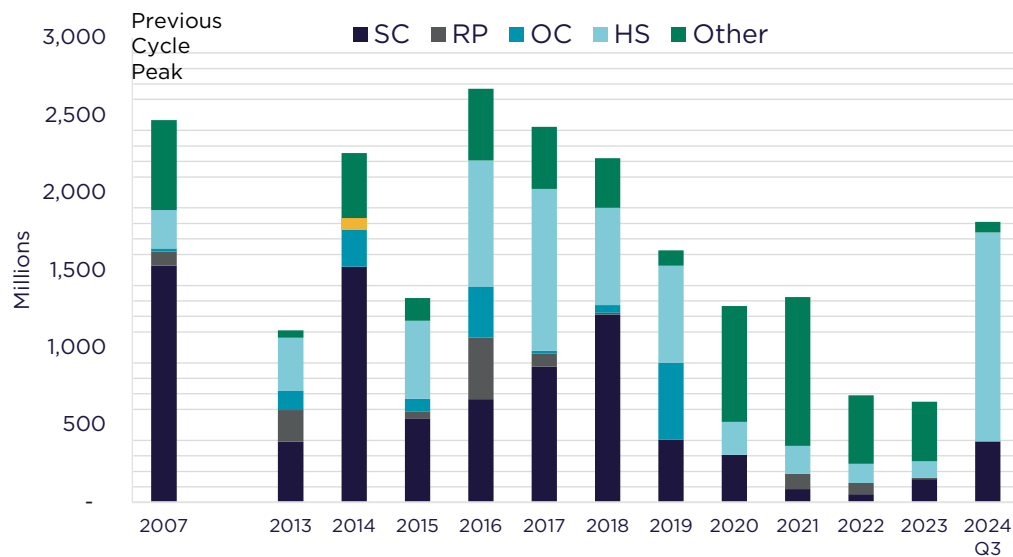
**PRIME YIELDS**



ITALY INVESTMENT VOLUME BY SECTOR



RETAIL INVESTMENT VOLUME BY TYPOLOGY



specializing in outdoor and mountain sports gear. This segment is experiencing growth as consumers seek high-quality, durable products for their outdoor adventures. This trend is expected to continue, with Milan maintaining its position at the forefront of fashion and sports retail.

Retail operators have also shown interest in some secondary cities such as Lucca, Palermo and Turin as part of their plans for widespread expansion in Italy.

On the luxury side the market is still volatile with unwarranted interest from brands for the best location in the most recognized destinations notwithstanding the stalemate in the sales market.

Fundamentals in prime shopping centres continue their upward trend. In terms of performance, services and health & beauty lead the way, followed by F&B, leisure and sports, with a timid return of fashion. Results down for household goods, culture, gifts and electronics.

INVESTMENT

The volume of retail investments for the third quarter of the year is in the order of €1.35 billion with a total of 4 transactions. The most significant is undoubtedly Kering acquisition of Via Montenapoleone 8 asset from Blackstone, one of the largest transactions in Europe since March 2022 and the record single asset deal in Italy by far. This transaction constitutes yet another purchase of a strategic asset by a major luxury group, following the trend of real estate investments in Europe and overseas by high-end fashion groups. It confirms the need for luxury groups to secure unique locations for their most important stores.

From a wider perspective, since the beginning of the year the retail sector has recorded a total of circa €1.8 billion transacted across some 12 deals, representing 28% of the total investment volume in Italy year to date.

PRICING

The continued interest of brands in the Italian high street has led to a discrete increase in rents in the third quarter of the year in the streets where the latest transactions have taken place or where demand is particularly strong. Prime shopping centers, on the strength of their market position, are gradually raising rents for space in their malls.

OUTLOOK

**INVESTORS ARE TIMIDLY RETURNING TO RETAIL ASSETS CONSIDERING THE MORE FAVORABLE RETURNS FOR THIS SECTOR, DUE TO THE GRADUAL REDUCTION OF INTEREST RATES BY THE BCE. NEGOTIATIONS CURRENTLY UNDERWAY ARE EXPECTED TO CLOSE BY THE END OF THE YEAR OR EARLY IN 2025.**

MARKET STATISTICS

SUBMARKET	PRIME RENT	1 YEAR GROWTH	5 YEARS CAGR	PRIME YIELD (NET*)	1 YEAR GROWTH	5 YEARS CAGR
Milan	€20,000	11.00%	7.90%	4.00%	0.00%	7.80%
Rome	€15,000	3.40%	3.70%	4.00%	0.00%	7.80%
Venice	€8,000	0.00%	2.10%	5.25%	10.50%	7.00%
Florence	€6,000	0.00%	-1.00%	5.25%	10.50%	8.40%
Turin	€2,000	0.00%	-1.90%	6.00%	14.30%	8.40%
Shopping Centres	€1,100	10.00%	4.10%	7.00%	7.70%	5.90%
Retail Parks	€220	10.00%	4.10%	7.25%	7.40%	3.00%

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.

KEY LEASE TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	TENANT	TYPE
3	San Marco 1474	Venice	Cartier	Renewal
3	Via del Corso 136	Rome	Captain Candy	New lease
3	Via Cola di Rienzo 168	Rome	Levi's	New lease
3	Viale Monte Grappa 10	Milan	Museum of Senses	New lease
3	Torre C - Piazza Gae Aulenti	Milan	Mango	New lease
3	Torre C - Piazza Gae Aulenti	Milan	Pandora	New lease

KEY SALES TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	PROPERTY TYPE	SELLER / BUYER	PRICE
3	Via Montenapoleone 8	Milan	High Street	Blackstone / Kering Group	€1.3B
2	Roma Est	Rome	Shopping Center	GIC / Klépierre	€220M
2	IGD Retail Portfolio	Multi-city	Portfolio	IGD SIIQ / Prelios SGR on behalf of Sixth Street and Starwood Capital	€155M
1	Portfolio Tecnomat	Multi-city	Portfolio-Big Boxes	Tecnomat / Polis Fondi SGR on behalf of LeadCrest Capital Partners	€30M
1	Spazio Conad Superstore	Cagliari	Hypermarket	Hines / End user	€10M
1	Esselunga	Pisa	Hypermarket	Hines / End user	€12M

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	Q4 2024
Waltherpark	Bolzano	Hager	Q2 2025

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