

# AT A GLANCE H1 2024

## ITALY RETAIL

RETAIL INVESTMENT VOLUME TOTALS 480 €M IN H1 2024

### OVERVIEW

#### RENEWED INTEREST IN RETAIL REAL ESTATE AS THE MARKET CONTINUES TO EVOLVE

The Retail real estate market has been characterised by ongoing evolution in H1 2024 and has seen renewed interest in the sector.

The Retail sector benefitted from a drop in inflation and an uptick in consumer confidence.

Investor activity resulted in very significant growth in volumes for all CRE but especially in the Retail sector. The focus in this period has been

primarily on Shopping Centre product. Prime Retail yields saw stability in the latter part of H1 2024, but this conceals disparity in terms of asset location and type, between prime and secondary, with some additional decompression expected for the latter.

The High Street sector saw rental growth for prime locations in key cities which are also benefitting from ongoing strong tourist flows. The Luxury

segment continued to be relatively unaffected by recent economic challenges, whereas Mass Market experienced more difficulties over recent months, including the food sector.

Retail continues to evolve and the market is perhaps beginning to see the benefits of this, as the focus continues to shift towards creating a unique customer shopping experience.

#### KEY INDICATORS H1 2024

ITALY INVESTMENT VOLUME  
H1 2024

**3.34 B€**

+43%  
vs. H1 2023

ITALY INVESTMENT VOLUME  
AVG. H1 2015-2024

**3,920 M€**

PRIME NET  
HIGH STREET YIELD

**4.10%**

+10 bps  
vs. H1 2023

RETAIL  
INVESTMENT VOLUME

**480 M€**

H1 2024

**+1.0%**

Real GDP GROWTH  
(forecast for 2024)

(ISTAT)

**62.3%**

EMPLOYMENT RATE  
(May 24)

(ISTAT)

**0.9%**

ANNUAL INFLATION RATE  
Y-o-Y (May 24)

(ISTAT)

Value **-0.1%** | Volume **-0.1%**

RETAIL SALES GROWTH  
Index 2021 = 100  
Y-o-Y (April 24)

(ISTAT)

# MACRO-ECONOMIC SCENARIO

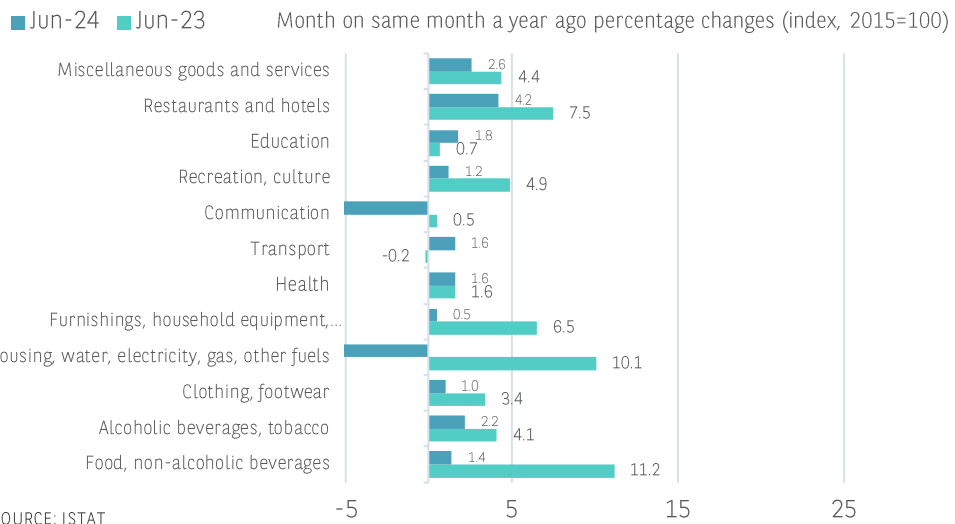
## CONSUMER PRICE INDICES BY SECTOR

### CONSUMER PRICES

After growing throughout 2022, Italy's inflation fell at the end of 2023, as did core inflation specifically and food prices albeit to a lesser extent.

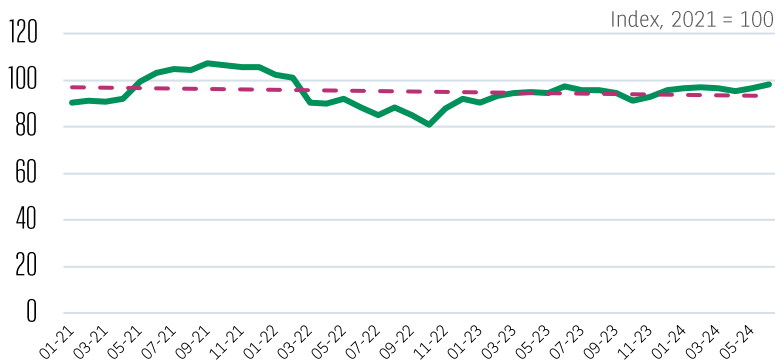
In June 2024, the rate of change of the Italian consumer price index for the whole nation (NIC) was +0.1 on a monthly basis and +0.8% on an annual basis.

Core inflation - excluding energy and unprocessed food - slowed in June 2024.



SOURCE: ISTAT

### CONSUMER CONFIDENCE



SOURCE: ISTAT

### CONSUMER CONFIDENCE

The consumer confidence index in Italy rose for the second month in June 2024, above market expectations, improving in all components of the index.

It marked the strongest reading since the start of 2022, driven by improvements across all components. However, the manufacturing confidence index in Italy declined in June 2024 and business confidence deteriorated for the third consecutive month.



SOURCE: ISTAT

## MACRO-ECONOMIC INDICATORS PROVIDE PARTIAL COMFORT

In a context of economic uncertainty, after more limited GDP growth at end-2023, GDP expanded by 0.3% from the previous quarter in the three months ending March 2024.

At the start of 2024, inflation in Italy stood at the lowest levels among euro area countries.

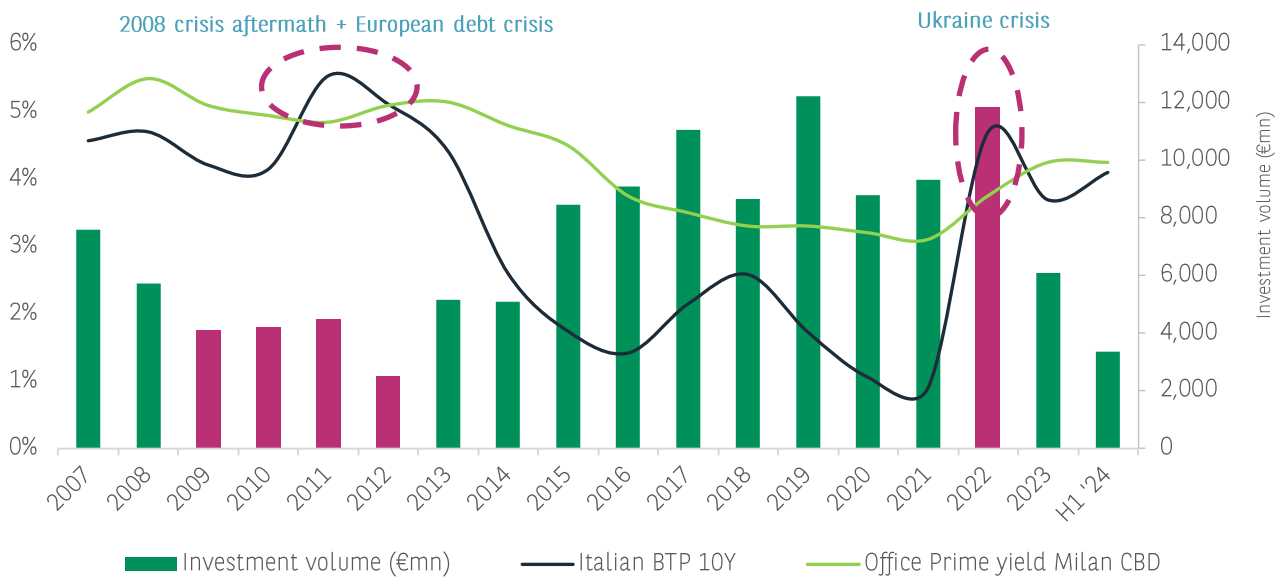
The unemployment rate for Italy dropped constantly after edging up in February 2024, reaching 6.8% in May 2024.

The 10Y Italian Government Bond yield stood at 4.1% at the end of H1 2024, after contracting from the highs seen at the end of 2023.

After widespread decompression throughout the previous year, prime yields saw underlying stability in Q2 2024, however yield levels are significantly differentiated by asset type and location and some further decompression may be seen for secondary products.



### 10Y GOVERNMENT BOND FALLS BELOW ITALY'S PRIME OFFICE CBD YIELD



SOURCE: BNP PARIBAS, TRADING ECONOMICS

## RETAIL SPENDING \*

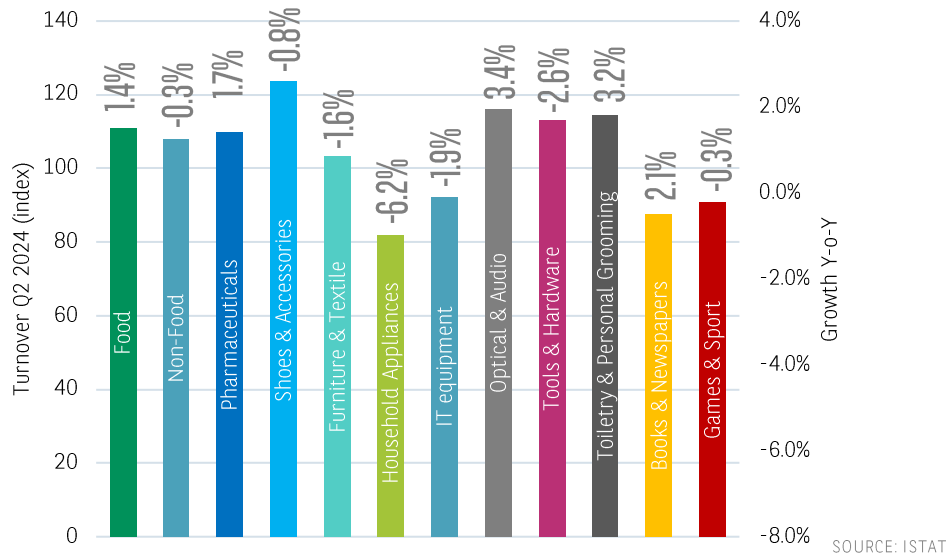
The value of retail trade was up 0.4% Y-o-Y, while sales volume dropped by -0.8%.

Large-scale distribution grew by 0.9% and small-scale distribution by 0.2%. Non-store retail sales fell by 1.6% and online sales declined by -1.4% Y-o-Y.

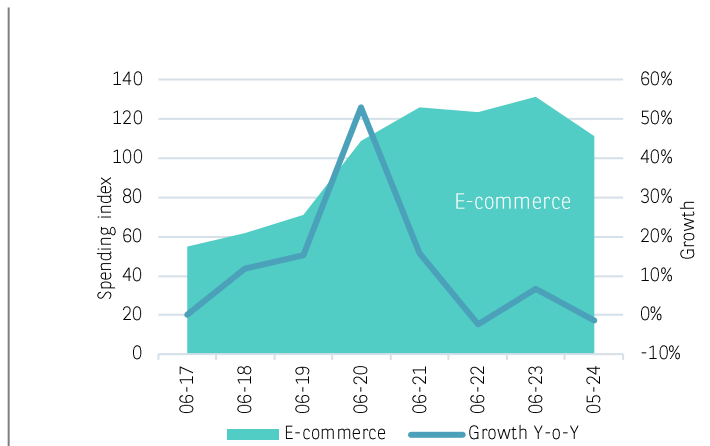
There were significant differences in non-food sales trends depending on specific category.

\* DATA UPDATED TO MAY 2024

## RETAIL TRADE



## ONLINE RETAIL SPENDING



SOURCE: CNCC



RETAIL SPENDING

**+0.4%**

May 24 VS. May 23

# RETAIL INVESTMENTS

## RETAIL INVESTMENT GROW BY 141% IN H1 2024

The first half of 2024 saw ongoing improvements in activity levels throughout the Italian real estate market, in line with the growth trend seen in the initial months of the year.

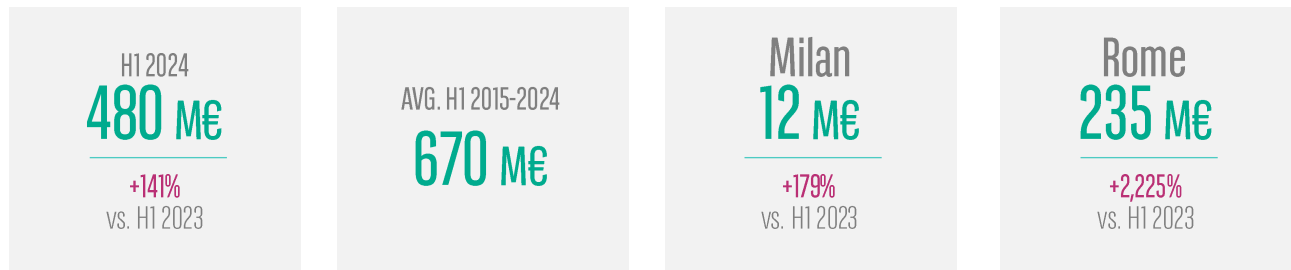
The Retail asset class saw particularly significant Y-o-Y growth (141%), as interest grew in opportunities offered by the sector. Indeed, at end-H1 2024, Retail investment volumes were comparable to other asset classes after around €480mn were transacted in period.

Whilst volumes were more limited in the first quarter, Q2 recorded significantly more activity thanks to the closure of some very large deals. As a result, 86% of total annual Retail investment volumes occurred in Q2 (ca €415mn).

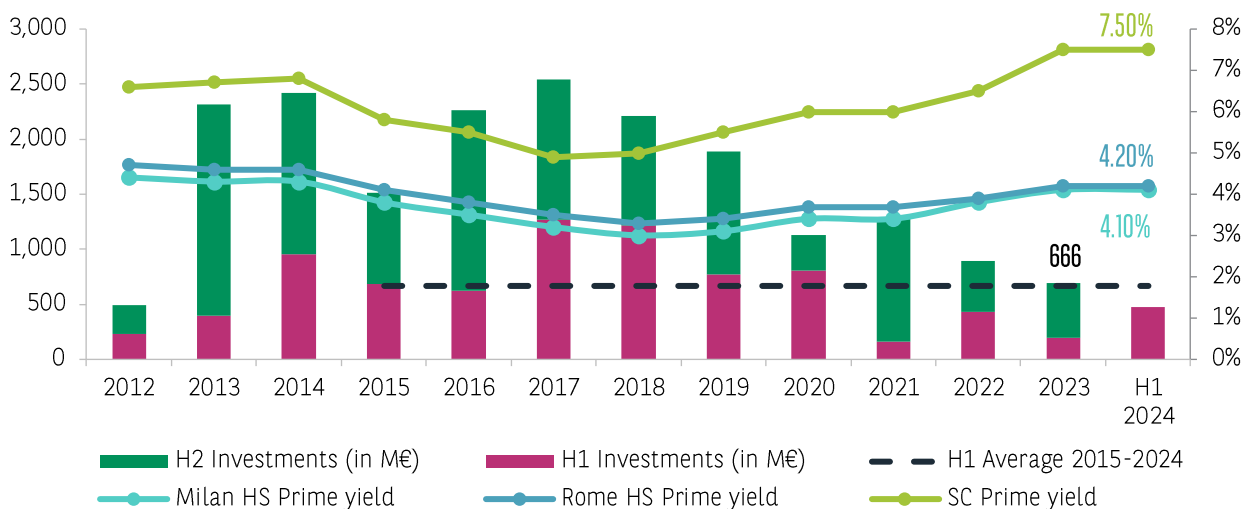
The semester saw a focus on opportunities involving Shopping Centres, a segment which has experienced difficulties and restructuring over recent years.

Significant activity levels returned to the Retail capital market in H1 2024, after a prolonged period of more limited activity and lower weightings.

### INVESTMENT IN RETAIL REAL ESTATE H1 2024



### RETAIL INVESTMENTS AND PRIME YIELDS



SOURCE: BNP PARIBAS

## NECESSITY RETAIL AND LUXURY RETAIL BOTH THE FOCUS OF INTEREST

Investor interest involved a range of asset types in H1 2024. Quality assets and locations demonstrate a higher degree of resistance to socio-economic change.

The customer shopping experience is a key focus in today's consumption patterns. Subsequent to recent economic difficulties and their

impact, cost savings continues to act as a primary driver and interest in necessity retail is still strong.

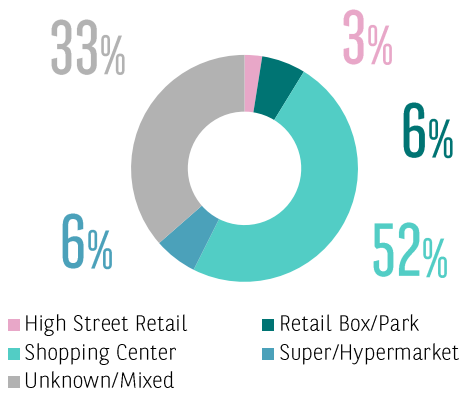
Interest in the Luxury retail segment also persists however, less affected by economic difficulties. The tight supply of suitable opportunities limits activity here, however.

## ONGOING YIELD DECOMPRESSION

The rate of decompression of prime Retail yields has slowed somewhat, in line with the wider marketplace.

Prime Retail yields saw stability in Q2 2024. However, some repricing may still occur in the wider Retail market and movement is increasingly diversified between asset classes, segments and quality.

### H1 2024 RETAIL INVESTMENTS BY PRODUCT



### PRIME YIELDS H1 2024

#### DECOMPRESSION VS. H1 2023

**4.10%**  
Milan High Street

**4.20%**  
Rome High Street

**7.50%**  
Shopping Centres

### KEY RETAIL DEALS IN H1 2024

ASSET	LOCATION	TYPE	VOLUME (M€)
CC Roma Est	Rome	Shopping Centre	225
Portfolio of hypermarkets and galleries	Mixed	Mixed	155
Parma Retail Shopping Centre	Parma	Shopping Centre	18



# HIGH STREET RETAIL

## HIGH STREET RENTS CONTINUE TO GROW

Despite the impacts of the difficult macroeconomic scenario in recent quarters, interest in Italy’s best High Street locations remains strong.

The Luxury submarket has been particularly resilient to the effects of periods of economic challenges. However, stock is limited by the size and number of luxury retail streets in

the key shopping cities boasting high local high purchasing power and the strongest tourist flows. An interest in owner acquisition is also emerging in this market segment.

Necessity retail played an important role in the recent period of economic difficulties, across categories. However, the higher fixed costs

involved specifically in food retail have also been negatively impacted this segment the food sector.

High street rents continued to grow across H1 2024, although discrepancy by quality of location and asset remain significant.

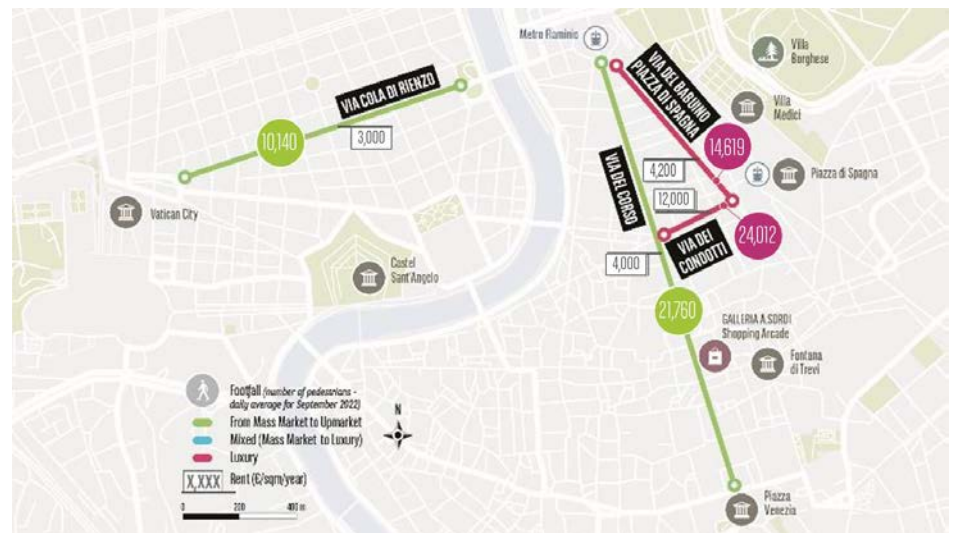
## ROME FOCUS

Rome’s retail market benefits particularly from its strong tourist flows, as well as from its role as the capital city.

Centrally located stock often tends to house Luxury brands but can give rise to ESG-related issues. Demand for sustainable assets is thus especially strong.

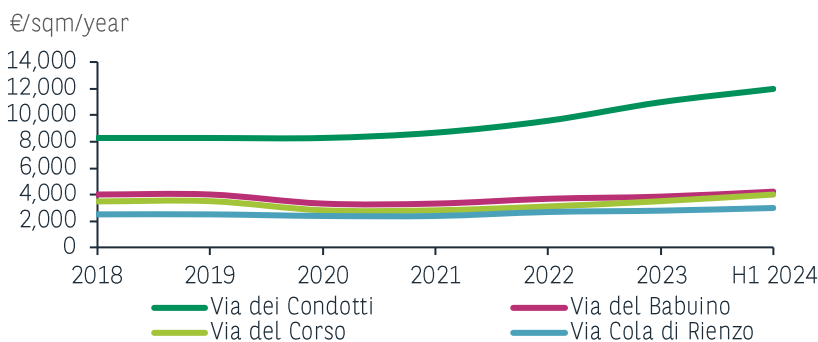
Footfall levels for Mass-Market retail streets, which tend to be located in the areas surrounding the historic centre, are improving, as are rental levels.

### ROME HIGH STREET PRIME RENTS AND FOOTFALLS



Average rent for a small size shop excluding key money. Please note that rents could greatly vary for every single asset according to the position on the street, the sidewalk, cadastral use of the premises, size of the shop, layout features, number of levels and number of shop windows.

### ROME HIGH STREET PRIME RENTS



SOURCE: BNPP RE Market Research & Analysis



## MILAN FOCUS

Milan's continues to evolve to offer new shopping experiences as footfall levels remain strong. The city's appeal as a shopping destination benefits from strong and growing tourist flows.

A major global shopping capital and a first port of call for many brands entering Italy, existing supply can be restricted, especially for the highest quality stores with good visibility.

These supply factors exert ongoing upward pressure on prime rents in key shopping streets and can have a negative impact on occupier activity.

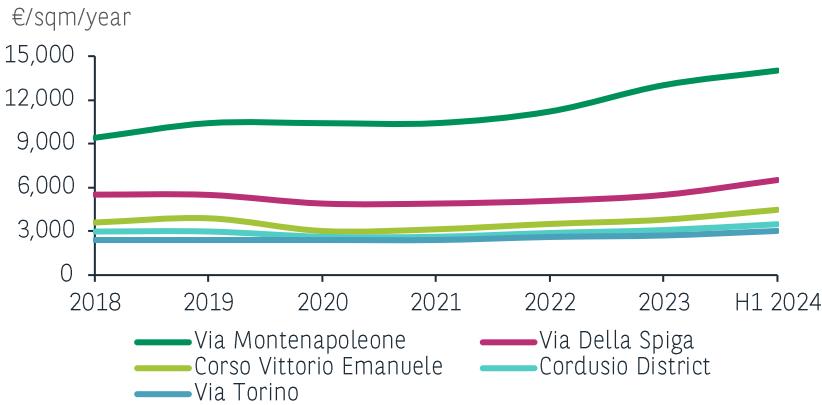
New openings, with international retailers still expressing interest in entering Milan, continue to transform the city.

## MILAN HIGH STREET PRIME RENTS AND FOOTFALLS



Average rent for a small size shop excluding key money. Please note that rents could greatly vary for every single asset according to the position on the street, the sidewalk, cadastral use of the premises, size of the shop, layout features, number of levels and number of shop windows.

## MILAN HIGH STREET PRIME RENTS



SOURCE: BNPP RE Market Research & Analysis

## KEY HIGH STREET OCCUPIER TRANSACTIONS IN H1 2024

STREET	LOCATION	AREA (SQM)	BRAND
Piazza San Babila, 5	Milan	310	Saint Laurent
Via Torino, 15	Milan	660	Oysho
Via Orefici / Via Victor Hugo	Milan	588	Souer





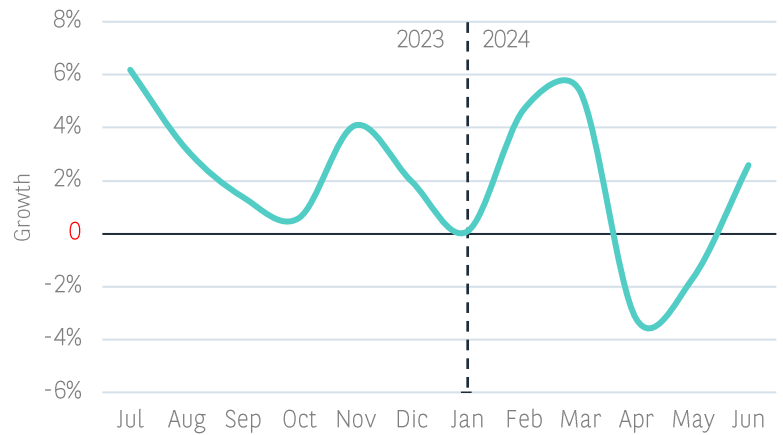
# OUT OF TOWN RETAIL

## LIMITED IMPROVEMENTS IN SHOPPING CENTRE VISITS

The Out-of-Town sector continues to evolve, in line with evolution in the wider Retail sector which has been underway for a number of years. The focus is firmly on the customer shopping experience.

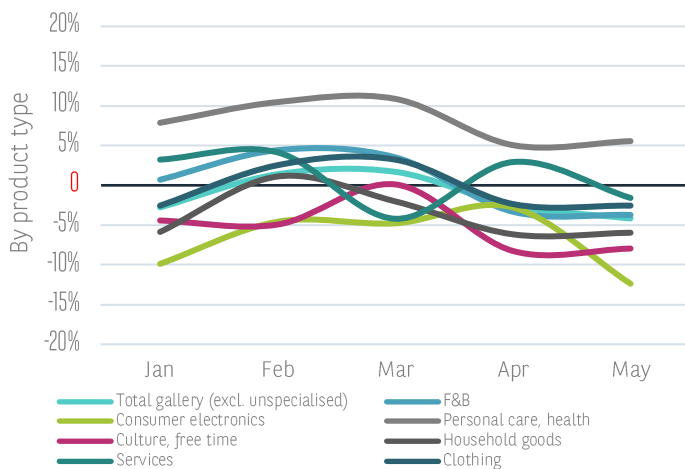
Visitor levels slightly exceeded those of the previous year in the first quarter of 2024, falling below at the beginning of Q2 to recover again in June 2024. Shopping Centre turnout had increased by 2.6% Y-o-Y in June 2024.

### CONSUMER VISITS

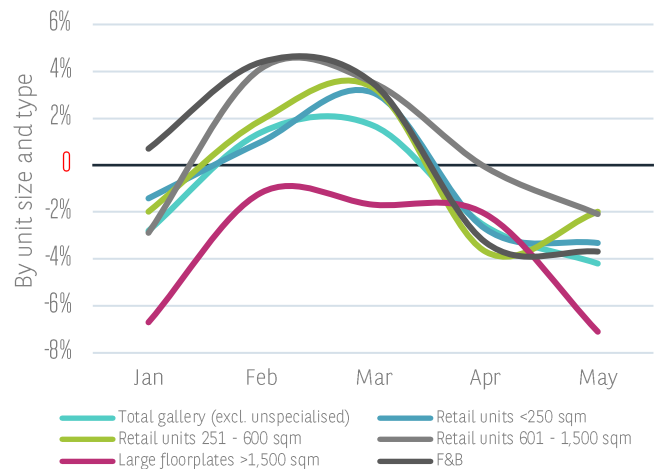


SOURCE: CNCC

### SHOPPING CENTRE TURNOVER



SOURCE: CNCC



SOURCE: CNCC

### KEY SHOPPING CENTRE PIPELINE H1 2024

CENTRE	LOCATION	AREA (SQM)	COMPLETION
Maximall Pompeii	Torre Annunziata (Naples)	50,000	H2 2024
Parma Promenade	Parma	43,885	Q4 2024
Centro Commerciale Messina	Messina	43,000	Fall 2025
Montalto Center	Montalto Uffugo (Caserta)	35,500	2025
Waltherpark	Bolzano	35,000	Q1 2025

SOURCE: CNCC



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