Italy Spotlight – H1 2024

SPOTLIGHT

Savills Research

Italian Retail Market

Yields' level and good fundamentals put the sector back on investors' radar

Highlights

- Main Italian destinations continue to attract new formats and shop openings, contributing to increasing rents
- High street is sustained by the recovery of international tourism and spending
- Footfalls are recovering: they increased in H1 2024 by 1.2% YoY (CNCC data)
- Turnover of shopping centres* remained stable in the first semester compared to the same period of the previous year
- Investment volumes recovered, thanks to the shopping centre component
- Prime net yields stabilization is expected in the next quarters

H1 2024 KPIs

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

ROME (VIA DEL CORSO, VIA CONDOTTI, VIA FRATTINA) NEW OR NEXT OPENINGS
+20
Over the last 12 months

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

NEW OPENINGS IN SHOPPING CENTRES*
35
H1 2024

INVESTMENT VOLUME
€ **500** mln
+137% YoY

N° OF DEALS
13
+2 YoY

* Shopping centres managed by Savills

High Street leasing market

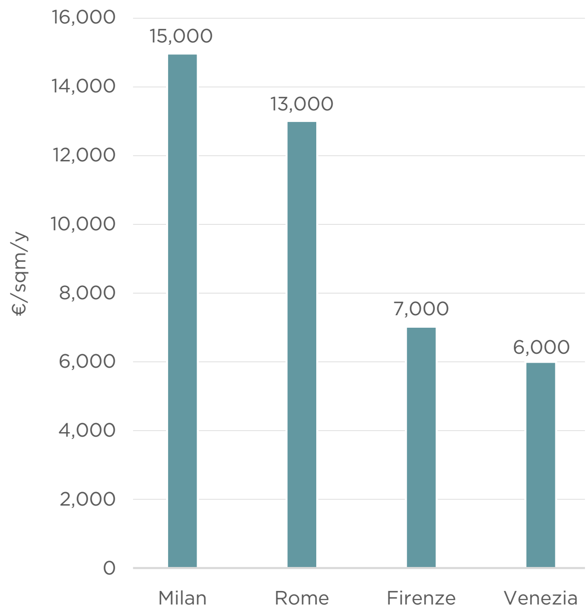
The tourists' return, accompanied with spending increase, is supporting the high street market which continues to generate interest in the main Italian cities. The market is lively, full of new openings and international brands eager to enter or expand in our Country. Milan continues to be one of the most desired target, especially for luxury brands: here the demand is high against a very limited availability.

Rome also boasts several luxury streets: among them Via Condotti, Italy's second most expensive location, where prime rents have increased over the last year reaching the top value of 13,000 €/sqm/y. The Italian capital is showing renewed interest, not only thanks to the upturn in tourism, but also to a revitalisation of the offer visible in various redevelopment projects. Analysing via Condotti and the adjacent streets Frattina and Condotti, a great dynamicity has been noted, with more than 20 new openings recorded over the last 12 months. The Galleria Alberto Sordi contributed to this goal and significantly renewed the shops' offer.

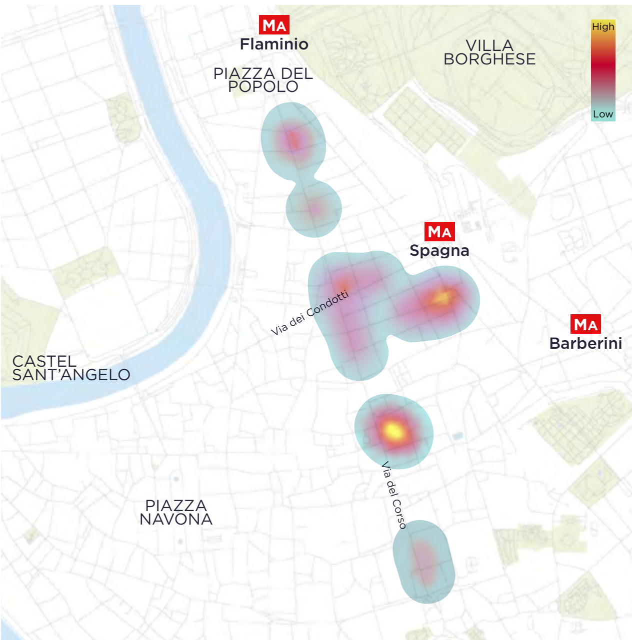
Other important tourism destinations such as Venezia and Firenze continue to be one of the main brands' target and the third and fourth most expensive Italian high streets, after Milan and Rome.

In recent years, several luxury beach and ski destinations have established themselves on the Italian panorama; among them, Costa Smeralda and Madonna di Campiglio, but also Forte dei Marmi with Via Carducci / Via Mazzini and Cortina d'Ampezzo with Corso Italia show interesting prime rents both standing at 3,000 €/sqm/y.

High street prime rents, Q2 2024



Rome*, new and next openings heat map (last 12 months)



STORES
~320

INTERNATIONAL BRANDS
24%

CHAINS
65%

VACANCY RATE
11%

NEW AND NEXT OPENINGS
+20

CLOTHING AND ACCESSORIES
59%

VIA CONDOTTI PRIME RENT
13,000 €/sqm/pa

*Via del Corso, Via Condotti, Via Frattina

Out of town leasing market

The market is still registering a limited number of new shopping centre projects, but a few new openings are planned for the autumn. In existing assets, there is a trend towards space optimisation and new distribution formulas involving the downsizing or repositioning of certain brands. Successful shopping centres align themselves with consumer needs by restructuring and expanding. The merchandising mix and marketing increasingly focus on service customisation. The food court remains a driver of success. Shopping centres are rediscovering their vocation for leisure and entertainment, which is also reflected in improved cinema ticket sales.

There is an increasing focus on sustainability in both real estate and management. Reducing consumptions and expenses is increasingly relevant for both landlords and tenants. The new centres are equipped with monitoring systems, which also enable savings using alternative energies.

In the first six months of 2024, shopping centres continue to show a recovering trend. Footfalls improved YoY according to CNCC data, while turnover remained stable but is increasing in centres* of medium and large dimension (food anchor stores excluded). 35 new stores* spread over 6,500 sqm have been inaugurated over the last six months: clothing and personal care represented the most dynamic categories.

In this context, prime shopping centres rents remained stable over the last 12 months at 950 €/sqm/y.

FOOTFALLS
+1.2%
H1 2024 vs H1 2023, CNCC data

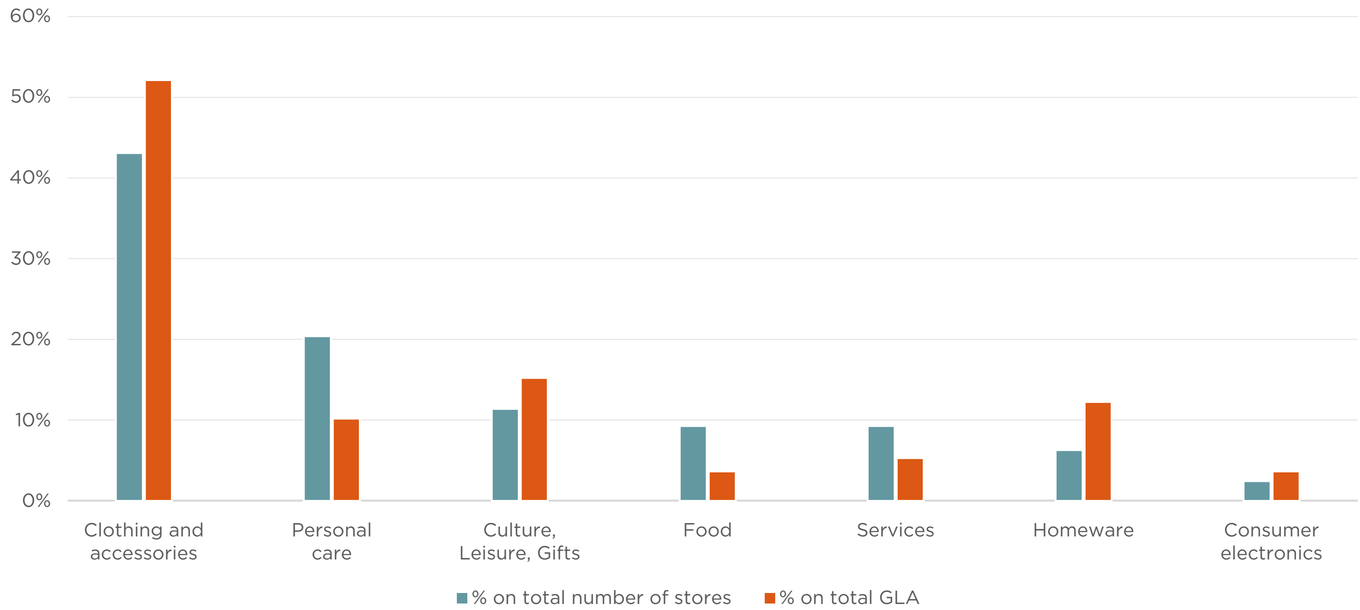
TURNOVER* OF SHOPPING CENTRES
Stable
H1 2024 vs H1 2023

LARGE SHOPPING CENTRES (> 40,000 SQM)
+0.2%

MEDIUM SIZE SHOPPING CENTRES (20,000-40,000 SQM)
+0.8%

SMALL SIZE SHOPPING CENTRES (<20,000 SQM)
-2.3%

New openings* by category, H1 2024



* Data refer to shopping centres managed by Savills. Food anchor stores are excluded from the turnover analysis

Retail Investment market

In the first semester of 2024, retail investments recovered amounting to €500 mln, a figure more than two times greater than H1 2023. The number of deals increased with 13 operations closed, mainly related to the out-of-town segment.

In terms of geography, the centre of the Country represented 48% of semester volume driven by a shopping centre transaction exceeding €200 mln. The shopping centre product was indeed the most sought after in the semester recording 3 operations for around €250 mln. A great interest has also been noted in supermarkets with the acquisition of 16 assets for approximately €180 mln.

Even if high street volumes remained limited in the semester, with just one deal recorded in Milan, tourist and luxury destinations are still in investors' radar thanks to a vacancy rate close to zero in luxury streets.

The six-month market was characterized by a predominance of international capitals (89%), while domestic buyers were involved in small deals with average ticket of less €10 mln.

Prime net yields remained stable for all sub-segments over the past three months and will not change in the coming months except for groceries, which are expected to compress.

Prime net yields, Q2 2024

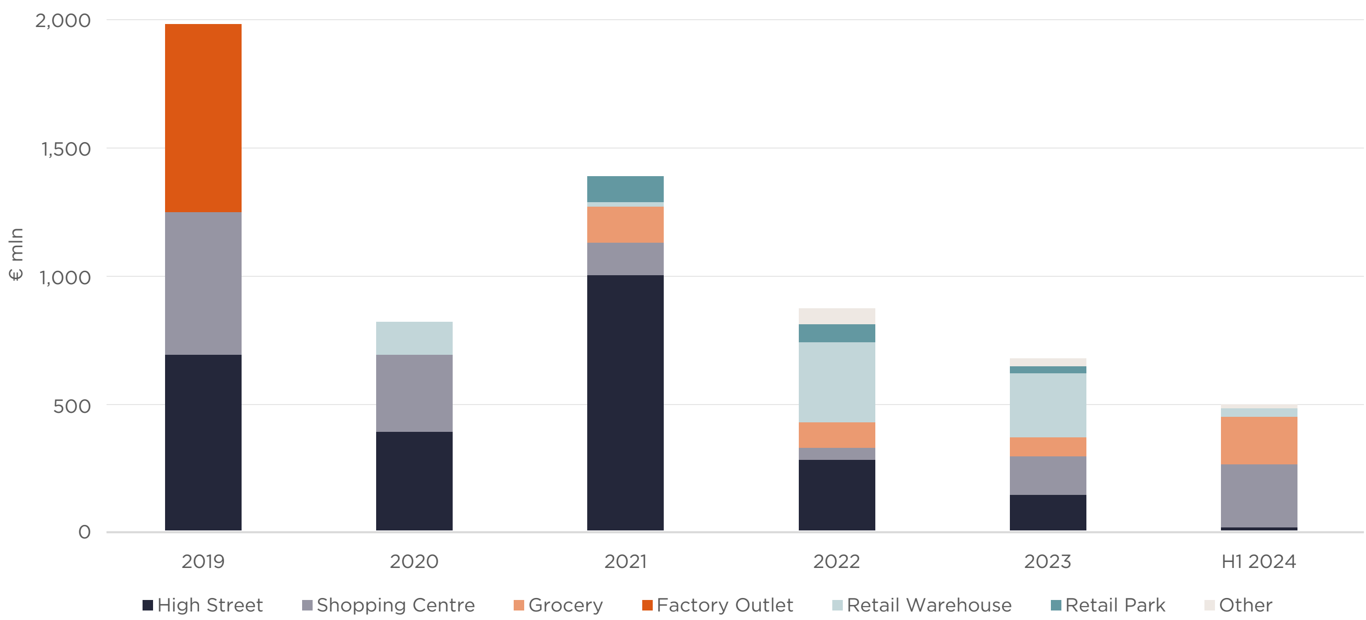
HIGH STREET
3.75%
+25 bps YoY

SHOPPING CENTRE
7.25%
+50 bps YoY

RETAIL PARK
7.75%
+25 bps YoY

RETAIL WAREHOUSE
8.00%
+25 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 stabilization
- Sustainability matters

> Shopping centers are making a comeback: footfalls and turnovers are recovering while the investment market attracts investors' interest

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