

ITALY

Industrial Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Rental growth is expected in both capitals	▼
Prime Yields:	Competitive market influence prime yield. Stable-down.	▲
Supply:	Increasing speculative development pipeline.	▼
Demand:	Stable demand driven by retailers, e-commerce and 3PL	▶

Prime Industrial Rents – September 2019

LOGISTICS LOCATIONS	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Rome	55.0	5.77	0.0	0.0
Milan	55.0	5.77	5.8	0.7
Bologna	52.0	5.45	15.6	2.5
Piacenza	45.0	4.72	12.5	1.4
Verona	46.0	4.82	2.2	-0.4
Turin	45.0	4.72	15.4	3.4

Prime Industrial Yields – September 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Rome	5.75	5.75	6.25	8.00	5.75
Milan	5.25	5.25	5.50	7.75	5.00
Bologna	5.75	5.75	6.00	8.00	5.75
Piacenza	6.00	6.00	6.50	8.00	6.00
Verona	6.25	6.50	7.00	8.25	6.25
Turin	6.75	6.75	7.25	9.00	6.75

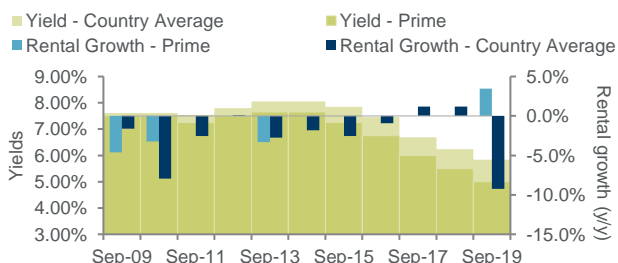
NOTES: (1) Prime Rent and Yield figures illustrated above refer to logistics properties. Prime rents for freight warehouses tend to be significantly higher.

(*) 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 industrial logistics real estate sector is experiencing a healthy growth, both on the occupational and investment side. E-commerce and last-mile logistics requirements are increasing in line with online retail sales, which require more spaces to manage not only the sales but also product returns. This has created a new market for institutional investors who are now competing for small buildings in urban locations, by purchasing entire portfolios and single opportunities in this asset class.

Occupier focus

In line with the positive start of the year, the take up volume recorded from the beginning of the year reached the 10-year peak. Retailers, which are reorganizing and internalizing the management of their activities and e-commerce, are the most active players. On the other side, 3PL are reviewing their positions, following a rationalization of their spaces. Milan, Rome and Bologna remain the strongest markets, characterized by a low available space. Other locations are gathering more interest, mainly driven by anchor tenants. The development pipeline remains robust, in terms of both product deliveries and new space under construction already pre-let. The return of speculative developments is also reflected in the type of transactions recorded, which see a take up split 50-50 between existing spaces and new pre-let buildings.

Investment focus

Interest for the logistics sector is confirmed, with a year to date investment volume in line with the same period of 2018. A wide range of investors are attracted by the opportunity to create value in older and well located assets in need of refurbishment. Portfolio transactions are driving the market, mainly with last mile properties or sale & lease-back opportunities combined with BTS projects. With some developers backed by capital, not all new product reaches the market, increasing the competition on properties for sale. Prime yields remain competitive compared to the more mature markets in Europe and are expected to compress further over the coming quarters.

Outlook

End of year figures are expected to be good with occupational market exceeding last year's volume and investment in line with 2018. Retailers and e-commerce logistics warehousing will continue to drive the market, looking for sites close to customers in order to provide efficient delivery. Off market transactions will represent an important part of the volume invested.

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2019 Cushman & Wakefield LLP. All rights reserved.

Claudia Buccini
 Head of Research Italy
 Via Turati 16/18, 20121 Milan, Italy
 Tel: +39 02 63 799210
claudia.buccini@cushwake.com
cushmanwakefield.com