

Q1 MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
<b>2.62 €B</b> Total Volume	▲	▲
<b>500 €M</b> Office	▼	▲
<b>580 €M</b> Retail	▲	▲
<b>650 €M</b> Industrial & Logistics	▲	▲
<b>650 €M</b> Hospitality	▲	▲
<b>150 €M</b> Living	▲	▲
- Healthcare	—	—
<b>95 €M</b> Mixed Use	▼	—
- Other	—	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
<b>+0.6%</b> GDP Growth	▲	▲
<b>3.68%</b> 10-Yr Treasury Yield	▼	▲

Source: Moody's Italy, April 8<sup>th</sup> update (GDP Growth estimate Q1 25 on Q1 24; 10-Yr Gov Bond at Q1 2025).

ECONOMY

In the first quarter of 2025, Italy's economy managed to stay on a fragile path of growth, offering a glimmer of resilience in an otherwise uncertain global landscape. With a modest uptick in GDP, the country appeared to be holding its ground, even as revised projections by the Bank of Italy signaled tempered optimism for the year ahead, revising down its GDP growth projections to 0.6% for 2025, followed by 0.8% and 0.7% for the next two years respectively, reflecting a broader slowdown in the Eurozone. Beneath the surface, the macroeconomic picture remained complex: unemployment edged down to 6.05%, suggesting a still robust labor market, while inflation ticked up slightly to 1.6%, still well within manageable levels. However, storm clouds lingered on the horizon. The yield on 10-year BTP bonds crept up to 3.68%, a sign that investors remained wary amid rising protectionism, fragile EU fiscal unity, and renewed geopolitical tensions.

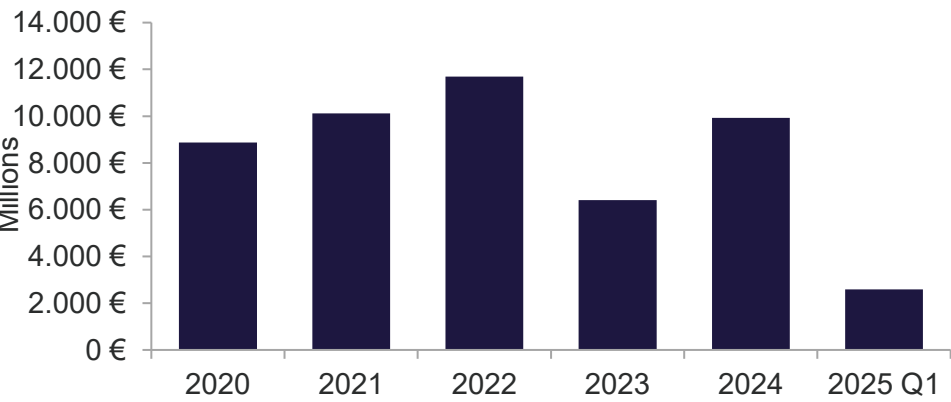
INVESTMENT OVERVIEW

The year opened on a strong note, with investment volumes rising by 44% compared to the same period in 2024. This growth was driven by three landmark transactions exceeding 200€M. Total investment reached 2.6€B in Q1, marking a 54% increase over the 10-year average of approximately 1.7€B. The Industrial & Logistics and Hospitality sectors took the lead, each accounting for 25% of total investment volume. Their performance was bolstered by two major portfolio transactions in the industrial segment and two significant deals in the hospitality space. Retail followed closely, capturing a 22% share of overall investments.

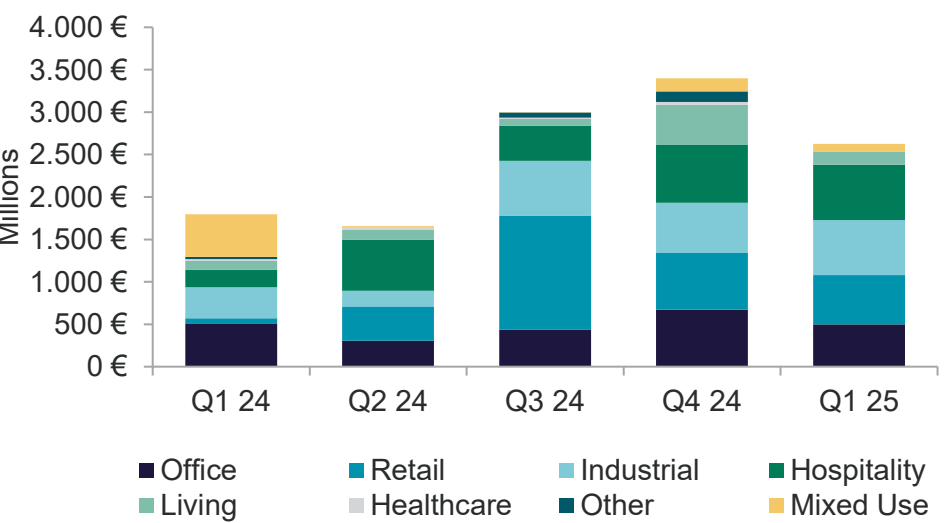
Foreign capital remained a key driver of market activity, continuing the momentum seen at the end of 2024. International investors maintained a solid presence, comprising 62% of total investment, with a clear focus on the Industrial & Logistics and Retail sectors.

Despite the overall bullish trend, the Office sector saw more restrained activity, with approximately 500€M invested roughly in line with the same period of 2024. This cautious stance reflects a broader shift among generalist investors toward alternative asset classes. Geographically, investment was heavily concentrated in Milan and Rome, with Milan dominating the landscape.

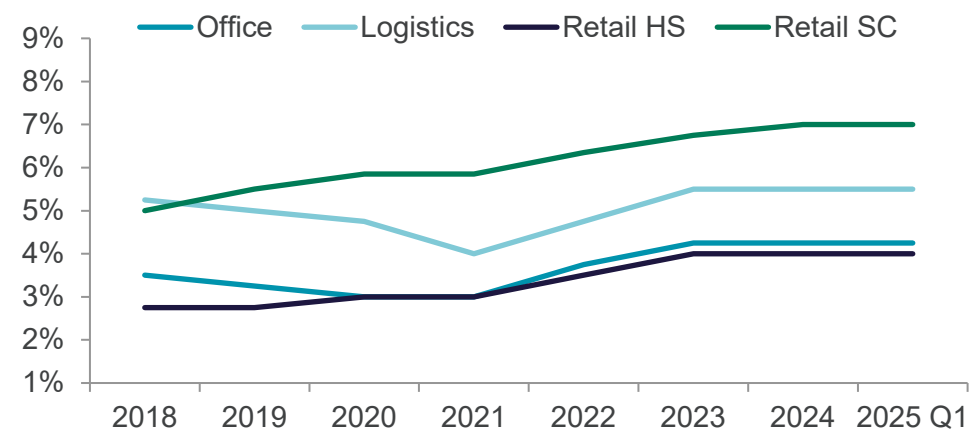
INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR

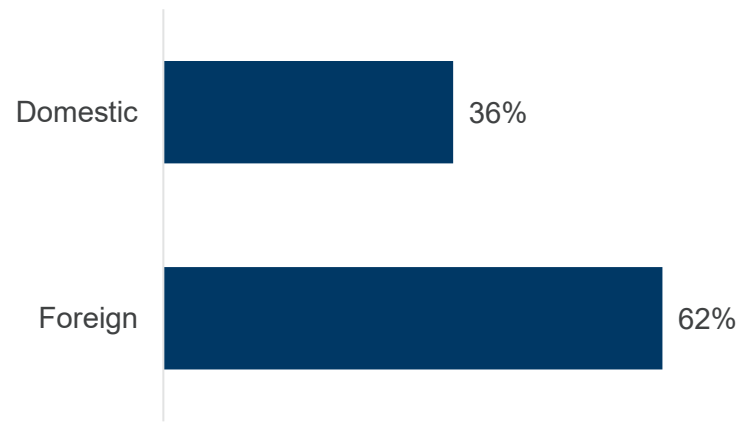


PRIME YIELD (NET)



(\*) Yields are calculated on a net basis as: 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.

SOURCE OF CAPITAL INVESTED YTD



The city attracted an impressive 89% of total capital deployed during the quarter, underscoring its continued appeal as Italy’s premier commercial hub.

The **Retail** sector delivered a strong performance this quarter, with total investment volumes reaching approximately 580€M. This was primarily driven by the landmark acquisition of a portfolio of luxury outlet assets valued at over 300€M, representing a significant share of the quarter’s total activity. The transaction underscores the continued attractiveness of Italy’s premium retail market—particularly assets linked to the luxury tourism sector and strategically positioned destinations.

Now firmly established as a primary asset class, the **Industrial & Logistics** sector emerged as one of the top-performing segments this quarter. Transaction volumes totaled approximately 650€M, largely driven by two significant multi-regional portfolios, each exceeding 200€M. This robust activity represents an 80% increase compared to the first quarter of 2024.

On a par with I&L ranked the **Hospitality** sector also reaching 650€M in Q1—a 185% increase compared to the same period last year. This surge was largely driven by two major transactions exceeding 100€M: the sale of an 85% stake in the Mandarin Oriental complex in Rome to French investors, and the acquisition of Hotel Caesar Augustus in Anacapri by private investor Statuto. These high-profile acquisitions reflect the market’s sustained demand for iconic hotel properties, particularly in globally recognized tourist destinations.

The **Living** sector recorded transactions for 150€M in Q1. While this represents a decline from the exceptionally high volumes seen in Q4, it still marks an increase compared to the same period last year, indicating sustained investor interest. A standout deal in the Student Housing segment was the acquisition of a property in Bologna by a joint venture, with a transaction value estimated between 70–75 € million. This highlights growing appetite for alternative residential assets, particularly those catering to students in key university cities.

Despite the positive momentum, the sector continues to face notable headwinds. These include a persistent shortage of supply that meets institutional-grade criteria, as well as ongoing misalignments between buyer and vendor pricing expectations.

OUTLOOK

- Momentum in the Retail sector likely to continue over the next quarters.
- In the Office sector some new entrants are prepared to take a more aggressive stance to secure market entry.
- Competition is growing for logistics sites as more are being targeted for conversion into Data Centres.

SIGNIFICANT SALES Q1

QUARTER	PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SQM	PURCHASE PRICE	MARKET
1	The Mall Luxury Outlets	Retail	Simon Premium Outlets	Kering	-	350 €Mn	Various
1	Techbau Portfolio	Industrial & Logistics	Castello Sgr	Techbau	315,000	257 €Mn	Various
1	Project Zephyr	Industrial & Logistics	Kryalos Sgr	Blackstone	265,000	230 €Mn	North
1	Mandarin Oriental	Hospitality	Private Investor	MEROPE	-	170 €Mn	Centre
1	Hotel Cesaer Augustus	Hospitality	Gruppo Statuto	Società Amministrazione Gestione Alberghi S.p.A.	-	150 €Mn	Centre
1	Garage Traversi	Retail	Private Investor	Invesco	6,850	Over 100 €Mn	Various
1	Via Principe Amedeo 5	Office	Fabrica Immobiliare Sgr	Kryalos Sgr	10,000	Over 100€Mn	North
1	Kilometro Rosso	Mixed Use	Gruppo Brembo SpA	Corum AM	-	86,7 €Mn	North
1	NH Collection Milano City Life	Hospitality	Schroders	Invesco	-	83 €Mn	North
1	Beyoo Laude Living Bologna Via Serlio 26/2	Living	Ardian JV Rockfield	Stonehill	20,000	est 73€Mn	North
1	Via Durini 16-18	Office	Investire Sgr	Prelios Sgr	5,700	68 €Mn	North

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