

# ITALY Retail Market Snapshot

Third Quarter | 2017



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Rents stable across all sectors and locations.	▶
Prime Yields:	Yields expected to hold steady for the rest of the year	▶
Supply:	Supply limited on main high streets, shopping centre development active	▶
Demand:	Occupier demand continues at a cautious but steady pace, focussing on top locations. Investors looking for best opportunities on high streets and among out-of-town schemes.	▶

### Prime Retail Rents - September 2017

	€		US\$		GROWTH %	
	SQ.M	SQ.FT	1YR	5YR	CAGR	
<b>HIGH STREET SHOPS</b>						
Milan	13,500	1488	8.0	14.0		
Rome	11,500	1268	4.5	11.1		
Venice	6,000	662	n/a	n/a		
Florence	5,800	639	28.9	n/a		
Turin	2,000	221	11.1	3.3		
<b>OUT OF TOWN RETAIL (RETAIL PARKS)</b>						
Country prime	180	19.8	0.0	-3.9		
<b>SHOPPING CENTRES</b>						
Country prime	850	93.7	0.0	1.2		

### Prime Retail Yields - September 2017

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Milan	2.75	2.75	3.25	4.75	2.75
Rome	2.75	2.75	3.25	4.75	2.75
Venice	3.75	3.75	4.00	5.25	3.75
Florence	3.75	3.75	4.25	5.25	3.75
Turin	4.00	4.00	4.50	5.50	4.00
<b>OUT OF TOWN RETAIL (RETAIL PARKS) (FIGURES ARE NET, %)</b>	<b>CURRENT</b>	<b>LAST</b>	<b>LAST</b>	<b>10 YEAR</b>	
	<b>Q</b>	<b>Q</b>	<b>Y</b>	<b>HIGH</b>	<b>LOW</b>
Country prime	5.50	5.50	5.75	7.75	5.50
<b>SHOPPING CENTRES (FIGURES ARE NET, %)</b>	<b>CURRENT</b>	<b>LAST</b>	<b>LAST</b>	<b>10 YEAR</b>	
	<b>Q</b>	<b>Q</b>	<b>Y</b>	<b>HIGH</b>	<b>LOW</b>
Country prime	4.75	4.75	5.00	6.50	4.75

(\*) 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.

## Overview

The Italian economy continues to improve gradually, supported by the manufacturing sector and investments. Leading indicators mark a positive upward trend, strengthening the short-term outlook. Though the value of retail trade decreased by 0.3% in August 2017 compared with the previous month (-0.4% for both food goods and non-food goods), despite short-term variability, the underlying pattern in retail trade remains flat. The unemployment rate in August was estimated at 11.2%, down 1.2 % points compared to the previous month.

## Occupier focus

Prime rents in the high street market have been mainly stable over the past year, with minor upward adjustments registered in the top cities, where activity is sustained by tourism. Retailers and property owners continue to pay attention to the growing trend of online sales, with some companies putting expansion plans on hold while they contemplate new strategies. In this transitional phase, secondary locations and large stores stay on the market longer, with retailer focus remaining on flagship stores placed on top locations. The out of town market registered the opening of the 40,000 sqm Mondojuve Shopping Center in Nichelino (Turin), the first phase of an innovative and eco-sustainable project comprising a total of over 80,000 sqm expected to be completed by 2020, which will also include a retail park.

## Investment focus

Prime yields remain stable across all sectors and the trend is expected to hold steady for the rest of the year. The high street market continues to attract the attention of international investors, while out of town opportunities are carefully analyzed, scanning for dominant, well performing centers. Investors are also considering new or refurbishment projects, in the attempt to create new core products.

## Outlook

Despite little evidence in terms of transactions registered during the last quarter, investor interest is expected to remain strong and focused on prime retail opportunities. On the occupier side, the outlook for the high street market is positive, with important flagship stores opening in top cities.

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