



Real Estate Retail Market Report

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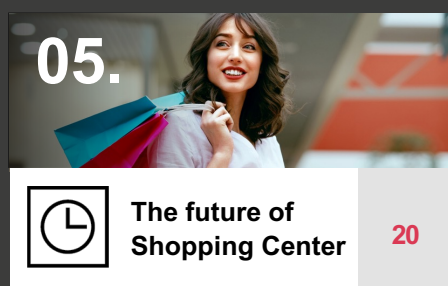
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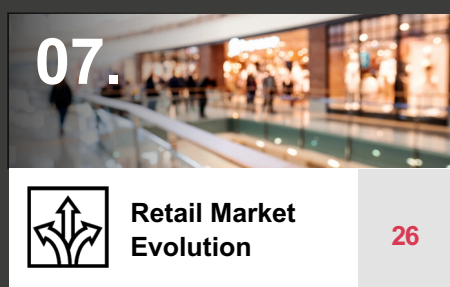
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The future of
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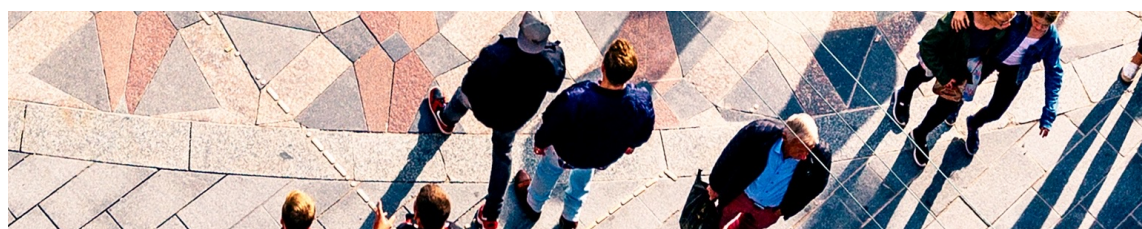
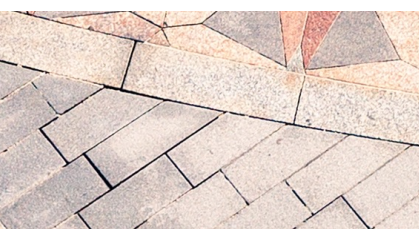
High street
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01. Consumer Market





Consumer
Market



Retail Market



Real Estate
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Italian Shopping
Center Market



The future of
Shopping Center



High street
Retail



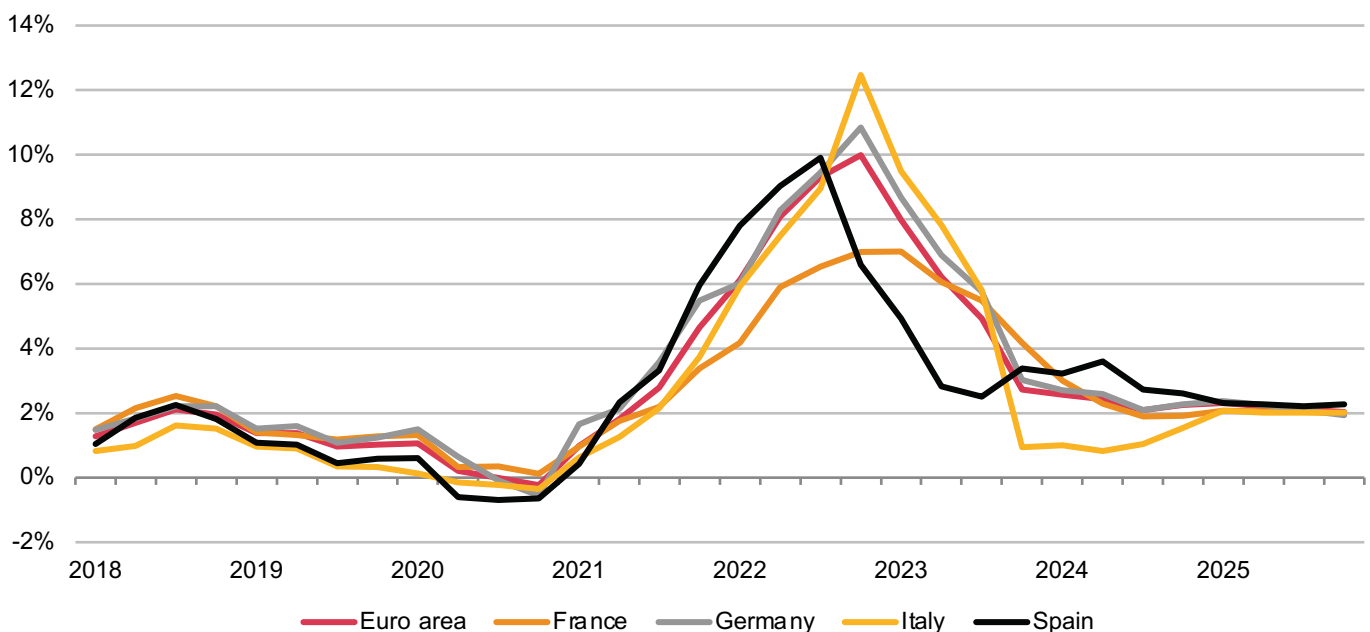
Retail Market
Evolution

After two years of intense inflationary pressures in Europe, with **Consumer Price Index (CPI) peaks reaching an astonishing 12% between 2022 and 2023**, the forecast for 2024 appears to be more favorable, with a disinflationary trend on the horizon. The Organization for Economic Co-operation and Development (OECD) predicts a medium-term trend that is nearing the European Central Bank's (ECB) target inflation level of 2%. If the disinflationary trend continues, it is possible that the European Central Bank may opt for a less restrictive monetary policy. Specifically, additional **interest rate cuts are anticipated in 2024 and 2025, which should help to foster a more stable economic environment**. Despite the significant reduction in the overall inflation rate of the basket of goods considered by the CPI index, not all consumer segments are experiencing relief, which exerts significant pressure on middle-income consumers. This situation is exacerbated by growing geopolitical uncertainties, which have a direct impact on energy costs and create additional financial strain on consumers.

As a result, these economic pressures are influencing purchasing decisions, nudging consumers towards prioritizing essential spending over non-essential goods and services.

This emerging trend towards more mindful consumption is indicative of a broader societal shift. **Consumers are now placing a higher emphasis on prioritizing their expenditures based on necessity and value**, rather than indulging in superfluous spending. This arising trend may indicate a shift in consumption patterns, where conspicuous consumption, spending aimed at displaying social status through the acquisition of luxury goods is increasingly, becoming a niche market. Such expenditure patterns are becoming more reserved for the wealthier classes who can afford to maintain such lifestyles, whereas the general population is becoming more focused on sustainability and essential needs.

Trend of CPI index and forecast (% YoY)



Source: PwC analysis on Eurostat data



1.1%

Italy Average Inflation 2024

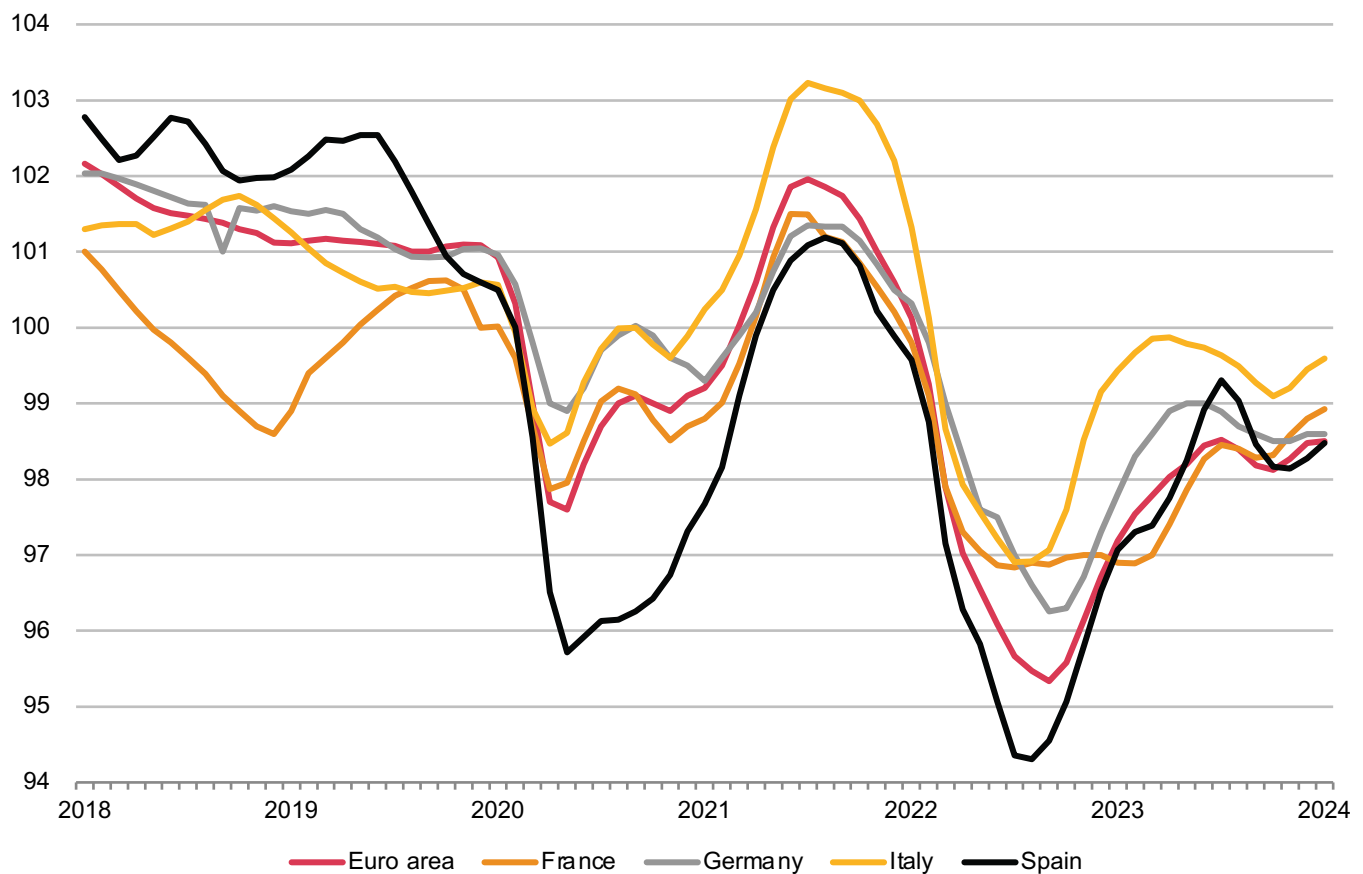


2%

ECB Target Inflation



Consumer Confidence Index (LT Average = 100)



Source: PwC analysis on OECD data

The **broader economic outlook for Europe is improving with disinflationary trends and potential interest rate cuts**. Following the decrease in the inflation rate, **consumer confidence is once again on the rise** in the Eurozone and in the main European markets (CCI = Consumer Confidence Index). The growing emphasis on priority-driven consumption highlights a significant shift in consumer behavior, which could have long-term implications for various markets and industries.

The new macroeconomic scenario of recent years presents numerous challenges for both consumers and businesses alike. This evolving landscape is significantly transforming the retail market, which is currently experiencing profound changes. These changes are affecting various aspects of the shopping experience and introducing new dynamics that both retailers and customers must adapt to.

On one hand, there is a **noticeable increase in consumer expectations**. Modern consumers are becoming increasingly sophisticated and demanding, seeking not only high-quality products but also exceptional service and a seamless, engaging shopping experience.

Retailers are now under greater pressure to meet these elevated expectations by offering personalized services, flexible purchasing options, and enhanced customer support.

On the other hand, **the retail market is also witnessing the predominant introduction of advanced technology**. The introduction of these technologies also results in intensified competition within the retail sector. This heightened competition necessitates a rationalization of supply, wherein retailers must continuously optimize their product offerings and operational processes to remain viable in the marketplace.

Consequently, this intense competition could pose challenges for less efficient retailers. Smaller retailers or those slow to innovate may find it difficult to keep up with the rapid pace of change, leading to a potential consolidation in the retail market.



Consumer
Market



Retail Market



Real Estate
Retail Market



Italian Shopping
Center Market



The future of
Shopping Center



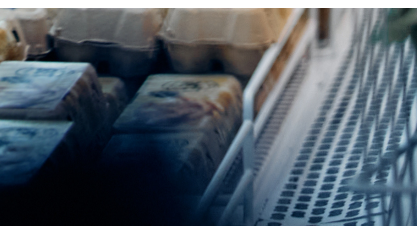
High street
Retail



Retail Market
Evolution



02. Retail Market





Consumer
Market



Retail Market



Real Estate
Retail Market



Italian Shopping
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The future of
Shopping Center

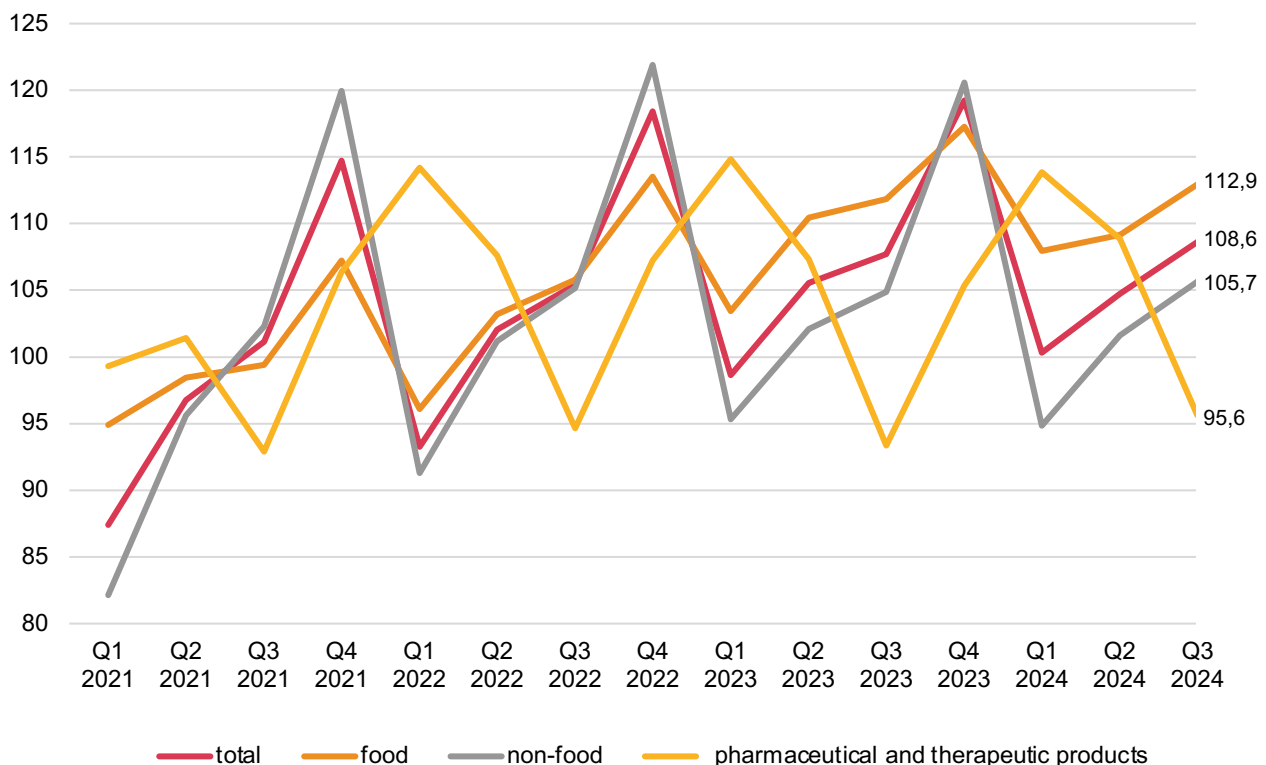


High street
Retail



Retail Market
Evolution

Index of revenues for the retail sector - quarterly data - base 2021=100



Source: PwC analysis on Istat data

Note: "Pharmaceutical and therapeutic products" is a subcategory of "non-food"

The retail sector ended 2023 with a growth of **4.7% compared to 2021 and this trend continued in 2024 with a provisional figure of +5.5%**. October 2024 marks a +14.4% also due to the seasonality of retail.

The non-food segment is the most affected by seasonality, with the last quarter of the year recording an annual peak, and the first quarter of the year recording the lowest value. Conversely, the segment of medical and pharmaceutical products records the highest relative value in the first quarter of the year, coinciding with the flu season, and then reaches a negative peak during summer. However, the best performance is that of the food segment, which benefits from exports, **recording a +10.6% compared to 2021 in the first 10 months of 2024 data for the first 10 months of 2024**. For the end of 2024 and the beginning of 2025, expectations are positive; industry players believe that the growth trend recorded in the first 10 months of 2024 will continue in the coming months.

However, a large discrepancy can be observed between the confidence of large-scale retailers and that of small businesses.

The large-scale retailers, generally more optimistic about the next 3 months, believe that turnover will grow thanks to an increase both in volumes and in selling prices, while small businesses are less positive about future sales.

The distribution form also suffers from strong seasonality, with retail of electronic devices particularly affected by *black friday* and Christmas sales (November and December 2023 recorded +61.6 percent and +53.5 percent, respectively, over the average of the first 10 months of 2023). Despite positive performance across the industry, it is large retailers that grew the most in **2023 compared to 2021 (+11.5%)**, with large-scale specialized retailers growing slightly more than large-scale non-specialized **retailers over the three-year period (+11.2% and +12.8%, respectively)**. In the first 10 months of 2024, both large-scale retail and large-scale specialized retail slowed down slightly (+11% and +10.5%), while retail of electronic devices in October is already starting to show higher growth than all other retail segments.



Consumer
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Retail Market



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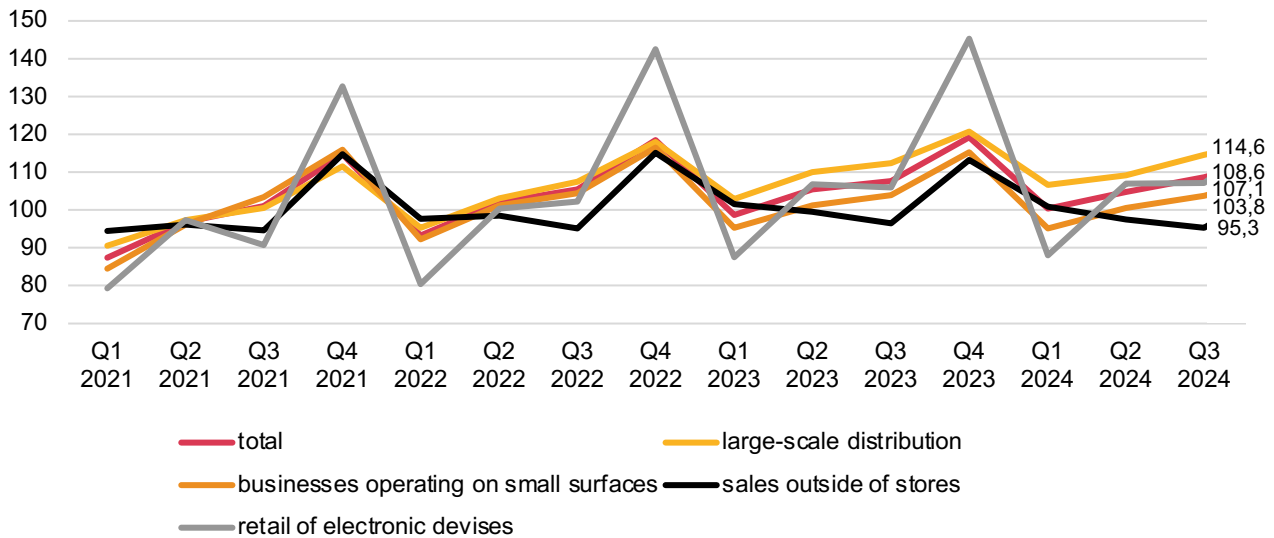


High street
Retail



Retail Market
Evolution

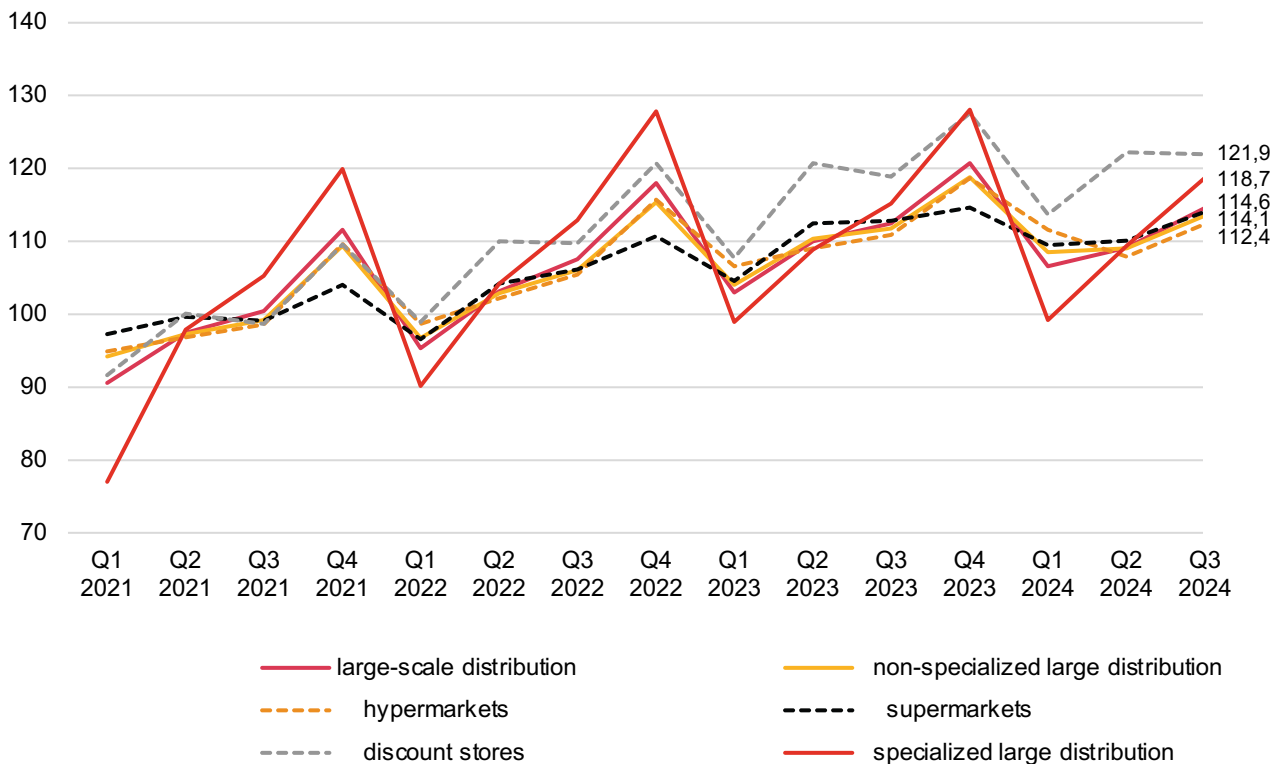
Index of revenues for the retail sector by retail form - quarterly data - base 2021=100



Source: PwC analysis on Istat data

Among large-scale retailers, discount stores stand out with revenues in 2023 that increased by around one fifth on 2021 turnover (+18.7%). This trend has also been reinforced in the first ten months of 2024 (+20.5%).

Index of revenues for the retail sector by retail form (only large-scale distribution) - quarterly data - base 2021=100



Source: PwC analysis on Istat data



Consumer
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Retail Market



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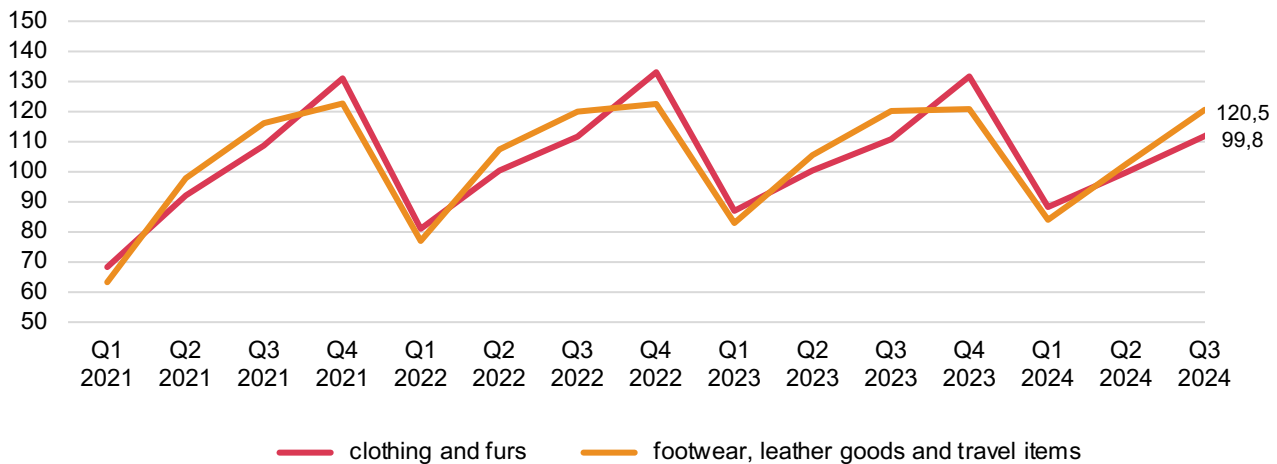


High street
Retail



Retail Market
Evolution

Index of revenues for apparel and clothing, footwear and leather goods retail - quarterly data - base 2021=100



Source: : PwC analysis on Istat data

The sector ended 2023 with a turnover of 29.7 million euros, a slight decline compared to the previous year (-0.3%). Inflation and still high interest rates are increasing the pressure, with fashion and the footwear industry being affected by the reduced purchasing power of consumers. A further decline of 0.7% is also expected in 2024, bringing the turnover to 29.5 billion euros, with the footwear segment outperforming apparel and clothing in the first 10 months of 2024 (respectively +4.1% and +2.6%).

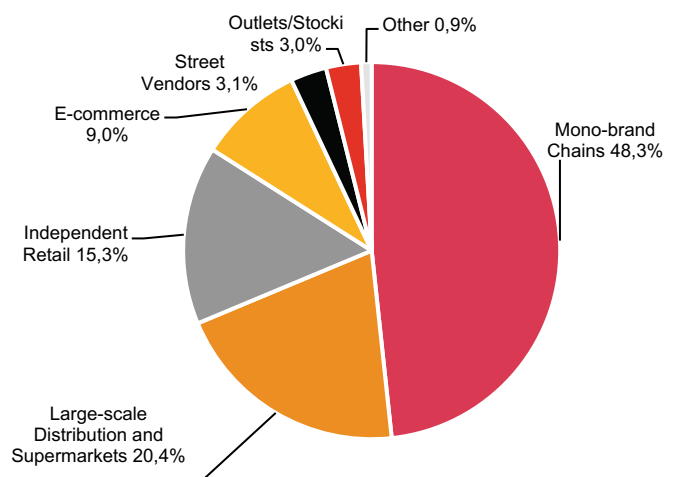
According to more recent data released by the National Chamber of Italian Fashion (CNMI), the Italian fashion sector, including related industries such as eyewear and beauty, is expected to close 2024 with revenues just under €96 billion, reflecting a slowdown of 5.3% compared to 2023. An analysis by Cassa Depositi e Prestiti highlights that even though the forecasts for the end of the year are difficult, with over 50% of micro and small businesses expecting a 3.5% drop in turnover, there are opportunities for growth in the next five years, thanks to exports and innovations in sustainability and supply chain optimization.

The sector is highly fragmented, although there is an increase in mergers and acquisitions that could gradually make the market more concentrated. Despite the development and spread of e-commerce, which requires industry players to adapt and invest in digitalization, 2023 marks the return to shopping in physical stores after the exponential growth of e-commerce in the post-pandemic period.

In addition to the decline in online sales, 2023 also sees a decrease in sales through large-scale distribution and multi-brand retailers, while single-brand retailers, outlets, and chains are favored, representing almost two-thirds of the clothing sales value.

In line with the contraction of the sector, the number of commercial units has also been in constant decline since 2019: **over 11,000 businesses have closed from 2019 to 2023, resulting in a total decrease of 8.6% over the five-year period and 2.7% from 2022 to 2023.** The most significant drop is recorded for businesses specializing in footwear, leather goods, and leather items (-13.1%) compared to those specializing in apparel, clothing and fabric accessories (-7.7%), consistently with the crisis the Italian leather industry is facing.

Revenues for apparel and clothing retail by retail channel in 2023



Source: PwC analysis on Cerved data



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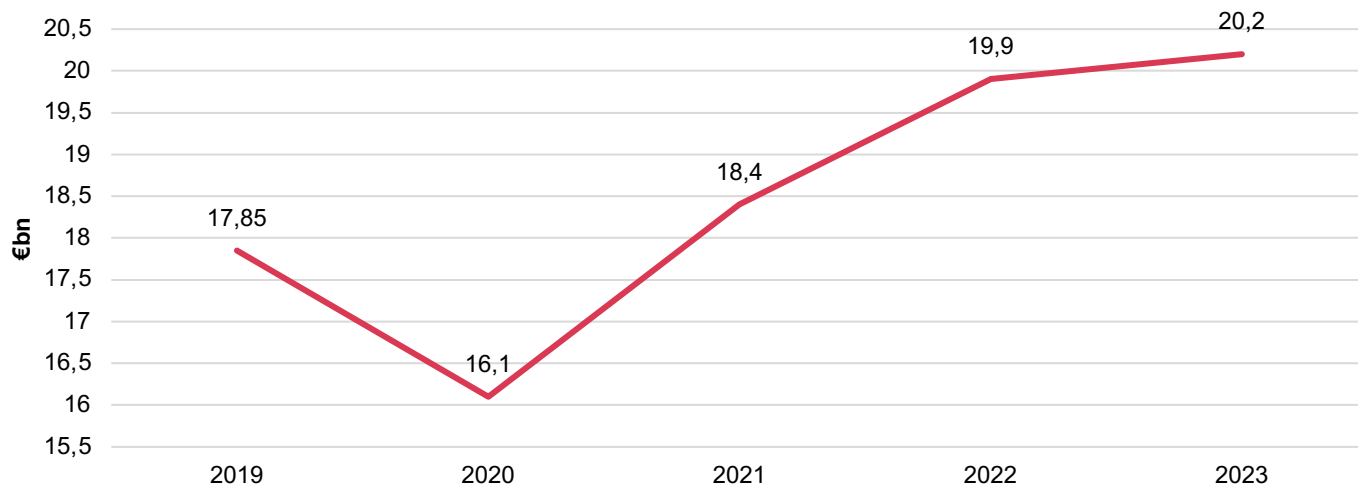


High street
Retail



Retail Market
Evolution

Turnover of furniture and home appliances retail

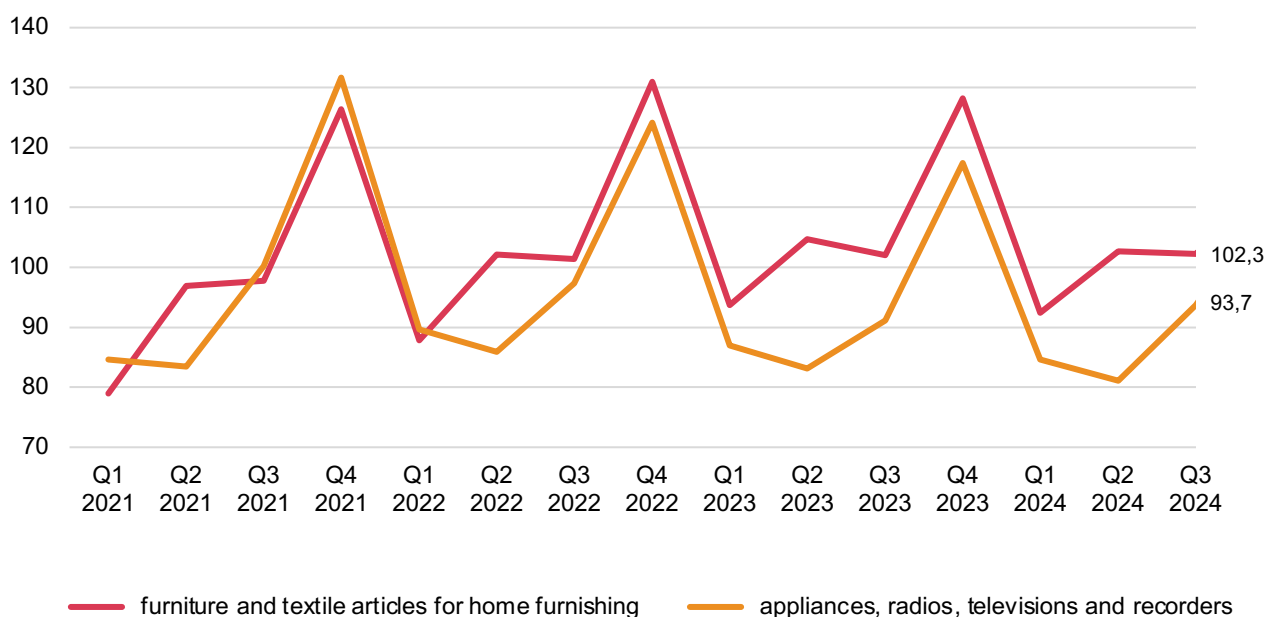


Source: PwC analysis on Cerved data

The furniture and home décor sector has shown remarkable resilience following the Covid-19 pandemic, managing to surpass pre-pandemic levels. **In 2023, the industry achieved a total turnover of €20.2 billion**, reaffirming a growth trend, albeit at a slower pace compared to earlier periods. However, preliminary data for 2024 indicate a slowdown: **in the first half of the year, sales declined both in the domestic market (-6%) and in exports (-4.1%)**. This contraction reflects a combination of factors, including a drop in domestic demand likely influenced by economic uncertainty and stagnant purchasing power, as well as a decrease in exports driven by cooling global demand.

Many companies are looking to the second half of the year with cautious optimism. **Projections for 2024 as of July suggest a modest growth of 0.8% for the sector, with a positive performance in exports (+3.7%) and slight weakness in the domestic market (-1.3%)**. These figures highlight how the sector, based on actual orders, has adjusted its earlier forecasts: the initial growth estimate of +1.5% made in January has now been revised downward.

Index of revenues for furniture and home appliances retail - quarterly data - base 2021=100



Source: PwC analysis on ISTAT data



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Retail Market



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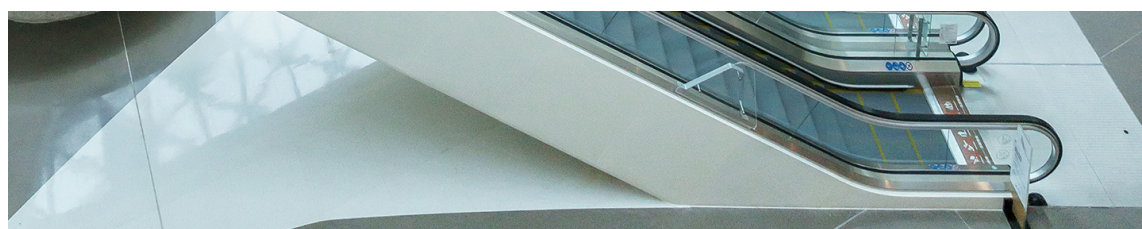


Retail Market
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03.

Real Estate Retail Market





Consumer
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Retail Market



Real Estate
Retail Market



Italian Shopping
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High street
Retail



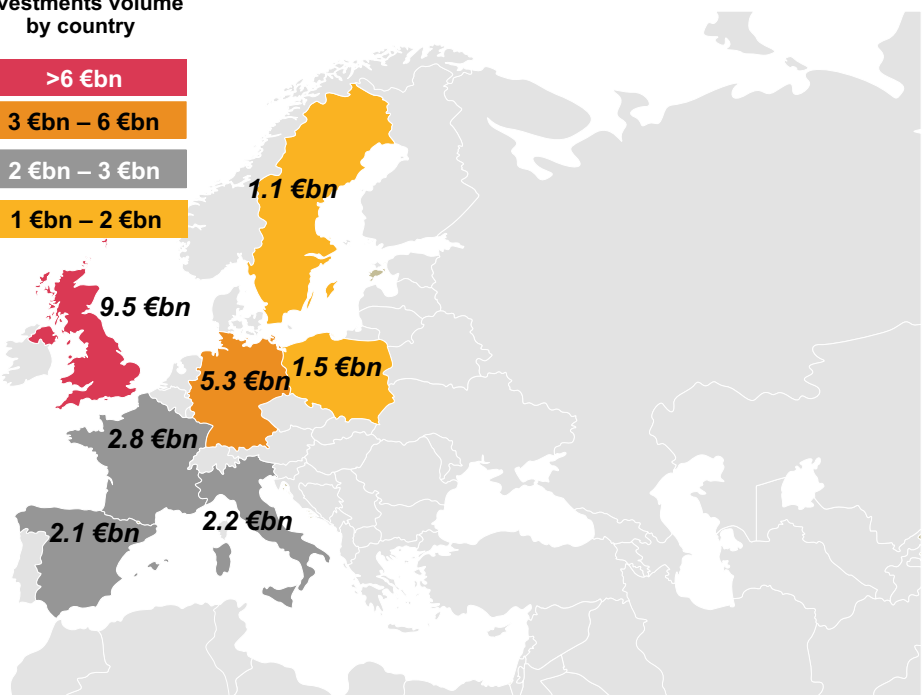
Retail Market
Evolution

Investments Volume in the main European Retail market by countries in 2024

The retail sector has experienced a prolonged period of underperformance, but it has shown signs of relative resilience. The sector has benefited significantly from the increased savings rate during the pandemic.

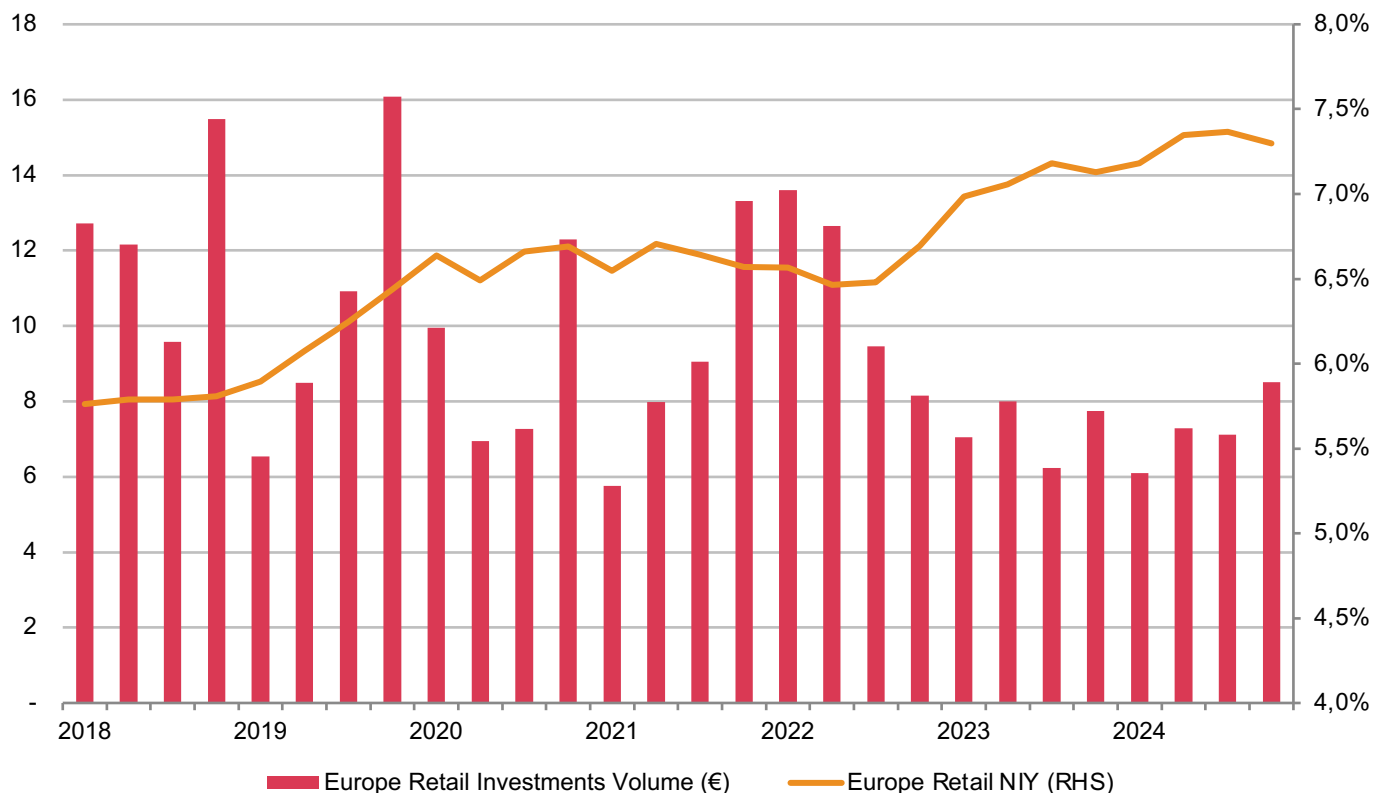
The retail sector attracted approximately **€29 billion in investments in 2024**, showing a performance largely consistent with last year's. The analysis of major retail real estate markets highlights that the United Kingdom and Germany remain the countries capable of attracting the highest amount of investments in the retail segment in Europe, **with over €9.5 billion and €5 billion in investments, respectively**. Spain and Italy also recorded a good level of investment, confirming the sector's attractiveness.

Investments volume
by country



Source: PwC analysis on MSCI Real Capital Analytics data

Investments Volume in European Retail market (€) and EU Retail NIY* by quarter 2018 - 2024



*NIY = Net Initial Yield

Source: PwC analysis on MSCI Real Capital Analytics data



Consumer
Market



Retail Market



Real Estate
Retail Market



Italian Shopping
Center Market



The future of
Shopping Center



High street
Retail



Retail Market
Evolution

The recovery of the retail market has been driven by various transactions in the shopping center sector, **including the notable sale of the second-largest shopping center in Rome for over 200 million euros.** The renewed interest from private investors in luxury retail on main streets has further contributed to the recent growth and vitality of the sector. The yields of the two main asset classes in the retail market (shopping centers and high street) **have increased only modestly by about 100 basis points since the last quarter of 2022.**

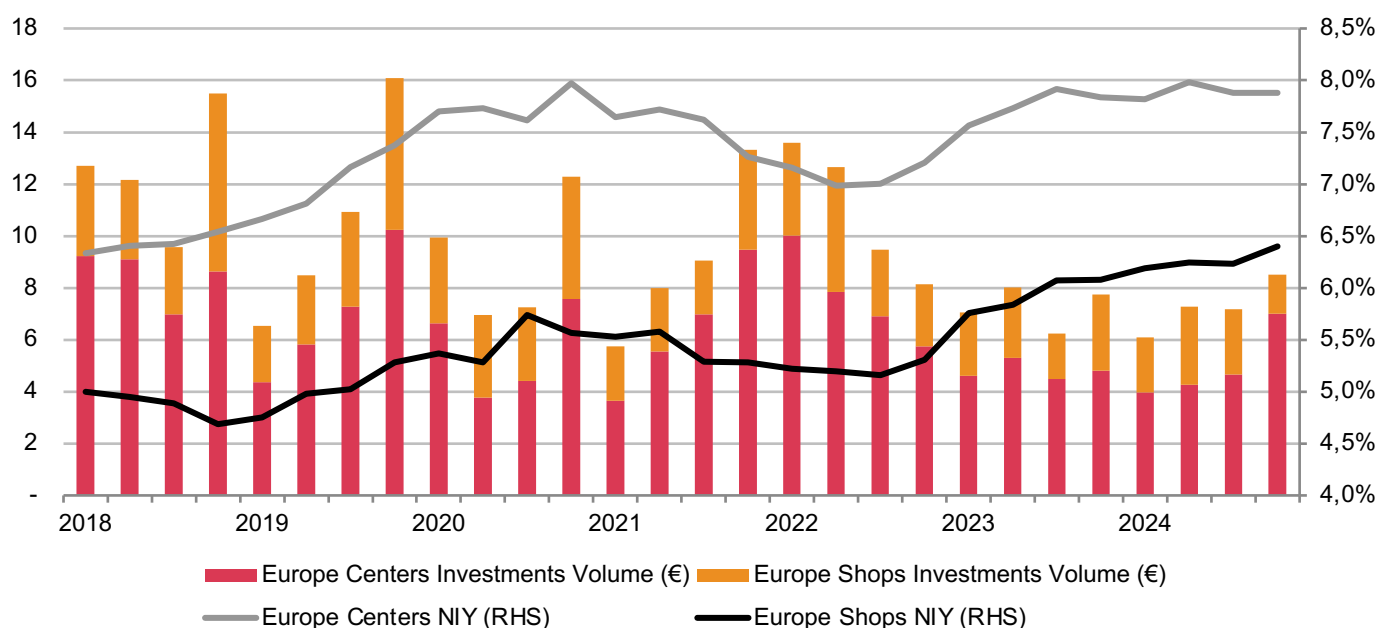
Comparing the dynamics in the retail sector to one of the preferred asset classes by investors in recent years, such as logistics, reveals divergent trends. Specifically, the vacancy rate for logistics sector across Europe has dropped to an average of 4%. This significant decline in terms of vacancy rate illustrates the growing demand and solid standing of logistics sector. Conversely, **shopping centers are grappling with structural challenges, leading to higher vacancy rates.**

The rise in the vacancy rate in shopping centers highlights the evolution in consumer behaviors and the changing dynamics of retail in recent years. This trend emphasizes the potential for a more strategic and prudent investment approach. For instance, a **strategic consideration pertains to the tenant market, where it might be possible to negotiate favorable terms for tenants.**

Additionally, weaker retail parks require substantial capital expenditures to revitalize and maintain competitiveness. Sector investors should take these factors into account when planning and executing their investment strategies, ensuring their portfolios are resilient and adaptable to the ongoing changes and challenges in the retail landscape.

Although **the retail sector has shown promising signs of recovery and growth**, particularly through significant transactions and renewed interest in high street retail, retail environments are evolving, especially in shopping centers. This necessitates constant attention and the use of adaptive strategies to align investments with prevailing market conditions.

European Centers and Shops Investments Volume and NIY by asset class Q1 2018 - Q4 2024



*Centers = Shopping Center, Factory Outlet, Retail Park, Grocery

Source: PwC analysis on MSCI Real Capital Analytics data



~100 bps

Increase of shopping center and high street yields since the 2022



€29bn

Investments in the European Retail market 2024



Consumer
Market



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Italian Shopping
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The future of
Shopping Center



High street
Retail



Retail Market
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Major transactions in Italian Retail market YTD 2024

Asset class	Date	Property Name	City	Buyer	Seller
Shopping center	Nov-24	Valecenter gallery	Marcon	Multi Corporation, Taconic Capital	Blackstone
Shopping center	Nov-24	Forum Palermo	Palermo	Kryalos, Hayfin Capital Management, Multi Corporation	Blackstone
Urban store	Oct-24	Quartiere Giardinetti	Rome	Gran Leo Srl	Gruppo illimity Bank SpA
Shopping center	Sept-24	Freccia Rossa	Brescia	My Credit SpA	Resolute Asset Management
Big box	Aug-24	Novara DIY store	Novara	Savills IM	N.A.
Urban store	Jul-24	Palazzo del Monte	Milan	Kering	Blackstone
Health and beauty	Jun-24	Virgin Active	Brescia	My Credit SpA	N.A.
Shopping center	May-24	Roma Est Shopping Centre	Rome	Klepierre	GIC
Urban store	May-24	Via Torino	Milan	N.A.	Gruppo BPVi, Bain Capital
Grocery	Apr-24	IGD IT Retail Portfolio 2024	N.A.	Sixth Street, Starwood Capital	IGD Immobiliare Grande Distribuzione SpA
Power center	Apr-24	Raffaello	Rome	N.A.	DeA Capital Real Estate
Big box	Mar-24	Tecnomat IT Retail Portfolio 2024	N.A.	Polis Fondi, LeadCrest Capital Partners	Groupe Adeo
Urban store	Jan-24	Via Alberico Albricci 5	Milan	Green Stone SICAF S.p.A.	N.A.

Source: PwC analysis on MSCI Real Capital Analytics data



Consumer
Market



Retail Market



Real Estate
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Italian Shopping
Center Market



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Shopping Center



High street
Retail



Retail Market
Evolution

Retail investments in Italian market have reached **approximately €2.2 billion** during 2024. Among these, the most notable is **Kering's acquisition of the prestigious Via Montenapoleone 8 property from Blackstone**. This transaction stands out as one of the largest in Europe since March 2022 and sets a remarkable record for a single asset deal in Italy.

This acquisition not only highlights Kering's strategic investment approach but also underscores the broader trend of high-end fashion groups actively securing prime real estate assets. By investing in such strategic locations, these luxury brands aim to reinforce their presence and ensure optimal visibility for their flagship stores.

Retail activity during this period has remained exceptionally robust across both high street and shopping centers. However, **there is a noticeable shift towards greater selectivity when it comes to choosing expansion locations**. Retailers are becoming more discerning, carefully evaluating potential sites to ensure they align with their strategic goals and brand identity.

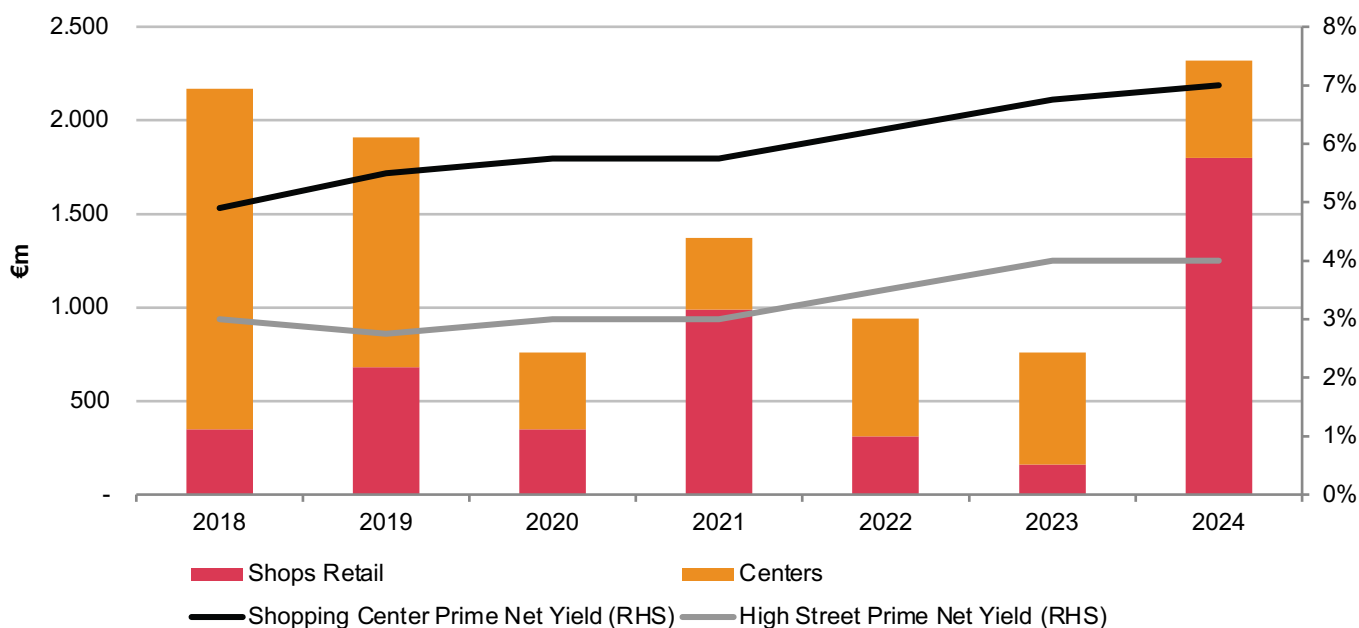
Despite the persistent challenges posed by geopolitical tensions and global economic uncertainties, operators in the mass market segment continue to show resilience and activity. This steadfast engagement is a testament to the sector's adaptability and consumer demand across different market conditions.

Milan, a prominent retail hub, continues to experience a thriving retail environment, with robust activity observed in both luxury and mass market sectors.

The city's dynamic retail landscape attracts a diverse range of brands and operators, further enhancing its reputation as a key destination for both high-end and everyday shopping experiences.

The sustained and growing interest from brands in Italian high streets has led to a significant increase in rents, particularly in areas that have witnessed recent transactions or are characterized by high demand. This trend is indicative of the premium that brands are willing to pay to secure prime retail locations. Additionally, **prime shopping centers are leveraging their strong market positions to gradually raise rents for their retail spaces**. By doing so, these centers aim to capitalize on their established reputation and the steady influx of consumers, thereby optimizing their revenue potential.

Investments Volume in Italian Retail market (€) and Prime net yield of the Centers and Shops Retail



Source: PwC analysis on market data



€2.2bn

Investments in the Italian Retail
market 2024



4%

High Street Prime Net Yield



7%

Shopping Center Prime Net Yield



Consumer
Market



Retail Market



Real Estate
Retail Market



Italian Shopping
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High street
Retail

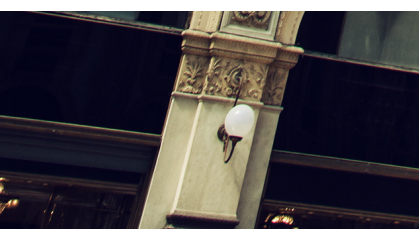


Retail Market
Evolution



04.

Italia Shopping Center Market





Consumer
Market



Retail Market



Real Estate
Retail Market



Italian Shopping
Center Market



The future of
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High street
Retail



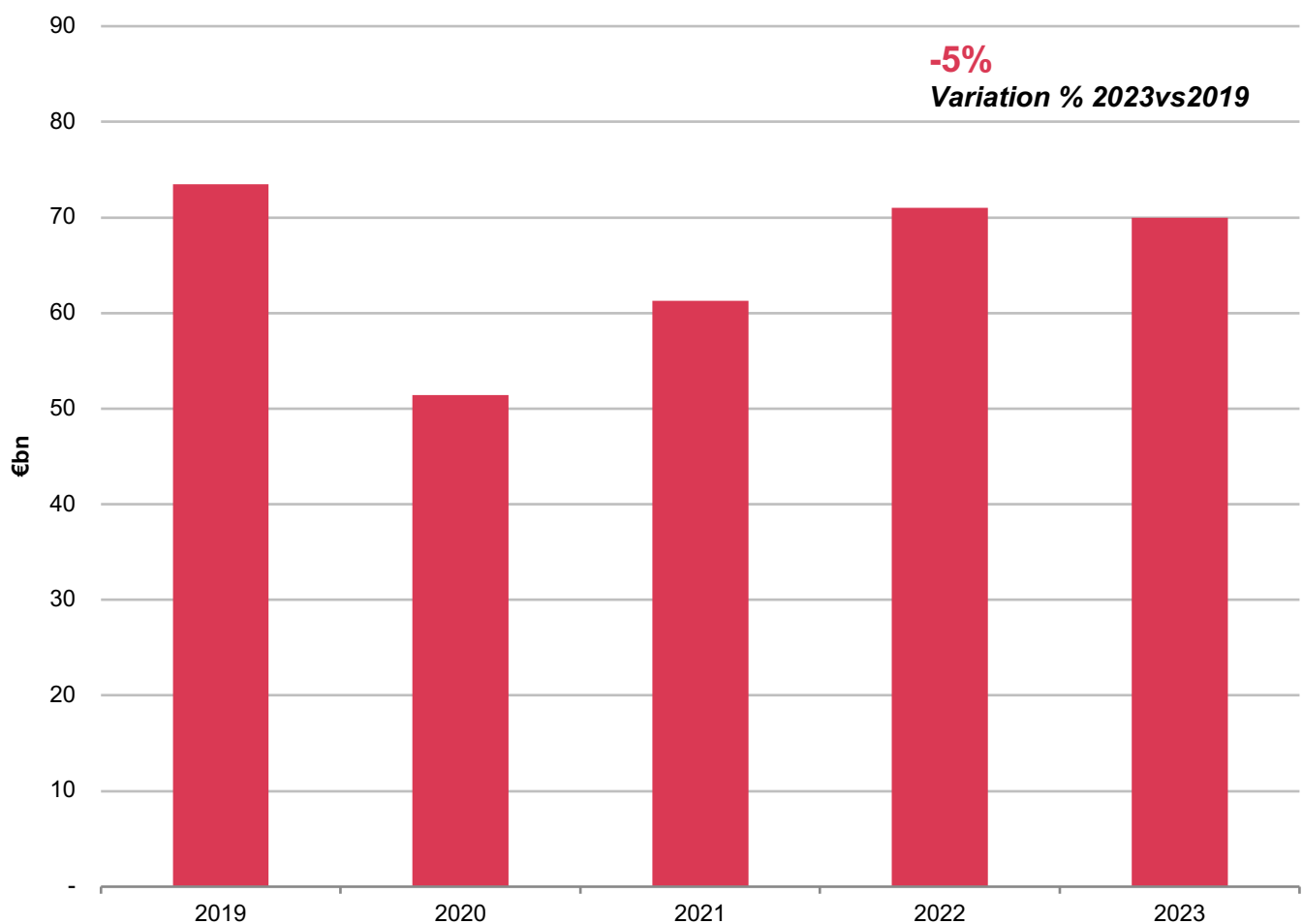
Retail Market
Evolution

The year **2023 has confirmed a significant increase in revenue compared to 2020**. Data indicates that the shopping center sector has experienced a consistent recovery over the past few years, **achieving revenue levels comparable to 2019, surpassing €70 billion**.

This recovery trend is also evident in footfall statistics, which underscore the public's sustained interest in shopping centers as premier destinations for both shopping and entertainment. Since the beginning of the year, there has been a **steady decrease in the visitor gap compared to 2019, with current levels now only around 5% lower**.

An analysis of visitor flow patterns reveals an evolving landscape of footfall, bolstering the trends observed in the previous year. Notably, **there is an increase in weekday traffic, coupled with a slight decline during weekends**. Additionally, morning attendance has seen a notable rise, while evening footfall has slightly diminished. These shifts highlight changing consumer behaviors and preferences, which shopping centers are adapting to in order to continue drawing in visitors and maintaining their appeal as dynamic retail environments.

Revenues of Shopping center market 2019 - 2023



Source: PwC analysis on CNCC and Urbistat data



€70bn

Revenues in shopping center
sector in 2023



1.97m

Footfall 2022 - Average Number
by Shopping Center



Consumer
Market



Retail Market



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Retail Market



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The future of
Shopping Center



High street
Retail



Retail Market
Evolution

The analysis of turnover data for June 2024 reveals a **positive growth of 0.8% compared to the same period in 2023**. This positive momentum in June has contributed to bringing the overall values for the first half of the year nearly in line with those of 2023.

Taking a closer look at specific sectors, the first half of 2024 has seen varied performance across different categories. The **Health & Beauty sector stands out with a substantial surge of 8.1% compared to the same period in 2023**. Furthermore, an analysis of a sample of shopping centers distributed across the national territory reveals a significant **22% increase in unit rent within the Health & Beauty market segment between 2019 and 2023**. This rise has brought the unit rent to approximately **1000 €/sqm/y**, while the occupied area remains constant. This trend underscores the growing value and demand for Health & Beauty spaces, reflecting the sector's robust expansion and its vital role in the evolving retail landscape.

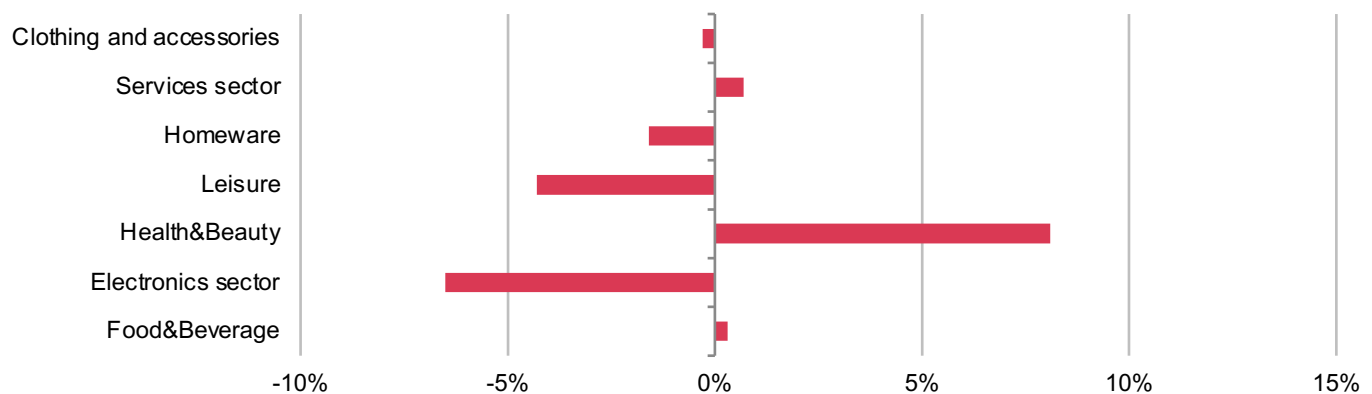
The **Services sector also demonstrated positive performance with a modest rise**. This indicates a steady demand for various service-related offerings, which could range from professional services to everyday

conveniences that consumers continue to prioritize. On the other hand, the **Food & Beverage (F&B) sector and the Clothing and Accessories sector showed a stable performance**, with very slight changes of +0.3% and -0.3%, respectively.

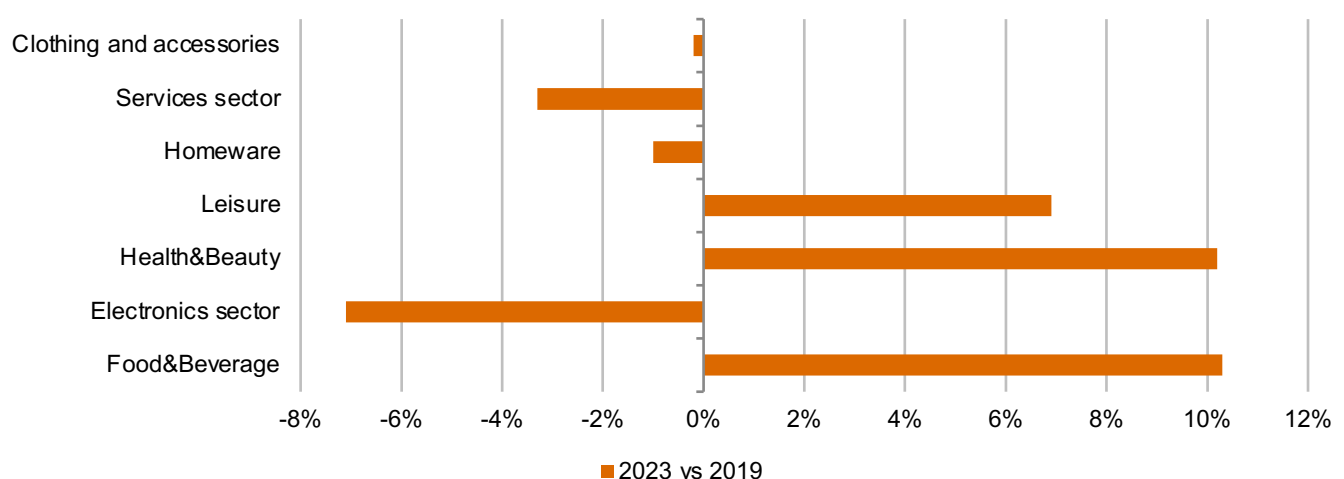
The F&B sector's stability suggests consistent consumer demand for food and beverage products, while the Clothing and Accessories sector's minor decline may reflect ongoing challenges in the retail fashion industry, including shifts in consumer preferences and purchasing behaviour.

However, the performance in other sectors was less favourable. The **Electronics sector experienced a significant downturn with a decline of 6.5%**. This decrease may be due to a variety of factors such as market saturation, longer product life cycles, or reduced consumer spending on high-ticket electronics items. The **Leisure sector also saw a notable decline of 4.3%**. Additionally, the **Homeware sector faced a drop of 1.6%**, possibly indicating a slow-down in home improvement activities after a robust period of growth during the earlier phases of the pandemic.

Variation (%) in revenues by product category (H1 2024 vs H1 2023)



Variation (%) in revenues by product category (2023 vs 2019)



Source: PwC analysis on CNCC data



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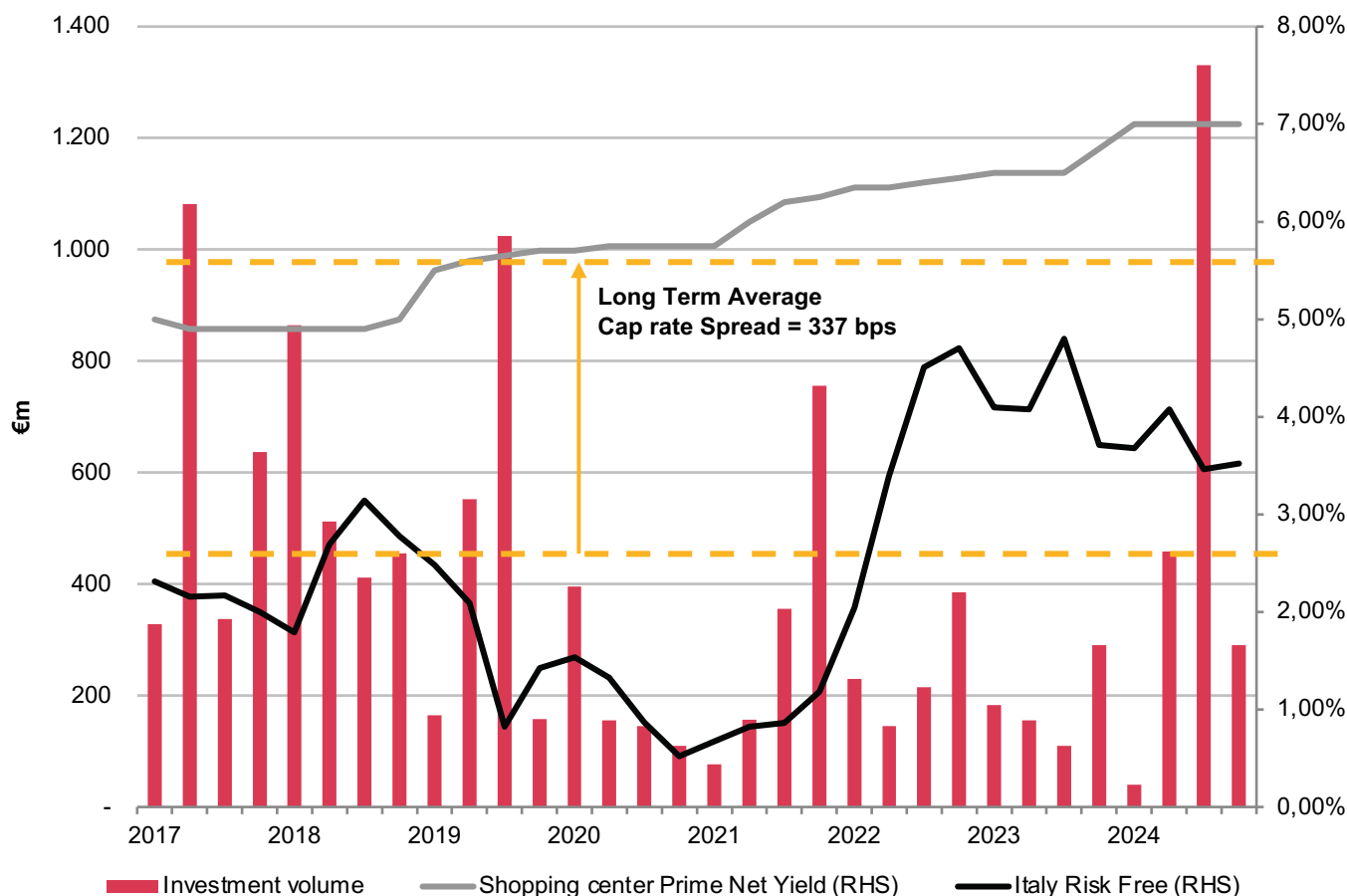
The current economic landscape, characterized by a decrease in both inflation rates and interest rates, is **paving the way for a transformed scenario within the shopping center segment**. Previous concerns that these retail properties would face prolonged recovery challenges post-Covid have now partially dissipated. This shift is underpinned by an array of indicators that collectively suggest a revitalized interest in shopping center assets. **This renewed attraction is in part due to their promising potential to deliver more compelling returns when compared to other segments within the real estate market.**

The gradual decrease in inflation is playing a significant role in bolstering confidence levels among consumers and businesses alike. This positive sentiment is particularly evident in the investment trends observed within the shopping center sector in Italy. Notably, the last quarter of 2023 witnessed a marked increase in the investment volume directed towards this sector, although it is worth mentioning that many of these transactions were of an opportunistic nature.

Further attesting to this trend, the yields of prime shopping centers in Italy have demonstrated notable stability and attractiveness. In the third quarter of 2024, these yields reached a robust 7%, maintaining consistency with the previous quarter. Moreover, **a significant development over the past year has been the widening of the Cap rate spread between shopping center yields and the Italian risk-free rate.**

Over the preceding two years, the broader real estate sector has faced substantial challenges, primarily driven by elevated financing costs. Within this broader context, the retail segment, and shopping centers in particular, have felt the reverberations of reduced financing costs. **As inflation rates inch closer to the targeted 2% and monetary policy becomes progressively less restrictive, a rejuvenation of the retail segment is anticipated.** This evolution positions the shopping center segment as one of the most enticing asset classes for institutional investors moving forward.

The Cap rate spread 2017 - 2024



Source: PwC analysis on Bloomberg and market data



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Center Market



The future of
Shopping Center



High street
Retail

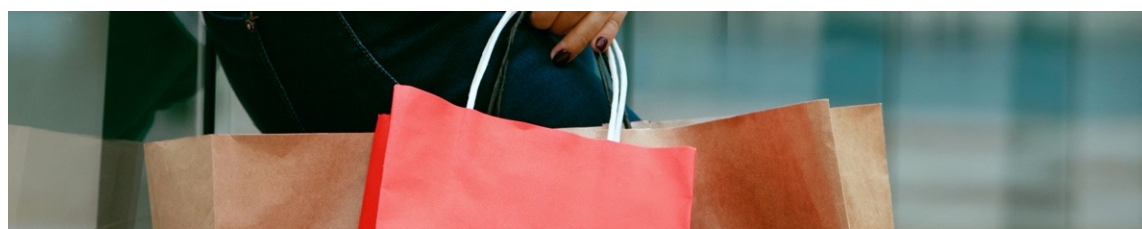
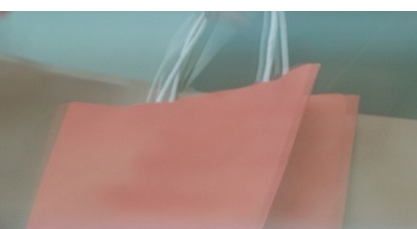


Retail Market
Evolution



05.

The future of Shopping Center





Consumer
Market



Retail Market



Real Estate
Retail Market



Italian Shopping
Center Market



The future of
Shopping Center



High street
Retail



Retail Market
Evolution

The future of shopping center

The traditional business model of shopping centers, which comprises a unified, often enclosed space housing various stores and services managed and promoted by a single entity, is **currently facing significant challenges and undergoing transformations to align with evolving market demands**. However, shopping centers possess an inherent ability to adapt. This adaptability is crucial as they innovate to stay relevant, embracing new trends and technologies to enhance the shopping experience, attract foot traffic, and meet the changing preferences of consumers.

Over the past seven decades, they have continuously evolved in response to shifting socio-political and economic conditions, cultural contexts, and planning traditions. Their resilience is notable; **they have managed to withstand changes within the retail sector**, as well as growing competition from other shopping centers, e-commerce, and various retail formats. The modern complexes are redefining the concept of shopping centers by incorporating diverse experiences and services that cater to the changing preferences and expectations of consumers. From lifestyle amenities and entertainment options to mixed-use developments that blend retail, residential, and office spaces, these new models ensure that shopping centers remain relevant and appealing.

In sum, while the classic mall model may be on the decline, **the evolution and innovative transformation of shopping centers highlight their enduring adaptability** and potential for future success. The new shopping center concept involves a transition on multiple levels, encompassing both organizational and strategic aspects.

The first aspect **focuses on the tenant mix**, evolving from a **Mass market approach to a Market of one**. This denotes a highly personalized shopping experience where technology assumes a pivotal role in tailoring offerings to individual preferences.

The second aspect pertains to the foundational principles of designing spaces that **captivate and attract consumers**, indicating a personalized shopping experience where technology plays a predominant role. In essence, the new concept seeks to blend technological innovation with strategic planning to redefine the shopping center environment, making it more responsive to individual needs and preferences.

The third aspect will concern **the urban dimension**: for many suburbanites today, shopping typically requires a visit to a retail park, mall or shopping center,



where the act of shopping is separated from other daily activities. In the future, shopping venues are likely to evolve to incorporate a variety of uses. Retail may become less concentrated in specific zones and more dispersed throughout the built environment. This transformation could be driven by new vertical and horizontal mixed-use zoning laws, as well as increasing market demands for shopping convenience. By integrating retail spaces within various community areas, the shopping experience could become a more seamless part of daily life, improving accessibility and fostering a more dynamic and interconnected urban landscape.

The pandemic brought about a **shift towards turnover leases**, which typically incorporate a base rent and encompass total occupancy costs. As trading conditions became more volatile, occupiers sought to mitigate risks by linking rent payments to their trading performance. Consequently, this approach ties property owners more closely to the viability of the units than ever before. This method can impact property owner valuations by **transferring a portion of the occupiers' trading risk to the property owners**.

The **tourism sector converges with the shopping center market**, acting as a gauge for the allure of emerging markets that were once deemed secondary. Kryalos Sgr's acquisition of a shopping center in the Palermo area exemplifies this trend: in 2024, there has been a marked increase in interest from operators focusing on secondary cities that experience strong, year-round tourist activity. This strategic shift highlights the growing appeal of destinations with consistent, non-seasonal visitor engagement.



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The investors' strategies

The investment strategies of institutional players are changing and are characterized by various aspects of investment in shopping center sector. The first aspect refers to the transformation of the **landlord-tenant relationship** through an innovative approach that goes beyond the traditional leasing model. This approach aims to establish a comprehensive framework that offers not only physical retail spaces but also **includes high-value real estate services**, advanced digital and communication tools, and strategic marketing partnerships. This holistic strategy is exemplified by leading Italian players in the sector, such as IGD. By integrating these diverse elements, modern shopping centers can enhance their value proposition, attract a broader range of tenants, and create a more engaging experience for consumers.

Another crucial aspect of investment strategies for industry players in shopping center sector is enhancing the **consumer experience**. The evolution of the shopping experience is driven by new consumer needs, with **personal wellness and health** emerging as the most significant focus in recent years. To cater to the growing demand for healthy lifestyles, there is a strong emphasis on health and wellness by integrating health-centric amenities such as fitness centers, wellness clinics, and health food stores.

These additions not only meet the rising consumer preference for wellness-oriented environments but also create a holistic shopping experience that draws in health-conscious visitors. By incorporating these wellness features, shopping centers can differentiate themselves in a competitive market, encourage longer visits, and foster customer loyalty.

The third aspect is the online commerce and brick-and-mortar store will coexist seamlessly through the **adoption of an omnichannel strategy**. This approach aims to integrate online and offline shopping experiences to the fullest extent possible, providing consumers with a cohesive and convenient journey regardless of the platform they choose. By combining the strengths of both channels, retailers can offer a more personalized, flexible, and engaging shopping experience that meets the evolving needs and preferences of customers.

The final aspect to consider is viewing the shopping center as a **place for social aggregation, not just a mere retail destination**. The shopping center transforms into a service for the local community in which it is located. This strategy is pursued by one of the most important players in the European shopping center sector, Eurocommercial, which states that the shopping center is becoming a place for events (drive-in cinemas, live music) and initiatives that involve the local community.





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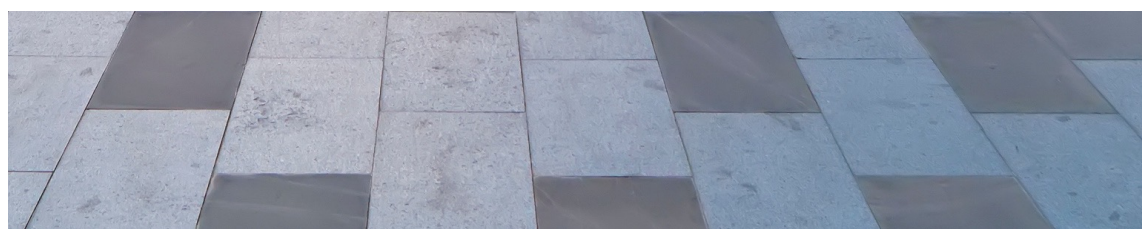
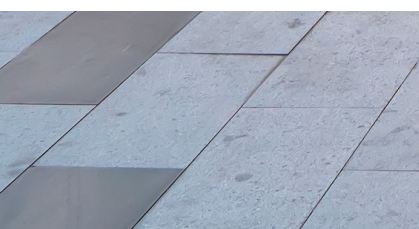
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06. High street retail





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Europe's luxury high streets are experiencing a resurgence, driven by a significant rise in tourist numbers and their spending. This renewed interest from international visitors is breathing new life into these prestigious retail areas. There is a robust and burgeoning interest in high street locations, especially within prime shopping destinations situated in major towns and cities. **This demand is reflected in the positive growth in rental values for new deals.** Nevertheless, it is important to note that not all high streets and shopping centers are performing equally well; there is a marked divergence in their fortunes. The key to successful high streets lies in curating a **well-balanced mix of tenants that can cater to a diverse customer base.**

In response to the evolving retail landscape, the conventional long-term lease model is increasingly viewed as cumbersome and impractical. **Retailers and property owners are now gravitating towards more flexible leasing arrangements** that provide opportunities for smaller and emerging brands to occupy vacant retail spaces on high streets. This flexibility is particularly important in fostering innovation and ensuring that high streets remain vibrant and dynamic. One of the ongoing complexities in revitalizing high streets is the fragmented ownership of property. With **multiple landlords holding segments of retail space, coordinating efforts to modernize and optimize high street offerings** becomes increasingly challenging. Effective management and collaboration among these property owners are crucial for the successful transformation of these retail hubs.

Another important aspect characterizing the high street segment is **the acquisition strategy of trophy assets in major global cities by top luxury brands.** Historically significant, the interest in trophy assets is now witnessing a remarkable increase, particularly with the active involvement of leading entities such as **LVMH and Kering.**

These industry giants have been acquiring high-value properties in major capitals around the world, including Paris, New York, and Milan. Luxury brands are adopting this strategy to consolidate their extensive real estate portfolios while simultaneously **strengthening their presence in the most prestigious and iconic locations in the industry.**

This strategic approach offers multiple advantages. Firstly, it provides these fashion houses with a clear competitive edge by placing them in prime locations that epitomize luxury and status. Secondly, these real estate investments serve as a solid diversification tactic, offering stability and long-term appreciation potential. This proactive stance ensures that luxury brands remain influential players in the ever-evolving landscape of the global luxury market. The acquisition strategy of iconic buildings solidify the luxury retailers presence in prime shopping districts and create an authentic experience that resonates with modern consumers. Considering the importance of location for brands, especially luxury ones, it's not surprising that more brands are purchasing their own flagship properties. **This strategy guarantees long-term stability of their presence** as the competition for prime real estate intensifies.

The acquisition strategy of flagship buildings is associated with **the concept of luxury purchases** where the brand's idea is paired with an iconic, recognizable building in a symbolic city – in this case, in the major fashion capitals of the world. This strategy is implemented by large luxury groups, which through these transactions, **create brand awareness and brand association** that is closely tied to the city.





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The best global deals in the high street sector



Fifth Avenue, New York



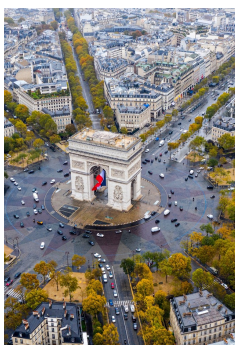
Kering acquired a prestigious New York City property comprising multi-level luxury retail spaces, located at 715-717 Fifth Avenue.

Milan, Monte Napoleone 8



Kering acquired the iconic and historic Milanese building on via Monte Napoleone

Champs-Elysees, Paris



LVMH acquired Vuitton flagship store, located at 101 and building located at 150 Champs Elysées

Avenue Montaigne, Paris



Chanel acquired flagship store, located at Avenue Montaigne 42



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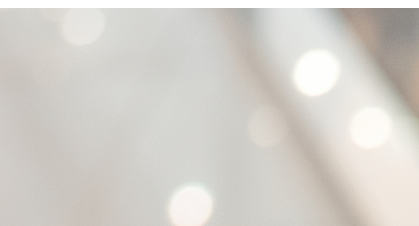


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07.

Retail Market Evolution





Consumer Market



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Real Estate Retail Market



Italian Shopping Center Market



The future of Shopping Center



High street Retail



Retail Market Evolution

In the current consumer landscape, we're witnessing a trend referred to as the **dematerialization of consumption**. This essentially means that consumers are now more conscientious about their spending habits, critically evaluating where their money goes. While there's a noticeable decline in the consumption of certain traditional goods and products, this doesn't necessarily translate to overall reduced spending. Instead, **there's a marked shift towards what's known as "experiential" consumption**. Experiences that offer personal enrichment, social connection, or memorable moments are gaining favor, such as travel, dining, entertainment, and other participatory activities. This evolving consumer preference **is prompting a transformation in the retail sector**.

As people become more selective about their purchases, **retailers are tasked with creating spaces that aren't just transactional but also experiential**. This has given rise to the need for more innovative, engaging, and visually appealing retail environments. The focus is on **making these spaces "Instagrammable"**, encouraging customers to share their experiences on social media, thus blending physical shopping with digital and social realms.

Brands like Vuitton and Dior serve as prime examples of this trend. Their stores have become iconic attractions, often featuring striking designs and art installations that captivate visitors and enhance the overall shopping experience.

The role of physical stores is rapidly evolving. Merely serving as a point for buying and selling goods is no longer sufficient. To meet new consumer expectations and stand out in the crowded marketplace, the service content of stores must be elevated significantly. This means that retail spaces should offer more than just products on shelves; they need to be transformed into **versatile environments that provide enhanced customer experiences**.

To achieve this, retailers should consider integrating additional spaces within their stores dedicated to product customization. This can allow customers to engage more creatively with the products, **tailoring them to suit personal preferences and needs**, which can greatly enhance customer satisfaction and brand loyalty. Moreover, **customization areas can serve as interactive hubs**, where customers can not only buy but also craft and personalize their products, adding a layer of uniqueness to their purchases.

Furthermore, the incorporation of collateral activities within the retail environment plays a crucial role in redefining the shopping experience. By **adding features such as bars, cafes, or restaurants**, retailers can encourage longer visit durations, making shopping a more leisurely and enjoyable activity. These additional amenities can transform a simple shopping trip into a multi-faceted experience, combining leisure, socializing, and retail therapy.

This approach not only enhances the in-store experience but also helps in building a community around the brand, encouraging repeat visits and fostering a strong emotional connection with customers.





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