

ITALY

# Retail Market Snapshot

Third Quarter | 2018



## MARKET INDICATORS

### Market Outlook

- Prime Rents: Stable with some slight upward adjustments in top locations. ▶
- Prime Yields: Stable-up ▶
- Supply: High street availability remains limited. Out of town development continues at a moderate pace. ▶
- Demand: Retailer interest remains sustained, but selective. Investors looking for best opportunities on high streets and among out-of-town schemes. ▶

### Prime Retail Rents – September 2018

	€	US\$	GROWTH %	
HIGH STREET SHOPS	SQ.M	SQ.FT	1YR	5YR
	YR	YR	CAGR	
Milan	13,500	1,464	0.0	12.5
Rome	11,500	1,247	0.0	10.4
Venice	6,100	662	1.7	n/a
Florence	5,800	629	0.0	n/a
Turin	2,000	217	0.0	3.3
OUT OF TOWN RETAIL	€	US\$	GROWTH %	
RETAIL PARKS	SQ.M	SQ.FT	1YR	5YR
	YR	YR	CAGR	
Country prime	180	19.5	0.0	-3.9
SHOPPING CENTRES	€	US\$	GROWTH %	
	SQ.M	SQ.FT	1YR	5YR
	YR	YR	CAGR	
Country prime	900	97.6	5.9	1.1

### Prime Retail Yields – September 2018

HIGH STREET SHOPS (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH LOW	
Milan	2.75	2.75	2.75	4.75	2.75
Rome	2.75	2.75	2.75	4.75	2.75
Venice	3.75	3.75	3.75	5.25	3.75
Florence	3.75	3.75	3.75	5.25	3.75
Turin	4.00	4.00	4.00	5.50	4.00
OUT OF TOWN RETAIL (RETAIL PARKS) (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH LOW	
Country prime	5.50	5.50	5.50	7.75	5.50
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH LOW	
Country prime	4.75	4.75	4.75	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

Over the last trimester, growth of the Italian economy has continued, albeit at a slow rate and below Euro zone levels. Private consumption has shown some improvement and demand growth is forecast to rise moderately. Unemployment in August was estimated at 9.7%, the lowest since the beginning of 2012. Retail trade registered a positive trend with a 0.7% increase both in volume and value compared to the previous month, while year on year figures are +1.4% and +2.2% respectively. Leading indicators remain stable and suggest that economic growth will continue at moderate pace.

## Occupier focus

The retail luxury market in Italy is active and demand is strong, driven mainly by the most important groups who continuously strive to improve their locations and have several brands to invest in. Interest remains focused on the main tourist cities which attract an increasing number of potential customers, with a further slight increase expected in prime rents. The mass market remains stable with no significant international groups looking to enter the market. In the out-of-town sector, development continues at a moderate pace, with no large completions registered in 2018 and total space built amounting to just under 100,000 sqm of GLA, including extensions to existing schemes. The deceleration in construction activity is in line with the wider European context, reflecting the transitional phase the market is going through, with tenants and owners rethinking strategies to keep up with the retail sector evolution.

## Investment focus

Retail continues to be targeted by investors, representing about 40% of the total amount invested in Italy during the first nine months of the year, mainly referring to shopping centers, followed by high street properties. Core investors are targeting high street assets in prime and secondary cities, while value-added and opportunistic investors are currently the most active players for shopping centres. The difficulties in finding suitable investment product has induced investors to broaden and diversify their strategies, also looking at high street properties and performing shopping centers in secondary locations.

## Outlook

The medium-term outlook is one of a time of transition and consolidation, with retailers and investors selectively looking at opportunities in the high street and out-of-town sectors.

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**Claudia Buccini**

Head of Research Italy  
Via Turati 16/18, 20121 Milan, Italy  
Tel: +39 02 63 799210  
[claudia.buccini@cushwake.com](mailto:claudia.buccini@cushwake.com)  
[cushmanwakefield.com](http://cushmanwakefield.com)