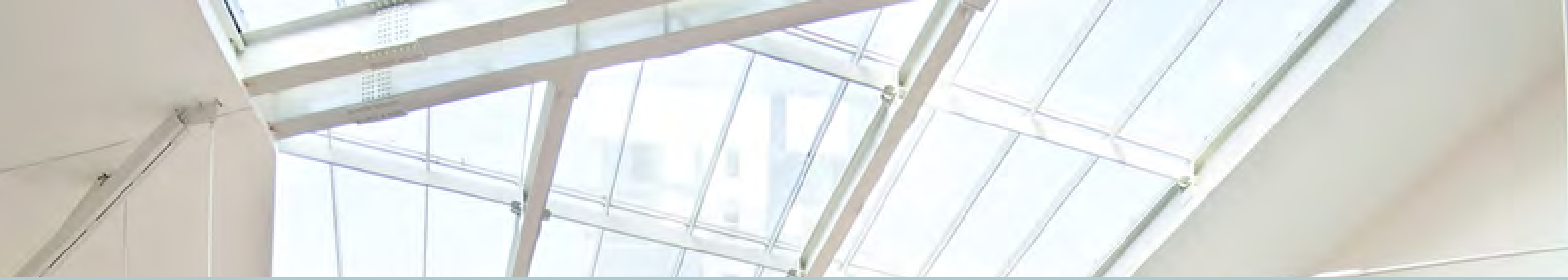


Italy retail – Q1 2024

SPOTLIGHT

Savills Research

Italy Retail Spotlight

savills

Leasing market brings the sector back in vogue

Highlights

- Main Italian cities attract new store formats and openings, especially Milan where prime rents are growing
- High street is sustained by the recovery of international tourism
- Average consumer spending in shopping centres is increasing, also due to inflation
- Vacancy rate in shopping centres is close to zero in prime assets
- Investment volumes are still limited, but a recovery is expected by the end of the year
- Retail warehouse, shopping centres and supermarkets drove the quarterly volumes

Q1 2024 KPIs

MILAN HIGH STREET | PRIME RENTS
15,000 €/sqm/y
+7% YoY

QUADRILATERO DELLA MODA MILAN HIGH STREET NEW OR NEXT OPENINGS
+25
Over the last 12 months

SHOPPING CENTRES | PRIME RENTS
950 €/sqm/y
Stable YoY

LARGE SHOPPING CENTRES* VACANCY RATE
0%

INVESTMENT VOLUME
€ **110** mln
+479% YoY

N° OF DEALS
8
+5 YoY

* Shopping centres managed by Savills

High Street leasing market

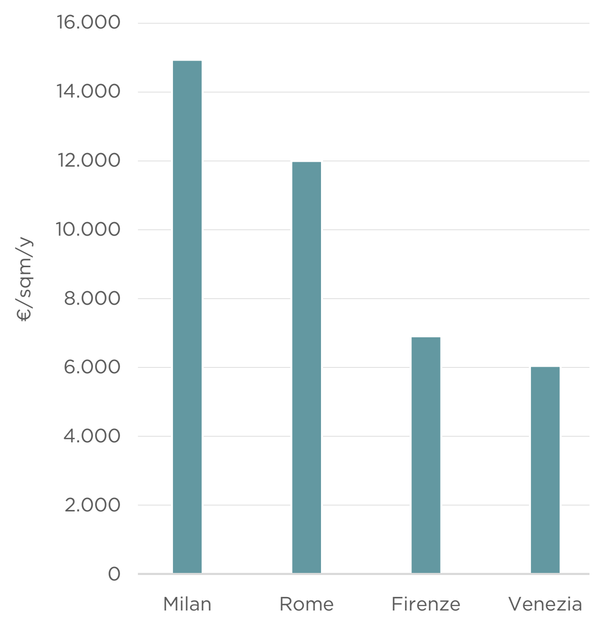
The high street market in Italy continues to remain buoyant not just in iconic cities such as Milan, Rome, Venezia and Firenze, but also in smaller destinations. The demand for new spaces is growing, supported by the return of international tourists and the increase in their spending.

Milan remains the top destination, where demand is high against very limited availability. Here, tenants are continuing to expand their presence or open their first Italian flagship: toys, F&B, design, luxury and mainstream are the most dynamic brands. The arrival of new brands, formats hotel and clubs, concepts that are totally new to Italy, are creating exciting consumer experience and helping to further enhance the attractiveness of the city. Moreover, availability continues to be close to zero especially in this area, the so called Quadrilatero della moda, where the vivacity of the zone is confirmed by the growing number of new openings. It is not surprising that Milan presents the highest prime rents in Europe in the luxury street Montenapoleone, standing at 15,000 €/sqm/y.

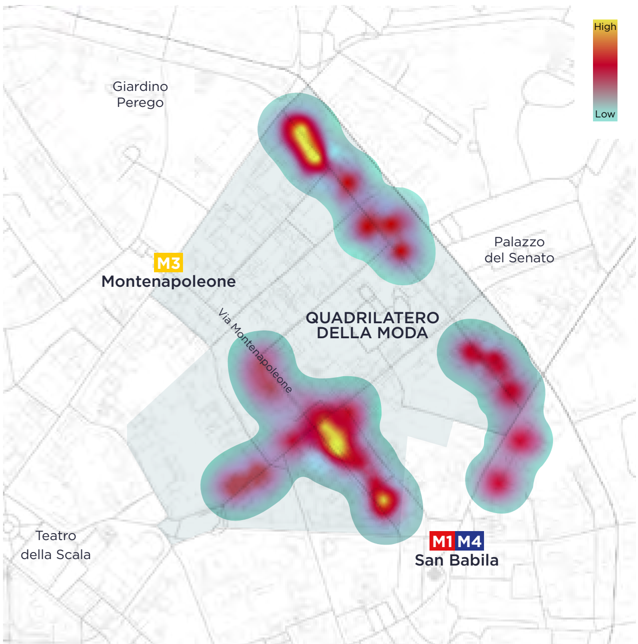
Rome also has one of the most expensive European streets: Via Condotti, where rental levels have reached 13,000 €/sqm/y. Italy's capital is showing renewed interest, thanks to the upturn in tourism and a relaunch of the offer visible in renovation projects such as the Galleria Alberto Sordi.

Firenze and Venezia represent attractive destinations, confirmed by high rental levels, low vacancy rates and a luxury offer that is lower only to Milan and Rome.

High street prime rents, Q1 2024



Quadrilatero della moda, new and next opening heat map (last 12 months)



STORES
~450

INTERNATIONAL BRANDS
23%

CHAINS
58%

VACANCY RATE
8%

NEW AND NEXT OPENINGS
+25

LUXURY BRANDS
56%

CLOTHING AND ACCESSORIES
55%

Out of town leasing market

Encouraging signs were found in the performance of shopping centres*. Vacancy rates are low, especially in large centres (> 40,000 sqm) where availability is close to zero. Compared to 2019, large centres experienced a vacancy decrease, while small centres (< 20,000 sqm) saw a growth in availability; by contrast, medium size assets have not changed significantly.

Low vacancy rate was facilitated by a liveliness of new openings: since the beginning of 2023, more than 110 stores have been opened, mainly for clothing and accessories (41% of the total). Homeware stores present a high share of rented square metres in the total sample.

In the first quarter of 2024, footfalls improved consistently compared to two years before (+15%), while slightly increased YoY. Average consumer spending stands at € 25.4, which is higher than pre-Covid levels, partly due to the inflationary component. Restaurant market recorded the highest increases, followed by services and personal care activities. Clothing and accessories spending increased in shopping centres (+19% 2023 vs 2019), in contrast to the national average spending in this category (-5%).

Service charge costs are more consistent in large assets, where energy and marketing represent the most impactful expenditure; in 2023 large centres have incurred 60% higher service charges than smaller assets.

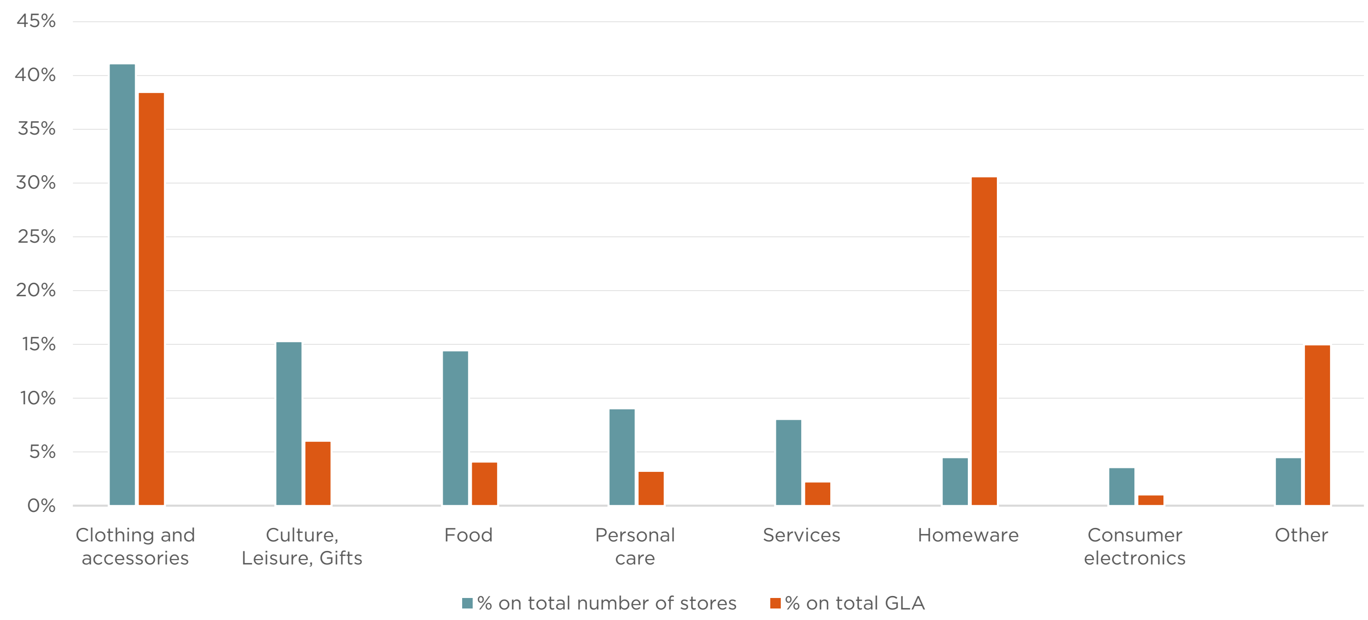
VACANCY RATE ON TOTAL GLA
5.7%

VACANCY RATE ON TOTAL NUMBER OF STORES
4.8%

AVERAGE TICKET SIZE
€ 25.4
+7% (2023 vs 2019)

FOOTFALLS
+1%
Q1 2024 vs Q1 2023

New openings* by category (2023 - Q1 2024)



* Data refer to shopping centres managed by Savills. The portfolio comprises around 40 assets.

Retail Investment market

Retail investments continued to be limited in the first quarter of 2024, totalling around € 110 mln, but the trend is positive. Quarterly volumes are in fact five times greater than Q1 2023 and the number of deals also increased: a total of 8 transactions were closed, all related to the out-of-town segment. Even if the last quarter did not record any high street transaction, tourist and luxury destinations remain at the centre of investors strategies. Moreover, a large preliminary deal is expected to rise volumes by the end of the year.

Retail warehouse, shopping centre and supermarkets segments drove the quarterly activity with the largest deal represented by a portfolio of two retail warehouses. Shopping centres are increasing their share, thanks to two transactions. The interest in grocery continues as confirmed by the acquisition of three supermarkets for approximately € 30 mln.

The quarterly market was characterized by most international capitals (68%) and by an activity concentration in the North of the country which continues to represent the most sought-after destination. However, two assets were sold in the South.

In this context, prime net yields decompressed for all the segments in the last 12 months but remained stable compared to the previous quarter. In the coming months, price correction will continue to affect secondary assets, contributing to a further polarization between prime and stranded assets. Out of town risk premium and high street appealing could turn the sector into one of the most competitive in the next quarters.

Prime net yields, Q1 2024

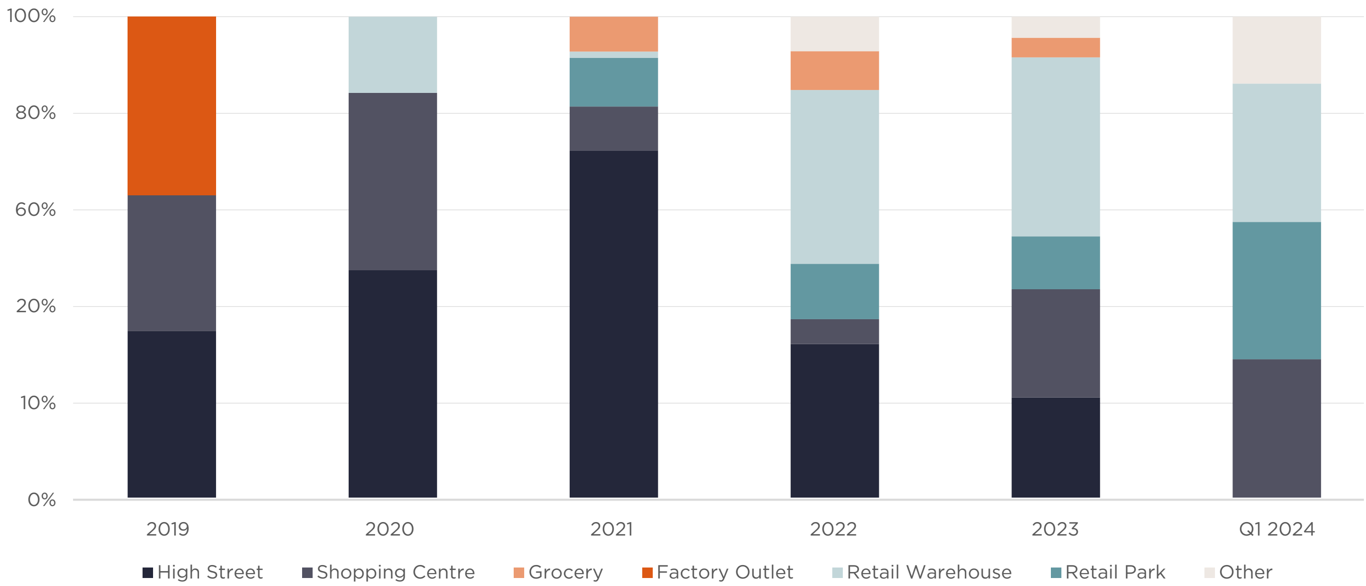
HIGH STREET
+3.75%
+25 bps YoY

SHOPPING CENTRE
+7.25%
+75 bps YoY

RETAIL PARK
+7.75%
+50 bps YoY

RETAIL WAREHOUSE
+8.00%
+50 bps YoY

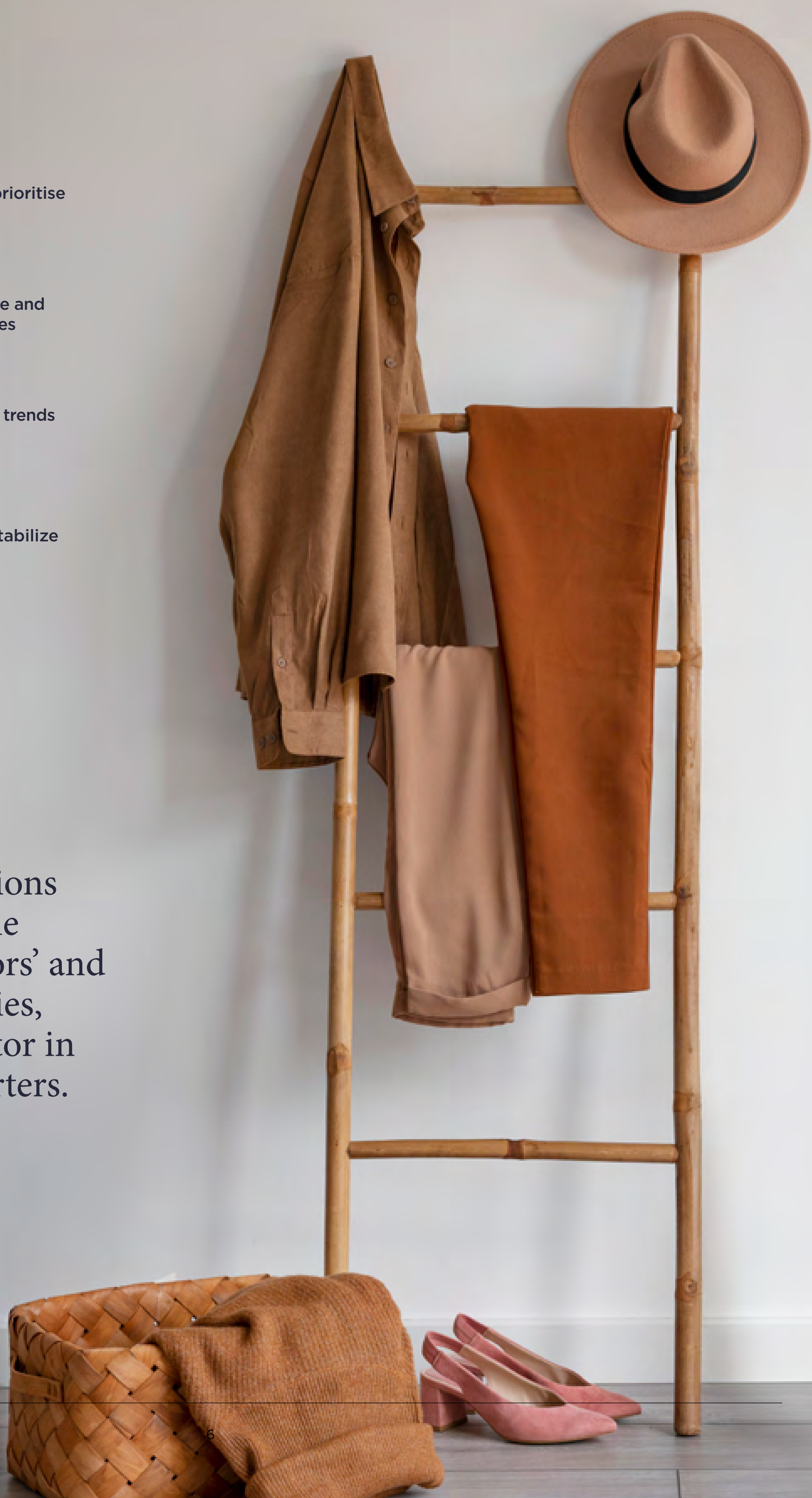
Investment volume by subsector



Retail key facts

- Footfall recovery
- Omni channel strategies prioritise physical stores
- Polarisation between prime and secondary shopping centres
- Consumer behaviours and trends are shifting
- Prime net yields should stabilize
- Sustainability matters

> Luxury destinations will remain at the centre of investors' and retailers' strategies, reviving the sector in the coming quarters.



Savills Team

Please contact us for further information

Davide Dalmiglio
Managing Director,
CEO Italy
+39 335 8473054
davide.dalmiglio@savills.it

Alberto Albertazzi
Director,
Head of Retail Management
+39 335 7419992
alberto.albertazzi@savills.it

Francesca Cattagni
Head of
High Street Leasing
+39 342 1375481
francesca.cattagni@savills.it

Marco Montosi
Director,
Head of Investment
+39 02 632814749
mmontosi@savills.it

Maddalena Panu
Director,
Head of Retail & Special Projects
+39 348 8711618
maddalena.panu@savills.it

Elena Zanlorenzi
Head of Research &
Marketing
+39 340 7701607
elena.zanlorenzi@savills.it

Manuela Nitti
Research Associate
Director
+39 340 4773859
manuela.nitti@savills.it