

1,500,000
Italy Take-Ups_{sqm}



€58
Prime Rent €/sqm/yr, Milan

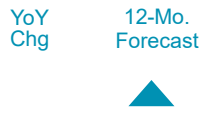


€58
Prime Rent €/sqm/yr, Rome



ITALIAN ECONOMIC INDICATORS Q2 2022

+3.6%
GDP Growth



8.3%
Unemployment Rate



9.9%
E-Commerce Sales Growth

7.6%
Retail Sales Growth

ECONOMY OVERVIEW

Beating preliminary estimates of a modest contraction, GDP should also rise in the second quarter; economy was supported by fixed investment and government consumption. The unemployment rate is still below pre-pandemic values and employment is higher than it was a year ago, however job gains were concentrated among temporary workers. The oil and gas shortages, resulting from the ongoing war, have led to higher energy prices which have impacted other key sectors; headline inflation rose to 8.0% year over year in June, the highest value since January 1986. The ECB announced dramatic policy shifts and will rapidly raise interest rates, meaning a rise in spreads for indebted countries like Italy. CPI will increase by more than 6.4% over 2022 as a whole and should go back to the 2% EU target only in 2023. In the short term, high inflation will affect consumer spending as well as consumer and business confidence; that, together with financial issues, could put the country at risk of recession. Sales for Q2 2022 are growing but compared to a time when people mobility was strongly limited.

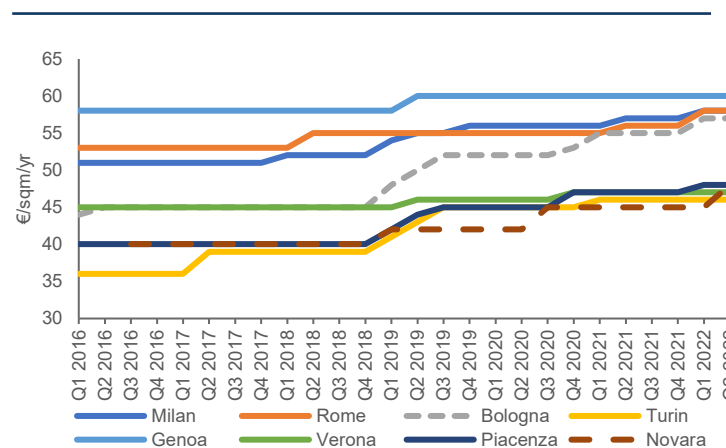
OCCUPIER AND INVESTMENT FOCUS

The logistic sector maintained a strong performance and in the first half of the year registered record levels both from an occupational and an investment perspective. Take-up reached 1,5 Mn sqm (+21% increase on H1 2021), of which 40% consisted of buildings under-construction or BTS projects which can achieve higher rents and reconfirm quality as a main driver for demand. ESG criteria have become a distinctive element of most transactions. Most speculative projects were confirmed, reaching approx. 2 Mn sqm, representing 64% of the pipeline, and are often leased before being delivered on the market. Piacenza and Milan are the most active cities, registering 30% of H1 take-up, but the biggest transactions (>50,000sqm) have been closed around Rome and Pavia. On the investment side, the first semester of the year registered the highest volume ever: 1.8 €Bn, more than twice the same period of last year and representing 30% of the overall investment market. Steadily growing absorption and a demand that rewards developments in strategic locations with high rents are driving investors' confidence and the majority of the locations have registered a compression in prime yields. Of the volume recorded in H1, 61% is represented by Single Assets deals. Moreover, the biggest single-asset transaction ever was registered during the second quarter: the acquisition of a prime logistic hub in Oppeano (Verona) for 274 €Mn.

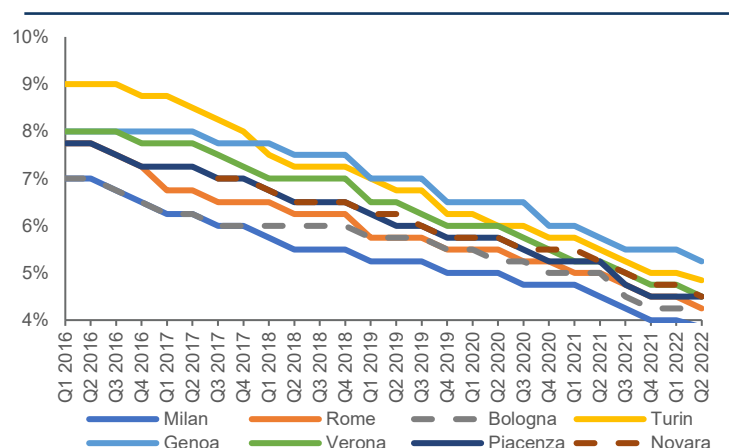
OUTLOOK

The effects of the current macro-economic and geopolitical situation will likely be visible during the second half of the year. The main drivers of the sector are strong, e.g. e-commerce, last mile and BTS, but logistics is affected by increasing inflation rates on construction costs, energy and transports; this will inevitably lead to a necessary increase in rents for new products and will generate new market dynamics. Moreover, on the investment side the uncertainty deriving from the economic situation (inflation, growing interest rates, difficulty to access credit) could cause a slow-down in the market activity and a shift in market values.

PRIME RENTS



PRIME YIELDS



Sources: ISTAT, Moody's
Note: with the exception for Unemployment Rate (percentage of unemployed persons in relation to the corresponding labour force), data refers to Q1 2022 variations with respect to the previous year.

MARKET VALUES (*)

SUBMARKET	PRIME RENT €/Sqm/Yr						PRIME YIELD (NET)			
	LOGISTICS WAREHOUSE			CROSS DOCK			LOGISTICS WAREHOUSE & CROSS DOCK			
	€/Sqm/Yr	Q/Q	Y/Y	€/Sqm/Yr	Q/Q	Y/Y	%	Q/Q	Y/Y	
Milan	58	→	↑	95	↑	↑	3.85	↓	↓	
Rome	58	→	↑	90	↑	↑	4.25	↓	↓	
Bologna	57	→	↑	85	↑	↑	4.25	→	↓	
Turin	46	→	→	70	↑	↑	4.85	↓	↓	
Genoa	60	→	→	95	↑	↑	5.25	↓	↓	
Verona	47	→	→	85	↑	↑	4.50	↓	↓	
Piacenza	48	→	↑	70	→	→	4.50	→	↓	
Novara	48	↑	↑	75	↑	↑	4.50	↓	↓	

KEY LEASE TRANSACTIONS

REGION	CITY (PROVINCE)	TENANT SECTOR	AREA (SQM)	TYPE
Lazio	Rieti (RI)	Retailer	60,000	Lease
Piemonte	Alessandria (AL)	Retailer	60,000	Owner occupier (BTO)
Lombardia	Casei Gerola (PV)	3PL (e-commerce)	56,000	Lease
Lazio	Colleferro (RM)	Retailer	50,000	Pre-Lease (BTS)
Veneto	Oppeano (VR)	3PL	48,000	Lease

KEY SALES TRANSACTIONS

PROPERTY	REGION	CITY (PROVINCE)	SELLER / BUYER	AREA (SQM)
Logistic Park Oppeano	Veneto	Oppeano (VR)	Patrizia / COIMA Sgr	246,000
SNATT S&L	Multi-Region	Multi-Province	SNATT / Prelios Sgr	172,000
ESPRINET - Cavenago + Cambiagio	Lombardy	Cavenago (MI)	Savills Sgr / Kryalos Sgr	90,000
Zalando Nogarole Rocca Asset	Veneto	Nogarole Rocca (VR)	DeA Capital Sgr / La Salle IM	126,000
Fedex San Pietro Mosezzo	Piemonte	San Pietro Mosezzo (NO)	Scannell Properties / DTZ Investors	35,000

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(*) NOTES:

(1) Prime Rent and Yield figures illustrated in the table above refer to: Logistics properties (for space >10,000sqm) and Cross Dock (for space between 5,000-20,000sqm). 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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