CHAPTER I

THE REAL ESTATE MARKET: GENERAL PROFILES

SUMMARY

1. *Real Estate as an asset class*

The structural contribution of the modern real estate industry to the growth and development of the economy and society is unanimously recognized, given the significant support to demand and the essential contribution provided by the real estate and construction sector to the overall functioning of a modern economy. Construction, in fact, produces the built heritage, which can be classified into public and private works, while the real estate services industry produces the services necessary for the growth and development of the sector and its transformation, in response to the changing needs of the system. In this innovative context, the real estate industry assumes relevance in modern service economies, as it allows for the meeting, and subsequent stimulation, of demand and supply, creating conditions for a more efficient use of real estate, making the market more transparent and open, promoting the influx of capital and technologies, and fostering specialization and financialization of the sector. In this context, the real estate industry plays a highly productive role, necessary in a dynamic economy open to innovation and committed to quality. The data demonstrating the recent transformation experienced by the real estate sector are numerous and include information related to employment, transactions, and financial values associated with these; the real estate data that more than any other has captured the attention of international, institutional, and non-institutional observers is related to the price bubble, which matured in recent years and dramatically deflated in recent months, within the context of a severe and widespread recession that affected all economic sectors, resulting in a global economic crisis. In the current cycle, the component of price fluctuations is only one of the defining aspects. Indeed, it is accompanied by other structural changes of broader and more lasting significance, the combined arrangement of which is able to explain some of the phenomena experienced by the real estate sector in recent years. Among these, it is necessary to mention the effect of fluctuations in interest rates and fundamental variables of an economy, and the effect of a series of measures of different nature such as reforms of regulatory and urban planning plans, reforms related to lease contracts, the divestment of public assets, and the initiation of liberalization processes. All this has led to the release of immense accumulated wealth, which was a burden, both in public and private hands. Privatizations, spin-offs, and the outsourcing of real estate asset management have allowed for an epochal revolution in property ownership and in the real estate industry itself. In this context, crucial relevance has been assumed by the massive use of financialization techniques aimed at the externalization and divestment of real estate assets. The financialization of the real estate market qualifies the integration process between the financial, securities, and credit market, and the real estate market. In this integrated perspective, the property is evaluated not only for its physical and architectural characteristics but also for its economic-financial dimension, namely its ability to generate cash flows. The property can thus be securitized, directly or indirectly through the debt on it, into certain securities, generically called asset-backed securities (ABS), which represent the economic-financial value of the property itself, namely the future ability to generate income/cash flows. This process implies a change in the evaluation criteria of real estate properties, as a shift from a patrimonial logic to an income-financial logic becomes necessary. The value of the property will be a function not only, or rather not only, of its physical and architectural characteristics but also of its ability to generate income over time. It is evident, on the other hand, that the two logics, patrimonial and income, are deeply correlated and interdependent, as the ability to generate income also depends on the characteristics of the property. Financialization allows for the partial overcoming of some of the main weaknesses and problems of the real estate market, including:

- Lack of standardization, as each property is unique;
- Limited thickness of the market, due to the reduced volume and low frequency of transactions;
- Limited liquidity, understood as the difficulty in converting the investment into cash in a short time and without significant losses;
- Limited transparency, due to the private nature of negotiations and the reduced number of transactions. The increasing use of such processes in real estate has led to the spread of innovative investment instruments, such as real estate investment funds and securitized securities, which on the one hand have increased liquidity and capital inflows into the sector, and on the other hand have increased the interdependence between the real economy and the financial market. In recent years, indeed, phenomena such as:
- A significant expansion of the mortgage market, which has caused an increase in household indebtedness and an increase in the activity and exposure of the banking system to the real estate sector. In particular, the low level of interest rates, in the face of an upward trend in real estate prices, has pushed up credit demand. Moreover, the intensification of competition among various credit institutions in the mortgage sector has led to an expansion of the offer to segments of customers at higher risk, the so-called subprime;
- A constant growth in the share of savings allocated to securities related to the real estate sector, both for retail investors and, especially, for institutional investors, in a perspective of risk diversification and efficient portfolio allocation[1].

[1] In this context, it is worth noting how, in the last decade, a large number of institutional investors, such as banks and mutual funds, have invested substantial capital in securities tied to the real estate market, particularly

- The issuance of increasingly sophisticated financial products, which require greater transparency and regulation in their operating mechanisms. In particular, the spread of real estate ABS with a speculative-grade or even not-rated rating, characterized by a high yield in the face of high risk, has highlighted the need for greater information and transparency regarding individual products, and the adoption of homogeneous practices and behaviors by sector operators. In any case, the characteristics of real estate still make real estate investment attractive today, which represents one of the preferred assets towards which savers' choices are oriented in times of greater Economic uncertainty and increased financial market instability. However, it is evident that the attractiveness of real estate investment cannot be based on blind faith judgments but must always be based on a correct and careful evaluation of the risk-return profile of the operation[2].

Indeed, properties continue to exert a strong appeal to investors also due to the increasing relevance of the component attributable to operating income, a component that has become a fundamental element of the value of any real estate investment. In the current context, investors' attention towards the real estate market focuses not only on capital gains prospects[3] but also on profits derived from rental yields and asset appreciation, as these elements constitute determining variables in the investment decisions of operators. In this perspective, Real Estate qualifies as an investment sector characterized by a high defensive potential. This market is characterized by a conservative risk-return profile connected to:

- Low volatility and the presence of cycles in real estate trends, generally characterized by a longer time horizon compared to equity markets;
- The ability to offer positive real returns in the long term, protecting invested capital in the presence of inflationary pressures;
- Lesser vulnerability to exogenous shocks compared to financial markets;
- Reduced correlation with the trends recorded by other savings allocation instruments, such as stocks and bonds[4].

2. *Towards a new real estate industry*

Among the causes and consequences of the ongoing mutations in the economy, the analysis of the role played by the modern real estate industry appears relevant. Real Estate qualifies as a service industry, belonging to the economic sector that has experienced the greatest expansion in recent years, an expansion that has marked the transition from industrial economies to service economies. The innovations that have recently accompanied the growth of the real estate industry are emphasized by the denominations of its professions, mainly of Anglo-Saxon derivation: asset and property management, agency, facility, project management, etc., while the boundaries of this sector are far from defined, since within this industry, differently from other sectors, we should also include connected and instrumental

RMBS (Residential Mortgage Backed Securities), CMBS (Commercial Mortgage Backed Securities), CDO (Collateralized Debt Obligation), in a completely uncritical manner, based on the high ratings recorded up to the 2007 crisis by the senior tranches of such securities.

[2] Evaluation is often conducted with less analytical rigor, particularly during market euphoria, as evident from recent history.

[3] These evaluations are clearly higher during growth phases of the sector.

[4] However, due to the financialization of the real estate market, this correlation has experienced a sustained increase in recent years.

activities, such as legal, design, and consulting services. Not only the language, but also many companies operating in real estate are of Anglo-Saxon or Northern European origin. This depends on the internationalization of the market, today much more open and interconnected than it was not long ago, thanks also to the cultural climate of transparency promoted by imported best practices, even in traditionally opaque domestic real estate sectors, such as the Italian one. The internationalization of the real estate industry has been accelerated, as previously mentioned, by low interest rates, which have freed up substantial capital in search of profitability, a search that has increasingly directed itself towards the real estate sector. Other factors have contributed to internationalization, including, with reference to Europe, the consolidation of economic union, with the additional contribution, for euro countries, of monetary union. Nor should we forget the institutional and regulatory convergence which, although slowed down by national and local frictions, is increasingly unfolding in the economy. Real estate certainly constitutes a good example, in some respects unexpected, of this trend of growth in institutional and regulatory harmonization. The many changes have therefore led to a quantitative and qualitative transformation of the real estate industry of considerable magnitude. Just think of the aforementioned phenomena of employment growth or internationalization of the sector in strategic segments such as consultancy, investment, or finance. Real estate has become the indispensable partner of the public sector in territorial transformations, accompanying, and promoting, the silent urban revolution that has progressively loosened the rigidity of old planning schemes, which have given way to more flexible forms of negotiation and transformation. With regard to the market, on the demand side, there has been an explosion in asset mobility, while, on the supply side, the emergence of important segments such as the recovery of disused areas, new forms of retail distribution, logistics, entertainment, etc., has been observed. In light of the foregoing considerations, the continuation of the structural changes previously mentioned appears probable, with the consequent increase in the economic and social role of the real estate industry, despite the generalized climate of mistrust and the current situation of difficulty experienced by the sector since 2007.

3. *Characteristics and Attributes of Real Estate Assets*

The real estate sector has been the focus of renewed interest from investors, economic operators, and savers since the early 2000s. Today, the world of real estate finance represents an interesting investment opportunity, given the significance of real estate assets in the set of relevant asset classes for constructing a diversified investment portfolio from a modern portfolio theory perspective. Currently, for a private client, the main ways to invest in the real estate sector are two:

- direct investment in a property,
- indirect investment in corporate vehicles, which in turn invest in real estate assets; this method is more appropriate for addressing real estate issues from a financial perspective.

It is undeniable that a property not used as owner-occupied property can be considered an asset class due to its specific attributes in terms of current profitability, capital gains profitability, and, last but not least, emotional returns, sometimes even negative ones, due to the strong emotional connotations associated with this form of investment. Taken together, these characteristics constitute a decisive element in the preference given to the real estate sector over alternative forms of investment, such as stocks, bonds, and commodities.

The main peculiarities determining the attributes of real estate investment are:
- immobility, and the consequent strong connection with the local economic base;
- uniqueness, meaning the imperfect replicability with other similar properties;
- the stability over time of the investment, which translates into a long economic life and the consequent need for adequate financial planning;
- the low turnover of the investment, and the consequent low liquidity;
- the limited divisibility of the investment and the consequent need for substantial resources;
- the long production cycle, which determines the substantial rigidity of supply in the short term;
- the high transaction costs and times;
- the management complexity arising from the physical nature of the asset[5].

In particular, the characteristic of uniqueness is due to the complexity of the property itself. A real estate property varies its characteristics based on its location, price, type, inherent services, property transfer methods, age, image, architectural and urban planning choices. It is therefore impossible to find one property identical to another. From this, it follows that the segmentation of real estate cannot be done solely based on price and location but must take into account the secondary characteristics of the property, which become essential elements in the evaluation of the investment.

Essential for a product diversification strategy. Additionally, the limited divisibility of real estate assets requires larger capital investments compared to financial investments for direct real estate investments, effectively limiting access to this market to institutional investors and so-called ultra high net worth individuals, thus excluding savers, unless through mediated forms of investment.

Naturally, the use of leverage, another peculiar aspect of real estate investments, mitigates this characteristic, although the initial impact of the asset's indivisibility limits the number of real estate investments that can be purchased by a single investor, thereby reducing the possibility of diversification. Since real estate investments require substantial capital compared to other forms of investment, direct investment is often the least pursued path, as the aggregation of multiple investors can bring significant advantages.

The characteristics and implications listed above translate into advantages and disadvantages in evaluating a real estate investment. The advantages can be distinguished between those related to investments and those related to the returns produced by real estate assets.

Regarding real estate investments, the study over time of the performance of these markets at the international level indicates that they:
- are a source of portfolio risk diversification;
- provide risk-adjusted returns;
- generate consistent cash flows over time;
- ensure protection against inflation[6].

Regarding real estate returns, observing the trend of values over time indicates that they:
- are typically higher compared to alternative low-risk investment forms;
- have a low correlation with the returns of stocks and bonds;
- can be reasonably accurately predicted.

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[5] Another characteristic is the ability of real estate investments to simultaneously satisfy all the needs outlined in Maslow's hierarchy.

[6] Also due to the indexing of nominal operational profitability flows.

The disadvantages of real estate investment are essentially linked, as previously anticipated, to:

- The lower liquidity of the investment, making it difficult to tactically rebalance the portfolio.
- The difficulty in determining prices, as there are no official quotations for real estate.
- The high costs and time of transactions required to obtain information regarding local market demand and supply, both in terms of rental rates and prices.
- The limited divisibility of the real estate asset.
- The heterogeneity and high minimum investment volume.
- The expenses related to the use of specific expertise to determine investment opportunities and for the subsequent physical management of the properties.

Some of the listed disadvantages, such as the limited divisibility of the property, its heterogeneity, and the high minimum investment volume required, are mitigated through indirect investment, carried out by purchasing shares in real estate funds or companies, or derivatives instruments on real estate values; other disadvantages translate into a higher opportunity cost, which must be taken into account when estimating risk and therefore in evaluating the investment.

It should be noted, however, that despite the higher management costs, real estate assets offer evident and comparable benefits in terms of risk diversification in a well-differentiated portfolio. Real estate investment, by its intrinsic nature, ensures a good degree of security, given the low volatility, but also an acceptable level of diversification due to the substantial difference of the real estate sector compared to all other economic sectors. It potentially allows for a reduction in the risk profile and a strong diversification for investors who want to modify their securities portfolio and balance it in an equitable manner.

The above description regarding real estate assets also translates into the reference market, namely the real estate market, which presents characteristics that make it unique and distinguish it from the efficient market paradigm.

The real estate market is characterized by:

- Limited purchases: Few individuals purchase more than four residences over the course of their lifetime; for this reason, individuals are rarely involved in real estate transactions.
- Importance of purchases: Purchasing a house is, for the average family, the most significant investment of their life.
- Importance of the legislator's role: The government plays a decisive role in the sector through regulation and oversight.
- Geographic limitation: Due to the specific location of the property and its immovability, real estate markets are mainly local.

Real estate transactions are also complex, expensive, and require legal and technical knowledge that is not commonly available. Lastly, sellers and buyers are often uninformed about market trends, and this lack of information can affect the price paid. Choosing a home is a highly engaging process; consumers extensively research, over a long period of time, for their property, and repeat the research-decision-making process for a long period. The complexity and duration of real estate purchases are well-known aspects.

From a process standpoint, simplistically, the consumer selects the real estate package that best meets their needs and desires.

However, reality is quite different. The availability of real estate depends on the actions taken by builders or real estate developers, who determine the range of offerings proposed to the market. Additionally, the geographic limitation of the buyer and the immovability of the property create additional problems in meeting consumer needs. Previous research has shown that an acceptable level of primary characteristics, such as the size of the property and its location, must be satisfied before the consumer considers secondary ones[7].

Despite being aware that choices are dominated by primary elements, builders and developers aim to increase profit margins or enhance the marketability of value-added products, thus emphasizing the importance of considering secondary choice elements.

With reference to the drivers that influence the evolution of the real estate industry, it is possible to highlight two types of variables:

1. Structural factors, of a socio-demographic nature (such as: the increase in migration flows, the reduction in the average size of households, the process of tertiaryization of virtual economies, etc.), which provide an indication of the nature of the changes occurring in the sector and are destined to modify its structure. These are elements that strongly impact the demand for properties in terms of quantity, type, and location, and require a process of requalification of the available supply in the market. For example, the trend towards smaller-sized households, along with increased worker mobility, generates an increase in demand for smaller-sized homes compared to those traditionally required.
2. Cyclical factors, of an economic-financial nature (such as the level of interest rates, the dynamics of stock/bond market returns, etc.), which identify the macroeconomic determinants underlying the current real estate cycle. For example, the interest rate factor significantly affects the demand for mortgages and, through this channel, the real estate sector, as a reduction in the cost of money facilitates access to the mortgage credit market by families, leading to an increase in home purchases. Similarly, uncertainty in the international economic context or instability in financial markets can result in a reallocation of wealth towards less risky assets. During periods of financial turbulence, there is usually a shift of capital from the stock market to real estate.

Furthermore, the real estate sector has a significant correlation with:

- The dynamics of the construction market, due to the repercussions of construction activity on the production of new units and the redevelopment of existing assets.
- The development of real estate finance, referring to both the traditional component represented by mortgage loans and the innovative component, particularly consisting of real estate funds, securitizations of mortgages, revenues from future sales, or real estate leasing, which significantly influences the share of real estate assets in investors' portfolios.

The evolution of these sectors has a different impact on the development processes of real estate depending on the specific characteristics of each segment in which the market is divided. The real estate industry has an extremely complex structure, primarily reflecting the intended use of properties. These issues will be addressed further.

4. *The Real Estate Cycle*

The real estate market, just like all other markets comprising the economic system, is influenced by endogenous and exogenous forces. Endogenous forces are a function of the dynamics of actions taken by the entities comprising the demand and supply of properties;

[7] Dibb S., Wensley R., *Energy efficient house design; the analysis of customer choice*, Marketing Education Group Conference Proceedings, 1987.

exogenous forces are a function of events not directly controllable by market operators. The specificities of real estate assets allow us to identify these factors as follows:

- Endogenous forces.
- Time lag between the commissioning-design of a property and its delivery-rental income phase.
- Long construction times.
- Opacity of the market.
- Importance of location.
- Delay in adjusting supply to demand.
- Exogenous forces.
- General macroeconomic trends.
- Dynamics of national fundamentals.
- Regulatory framework.
- Role of Public Administration.
- Degree of bureaucratization.
- Degree of openness of financial markets.
- Dynamics of capital flows.

The real estate sector is also characterized by a cyclical trend, which consists of four iterative phases:

1. Growth.
2. Maturity.
3. Decline.
4. Crisis.

1. Growth: Growth represents the initial phase of the real estate cycle. There is an excess of demand over available supply, leading to an increase in prices and rents. The increase in prices and rents is a function of decreasing available space and increasing occupancy rates. This price increase continues until reaching a level where the potential return on real estate development becomes sufficiently attractive for companies and investors to start planning the development and construction of new properties.

2. Maturity: During the second phase of the cycle, there is a flourishing development activity stimulated by the growth of rents and prices. There is a progressive increase in supply until reaching a new equilibrium point or partial disequilibrium where the quantity of available space offered exceeds, albeit slightly, the quantity demanded. In this case, the increase in rents and prices slows down, and there is a reversal in the vacancy rate, which records limited increases. When newly constructed units are ready and additional space becomes available on the market, there is a sharp interruption in the increase in rents, which from this point onwards are destined to decrease. Consequently, the vacancy rate increases at more noticeable rates. The managing-investor entity must be able to perceive the trend reversal in advance, properly calibrating the start and cessation of new development activities.

3. Decline: In this phase, the new supply of leasable space grows faster than demand. Consequently, there is a rapid decrease in prices and rents. The vacancy rate rapidly increases, also causing a decrease in property values. Due to the negative market trend, owners lose tenants and market share due to non-competitive rents, which are too high, and are forced to reduce them to retain or increase the number of tenants in order to cover the fixed costs necessary for property management. The managing-investor entity must be able to anticipate the market peak in order to identify the cycle reversal, for

example, to dispose of the property before the collapse of values, through a transaction that maximizes profits.
4. Crisis: The last phase of the cycle is characterized by very low rents and prices and the absence of new real estate development activities. Supply remains stable given the excess available space in the market. At this stage, the market reaches the bottom phase and subsequently, with the slow increase in demand and the stability of supply, it returns to the first phase of the real estate cycle. The forward-thinking managing-investor must be able to properly select real estate units and proceed to purchase them given the market's underestimation of their actual value due to the negative trend. The four phases that characterize the cyclical trend of the market are summarized in the real estate clock. This chart, periodically developed by industry experts, identifies the various stages of the cycle and the nations affected by them.

5. *Real Estate Market Segments*

In general, the real estate market can be classified into five main segments: residential, commercial, tertiary, industrial, and tourist, each of which presents specific characteristics in terms of market dynamics and maturity level. This classification reflects the different intended uses of a building. In addition to the criterion of intended use, the real estate market can be segmented based on:

- Location: prestigious, central, semi-central, peripheral;
- Property condition and building quality: new, used, renovated, in need of renovation;
- Offerors: private owners, construction companies, real estate companies;
- Applicants: individual private buyers, companies, housing cooperatives;
- Availability: vacant, occupied;
- Types of intermediaries: agencies, real estate exchanges.

These various market segmentations are of fundamental importance as they influence economic evaluations and estimates.

Element	*Product Type*						
	Building Areas	Urban and suburban residential buildings				Industrial areas and buildings	Lands and agricultural buildings
		Residential use		Productive use			
		New and renovated	Used	New and renovated	Used		
Related	One – few	Few	many	few	many	Few-many	many
Applicants	few	Many	many	many	many	few	many
Product	Unique – differentiated based on location and without substitutes	Differentiated with substitutes	Differentiated with substitutes	Differentiated with substitutes	Differentiated with substitutes	Homogeneous	Homogeneous
Demand elasticity	High	High	Low	High	Medium	Low	Low

Element	*Product Type*						
Supply elasticity	Nothing	Nothing	Medium	Nothing	Medium	Medium-High	Medium-High
Supply Revenue	Locked	Locked	Free	Free	Free	Partially – Free	Free
Demand Revenue	Free	Free	Free	Free	Free	Free	Free
Price Formation	Unlimited discretionary	Unlimited selective	Discretionary-limited	Discretionary-limited	Discretionary-limited	Discretionary unique	Unique discretionary indefinite

As already mentioned earlier, the most important classification mirrors the various intended uses to which a property can be put; these diverse uses, in turn, constitute a multitude of distinct markets, the subject of which are the different types of buildings.
The elementary category of the real estate market is represented by Land. These are distinguished by the Regulatory Plans prepared by individual administrative authorities into:

- Buildable land;
- Non-buildable land, usually intended for agricultural, pastoral, or natural reserve activities.

The location, size, and buildability of the land are fundamental elements for determining development possibilities. These elements allow for the determination of Land Indexes, based on which urban planning regulations are defined.
Moreover, each real estate sector presents significant differences:

- At the local level. In particular, the quotations (sales prices and rental rates) are extremely variable due to the considerable diversification of properties offered on the market, in terms of geographical location (major urban areas vs. intermediate cities), positioning within the urban fabric (central locations vs. peripheral sites), and building quality (luxury vs. ordinary).

At the level of individual national realities. Differences in terms of homeownership rates, household indebtedness, development of the credit market, and, in general, the historical and social factors that characterize different countries are some of the variables that can determine extremely heterogeneous trends in real estate values among various European states.

Main drivers of the real estate sector: degree of impact by segment.

Economic Climate	**High**	**Medium**	**High**	**High**	**Medium**
Interest Rates	High	Medium	Medium	Medium	**Low**
Real Estate Finance Development	Medium	High	High	High	**High**
Demographic Trends	High	Low	Low	Low	**Low**
Social Factors	High	Low	Low	Low	**Medium**
Stock, Quality of Real Estate Assets	Medium	High	High	High	**High**

Household Income Capacity	High	High	Low	Low	**High**
International Geopolitical Context	Low	Medium	Medium	Medium	**High**
	Residential	**Commercial**	Tertiary	**Industrial**	**Tourist**

5.1. *Residential properties*

The residential segment, represented by the housing market, is characterized by a high dependence on household spending availability, access conditions to mortgage credit, and demographic trends, all of which strongly influence the demand for properties and, consequently, the level of rents and housing prices. The home is considered a unique and irreplaceable asset, intended to meet specific needs and functions. The performance of this sector depends on the elements described above but is also linked to the country's economic development and implemented regulatory and economic policies. Furthermore, the demand for residential properties exhibits characteristics of semi-elasticity because an increase in disposable income leads to an increase in the required quality level.
This sector can be further segmented into:

- Primary residence: a market limited to a specific local area;
- Second homes: a market with broader geographical limits but smaller in size.

Residential properties, in more developed markets, are also classified into classes and subclasses, A, B, C, based on the quality level. The variables influencing this classification are:

- Location;
- Average standard of the location area;
- Year of construction and the corresponding years of the property's life;
- Quality level of the services offered.

From an investment perspective, the attractiveness of the residential property asset category can stem from a low-risk profile and low vacancy rates, meaning a low percentage of vacant or unoccupied spaces offered for sale or rent.
The critical areas in this segment are essentially attributed to limited profitability and a market value that, in the case of sale with an ongoing lease contract, undergoes an average reduction of 25% compared to the free market value. The market is driven by the so-called replacement demand, which prioritizes factors such as the quality of the property and the presence of services in the area.

Residential Properties

Potential Attractive Elements:	– Low-risk profile – Low vacancy rate
Potential Critical Elements:	– Limited profitability – Pricing clash in case of occupied properties

5.2. *Commercial properties*

The commercial segment is divided into two main sectors: retail, including traditional shops, and organized large-scale retail. While the traditional retail sector is more exposed to economic cycle fluctuations, the performance of the shopping center market, including not only traditional shopping centers but also innovative formats such as factory outlets, retail parks, retail warehouses, and entertainment centers, mainly depends on the penetration level of this distribution method and, therefore, on the development projects planned in the area.

Investors' interest focuses on organized large-scale retail and shops in so-called high streets. Generally, the riskiness of the sector is substantially correlated with the manager's ability to anticipate demand evolution and competitive pressure by adjusting the offer mix according to market trends. Particularly in selecting investment proposals in shopping centers and large retail structures, the following factors should be considered:
1. In large retail structures, the main operator, the anchor tenant, should belong to national or international distribution chains with long-term lease contracts. Additionally, it is essential to verify the suitability of the company promoting/managing marketing activities.
2. For properties with activities not yet initiated, preference should be given to:
- Locations in provinces where the distribution system has a concentration in terms of sales area per inhabitant not exceeding the Italian or regional average, or alternatively;
- Operations that offer clear competitive advantages over the structured offer in the area.

Significantly relevant typological-geographical characteristics also include:
- Good flexibility and interchangeability of available spaces;
- Excellent commercial visibility.
- Mix of commercial offerings and services
- Located on major traffic arteries and in areas with prominent commercial activity
- Leased to established commercial activities
- Adequate dedicated parking facilities
- High-standard technological facilities
- Overall activity of the center compared to competitors.

Type	*Location*	*Description*	*Average dimension*
Mall	On the main roadways.	center anchored by a major retailer capable of attracting traffic to the benefit of all tenants	50.000 – 200.000 sqm
		combination of small retail stores, supermarkets, and restaurants, without an anchor tenant.	30.000 – 70.000 sqm
Retail aggregation	In the city or in the surrounding areas.	aggregation of commercial establishments, without centralized management.	10.000 sqm
Regional Shopping center	in areas accessible from multiple residential centers.	combination of wholesale outlets of major brands capable of attracting customers and small retail stores to create a rich range of products offered.	400.000 – 1.000.000 sqm