

ITALY

# Industrial Market Snapshot

Fourth Quarter | 2018



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Stable but experiencing upward pressure	▼
Prime Yields:	Generally stable. Slight compression expected in Rome, due to the sustained investors' interest.	►
Supply:	Increasing built-to-suit and speculative developments.	▼
Demand:	Active demand on behalf of 3PL companies, retailers and e-commerce operators.	►

### Prime Industrial Rents – December 2018

LOGISTICS LOCATIONS	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Rome	55.0	5.83	3.8	0.0
Milan	52.0	5.51	2.0	-1.1
Bologna	45.0	4.77	0.0	-0.4
Piacenza	40.0	4.24	0.0	-1.0
Verona	45.0	4.77	0.0	-0.9
Turin	39.0	4.13	0.0	0.5

### Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Rome	6.00	6.25	6.50	8.00	6.00
Milan	5.25	5.50	6.00	7.75	5.25
Bologna	5.75	6.00	6.00	8.00	5.75
Piacenza	6.25	6.50	7.00	8.00	6.25
Verona	6.75	7.00	7.25	8.25	6.75
Turin	7.00	7.25	8.00	9.00	7.00

NOTES: (1) Prime Rent and Yield figures illustrated above refer to logistics properties. Prime rents for freight warehouses tend to be significantly higher.

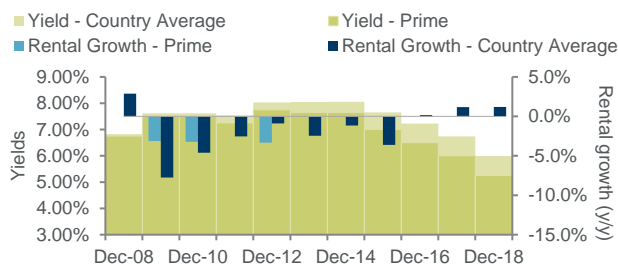
(\*) Yields are calculated on a net basis as reported below:

Net Yield = NOI (1) / PP (2)

1. Net Operating Income - after deducting all non-recoverable expenditure
2. Purchasing Price - excluding transfer costs, tax and legal fees

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

The Italian logistics market continues to register a positive trend, with high absorption figures despite the limited supply immediately available. On the investment side, strong interest is confirmed on behalf of a wider range of institutional players, although the lack of product as well as the mismatch between buyer and seller pricing expectations are amongst the main factors currently limiting activity. Speculative developments are back on the market.

## Occupier focus

Yearly absorption for logistic space registered in the northern regions of Italy and the greater Rome area, was around 1.7 million sqm, confirming a healthy demand for spaces in this sector. The majority of the occupied space was grade A and built-to-suit properties represented a sizable component of the market. Prime headline rents are generally stable, although experiencing upward pressure due to the limited availability of product, while rents are higher for BTS products, considering the level of customizations and building characteristics. Demand for logistic space continues to be driven by e-commerce and distribution retailers requiring large-size BTS solutions, as well as by 3PL companies searching for ready-to-use warehouses. Increasing demand from courier operators for smaller-size warehouses in well-connected urban areas, to be used for last mile delivery.

## Investment focus

The yearly volume invested in the logistics sector, although below the last year record figure, was double the 5-year average. The lack of grade A properties coupled with the sustained demand for new spaces, particularly on behalf of retail and e-commerce sectors, is leading a number of developers and investors to start new or refurbishment projects on a speculative basis. Increasing interest for sale and lease-back opportunities, when supported by solid fundamentals in terms of tenant rating, lease length and location of the property. Forward funding and forward purchase are part of the investors' strategies.

## Outlook

The increasing number of players interested in the Italian logistics market with different investment profiles will be competing for the limited product available. High interest for off-market opportunities. Greater Rome area attracting growing attention, particularly by international players.

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