

	YoY Chg	12-Mo. Forecast
3.7 €Bn Total Volume	▼	■
470 €Mn Office Volume	▼	▼
250 €Mn Retail Volume	▼	■
1.02 €Bn Industrial Volume	▼	▼
720 €Mn Hospitality Volume	▼	▲
480 €Mn Living Volume	▼	▲
420 €Mn Healthcare Volume	▲	■
290 €Mn Mixed Use Volume	▼	■
50 €Mn Other Volume	▼	■

ECONOMY OVERVIEW

GDP growth in Italy remains weak after a decline during the second quarter, mainly due to the contraction in manufacturing and service activity. The indicators confirm the fragility of domestic demand, which reflects tighter credit conditions inflation-based erosion of household income, and a slowdown in the labour market. Projections for GDP growth are revised downwards, in the range of +0.7%. Consumer price inflation increased slightly in September, due to higher fuel prices, following a few months of decline. Households and businesses anticipate a reduction in inflationary pressures. HICP inflation is projected to moderate to 5.9% in 2023. The European Central Bank (ECB) has raised interest rates twice, by a total of 50 bp, in July and September, resulting in an overall increase in the reference rate to 4.00%. The yield on Italian ten-year government bonds has risen significantly compared with the first days of July, due to higher key interest rates and expectations of a cyclical downturn. The spread between Italian and German ten-year government bond yields has widened. In the second quarter of 2023, the number of workers continued to increase, and the unemployment rate further declined to 7.4%. Nevertheless, signs of a slowdown surfaced in early summer. High levels of uncertainty remain a prominent feature of the macroeconomic outlook and will have an ongoing impact on the flow of investment in real estate.

INVESTMENT OVERVIEW

Performance improved during the third quarter compared to both Q1 and Q2 figures, with volumes reaching 1.4€Bn. However, this is 53% lower than volumes recorded for Q3 2022; year-to-date figures reach 3.7 €Bn. Market sentiment remains mixed, varying depending on asset class. The Industrial & Logistics and Healthcare sectors were the top performers in the quarter, accounting for 32% and 25% of quarterly volumes, respectively. Since the start of the year, Industrial & Logistics (28%) and Hospitality (19%) have been at the forefront of the market. Despite the decline in investment volumes (-60% on the same period of 2022), foreign investors have increased their market share again this quarter (%), bringing their year-to-date share to 63%.

Investment in the **Office** sector remained subdued throughout the quarter with roughly 100€Mn added to yearly figures. With this sector under pressure in all major European cities, thanks to the shift to hybrid working and need to upgrade buildings' energy efficiency, location and right pricing remain key.

Despite a 25% increase in prime yields, once again **Industrial & Logistics** proved to be the most resilient asset class, accounting for 32% of investments during the quarter; the second largest transaction from the beginning of the year was for this asset class representing alone 34% of quarterly volumes.

While the general mood for **Retail** remains positive with high streets performing well during the summer period and shopping centre performance indicators just slightly below pre-pandemic levels, investor interest continues to be subdued with the third quarter adding only 50€Mn to total volumes.

Within the alternative asset classes, the **Healthcare** sector performed well thanks to the sale of a pan-European portfolio and the **Hospitality** sector continued to grow on a quarterly basis, up 18% on Q2. In the **Living** sector, the residential segment is on investors radar, however the lack of core assets, long shot forward purchase (>1y) and high pricing level of assets / land impacts transaction activity. For **Student accommodation**, the strong interest is driven by lack of beds; Italy is still in the development phase, but most investors have dedicated funds to this asset class.

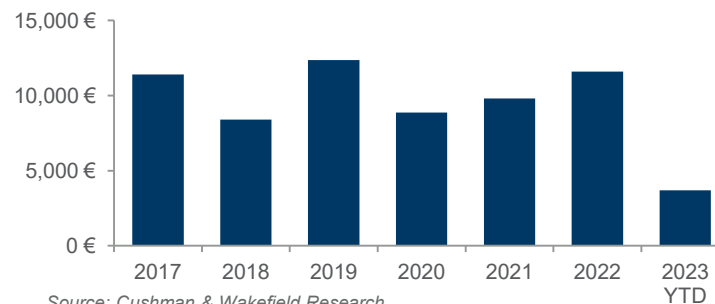
OUTLOOK

Overall, transactions closing periods are becoming significantly longer and deal structures more complicated, impacting strategies and liquidity. Interest rates are expected to remain high for a longer period than previously thought – possibly stabilizing over the next 24 months. As capital becomes even more global, deployment in different markets is driven by price and opportunity; the Italian market must undergo repricing in order to stay competitive.

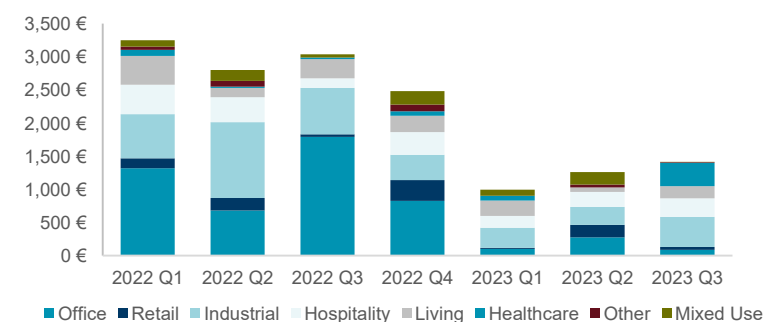
ITALIAN ECONOMIC INDICATORS Q3 2023

1.0% GDP Growth	▲
7.7% Unemployment Rate	▼
4.27% 10-Yr Treasury Yield	▼

INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	PURCHASE PRICE	MARKET
Pan European Portfolio	Healthcare	Primonial REIM	ICADE SANTE	Est 280 €Mn	Various
Project Aurora Portfolio	Industrial	Boreal IM	Kryalos Sgr Blackstone	155 €Mn	North
Project Falcon Portfolio	Hospitality	Aermont	Pellicano Hotels	Est 130 €Mn	Various
Aparto Milan Giovenale	Living	Colliers Global Investors	Hines	Est 120 €Mn	North
Piazza Affari 2	Office	Kryalos Sgr	Cromwell Property	93.6 €Mn	North
Land Ex Macello	Living	Redo Sgr	Undisclosed Seller	90 €Mn	North
Logistic Park Chiari	Logistic	JP Morgan	Invesco	72 €Mn	North
Via Cadolini	Mixed Use	Supernova	AbitareIn SpA	72 €Mn	North
Student Housing Cenisia	Living	Patrizia AG	StoneHill	70 €Mn	North
Bricoman Portfolio	Retail	Polis Sgr	Tecnomat/Bricoman	70 €Mn	Various

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(*) NOTES:

Yields are calculated on a net basis as reported below:

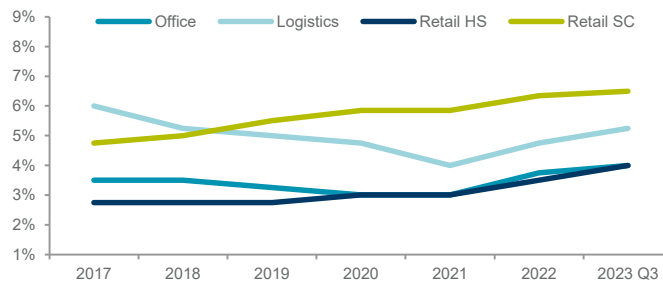
Net Yield = NOI (1) / PP (2)

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

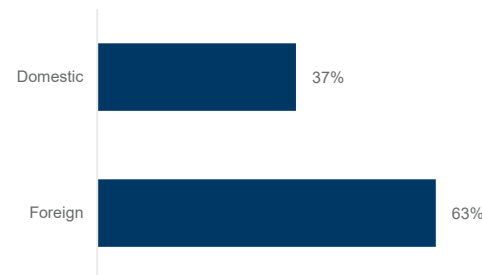
2. Purchasing Price – excluding transfer costs, tax and legal fees

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 2023 YTD



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