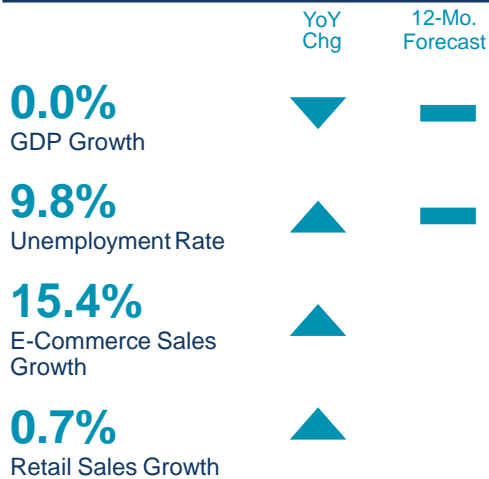


Industrial Q4 2019



ITALIAN ECONOMIC INDICATORS
Q4 2019



Sources: ISTAT, Oxford Economics

ECONOMY

A combination of internal and external factors contained the growth of the Italian economy in 2019. GDP has been stable in Q4 (0,0%) and the same trend is expected in 2020. Unemployment rate rose in Q4 (up to 9.8%) and forecasts are now stable. Low Inflation levels provide a favourable background for an increase in future real incomes. While retail sales growth has been limited in the period (+0.7%), e-Commerce is still booming (sales +15.4% YoY, ISTAT), leading to increases in warehouse spaces needs. The future outlook appears to be positive for the logistics industry.

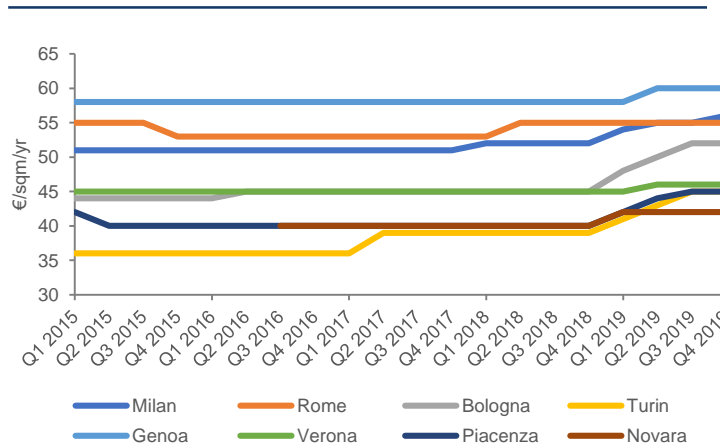
OCCUPIER AND INVESTMENT FOCUS

The Italian logistics market recorded a positive trend during the year. Province of Milan, Bergamo and Bologna recorded a high activity during the year, mainly for small/medium transactions (5,000sqm-25,000sqm); while Novara and Verona have been the most active areas in terms of take up volume as consequence of the addition of two large transactions over 50,000sqm. Demand is very active, mainly from 3PL, followed by an increase Retailers. Operators and developers are looking for new logistics premises adapted to the new era of e-commerce, multi-channeling retail and super-fast last mile distribution. In this context, there has been an increase in the search for small spaces (with a range between 5,000sqm and 10,000sqm) close to the cities, mainly in the area of Milan, Verona and Bologna. Compared to last years, the percentage of built-to-suit transactions has decreased in response to the increasing of speculative developments, that in most cases don't reach the market due to the fact that are leased before completion of the works. Prime headline rents are experiencing upward pressure, due to the increasing competition for quality products, mainly in prime locations. In the Investment market, Logistics and Industrial continues to be a highly sought-after asset class with a volume of € 1.5 B in 2019, +40% compared to 2018. The year was characterized by a number of portfolio and portions of pan-European portfolios deals that represented the 77% of the yearly volume; the increased interest for Last Mile and sale & lease-back opportunities, supported by solid fundamentals and the consolidation of the presence of foreign players.

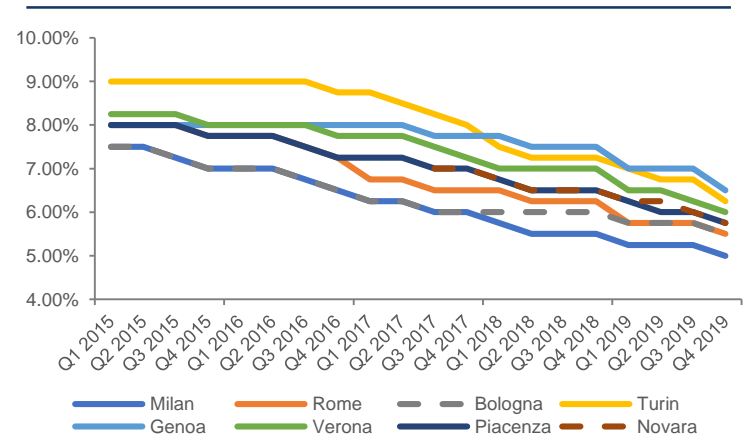
OUTLOOK

The re-start of speculative development responds to the growing need and lack of ready-to-use quality products. Companies aiming to improve the quality of their offices will release a number of lower quality spaces causing an increase of the vacancy rate of such products but also generating requalification opportunities. 3PL and Retailer players are expected to be the most active also next year, considering the evolution of the e-commerce and the increasing need of Last Mile and Courier solutions to optimise their delivery networks. The interest in the industrial and logistics investment market will continued in the next year, aiming to a further compression in prime yields value for prime assets in core locations (Milan, Rome, Bologna, Verona).

PRIME RENTS



PRIME YIELDS



MARKET VALUES (*)

SUBMARKET	PRIME RENT €/Sqm/Yr	Q/Q	Y/Y	PRIME YIELD (NET*)	Q/Q	Y/Y
Milan	56	↑	↑	5.00 %	↓	↓
Rome	55	→	→	5.50 %	↓	↓
Bologna	52	↑	↑	5.50 %	↓	↓
Turin	45	↑	↑	6.25 %	↓	↓
Genoa	60	→	↑	6.50 %	↓	↓
Verona	46	→	↑	6.00 %	↓	↓
Piacenza	45	→	↑	5.75 %	↓	↓
Novara	42	→	↑	5.75 %	↓	↓

KEY LEASE TRANSACTIONS 2019

REGION	CITY (PROVINCE)	TENANT SECTOR	AREA (SQM)	TYPE
Piedmont	Treccate (NO)	End User	162,000	Pre-Lease (BTS)
Lazio	Colleferro (RO)	E-commerce	100,000	Pre-Lease (BTS)
Lombardy	Casirate d'Adda (BG)	Retailer	60,000	Pre-Lease (BTS)
Lombardy	Livraga (LO)	3PL	46,500	Pre-Lease (BTS)
Emilia Romagna	Castel San Pietro Terme (BO)	End User	40,000	New Lease

KEY SALES TRANSACTIONS 2019 (OVER €50MLN)

PROPERTY	REGION	CITY	SELLER / BUYER	AREA (SQM)
Portfolio BentallGreenOak	Lombardy / Veneto / Piedmont	Milan / Verona / Novara	BentallGreenOak / Patrizia	c. 430,000
AEW Pan European Portfolio (part 1)	Piedmont / Abruzzo	Novara / Chieti	AEW / AXA	c. 160,000
Logistics Portfolio	Lombardy / Veneto / Tuscany	Milan / Vicenza / Prato	Private / Allianz Real Estate	c. 60,000
Esprinet Milan East	Lombardy	Milan (Cavenago, Cambiagio)	Private / Barings	c. 90,000
Broni Logistics Park	Lombardy	Pavia	Akno / Invesco Real Estate	c. 180,000

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(*) NOTES:

(1) Prime Rent and Yield figures illustrated in the table 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.

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