

**2,000,000**  
Italy Take-Ups<sub>sqm</sub>



**€60**  
Prime Rent €/sqm/yr, Milan



**€60**  
Prime Rent €/sqm/yr, Rome



ITALIAN ECONOMIC INDICATORS Q3 2022

**+2.1%**  
GDP Growth



**7.8%**  
Unemployment Rate



**2.1%**  
E-Commerce Sales Growth



**5.3%**  
Retail Sales Growth



ECONOMY OVERVIEW

The third quarter has been marked by the outcome of the political Election, won by the right-wing coalition. The strong majority gained should speed up the creation of the new Government and a longer stability compared to the past. After a strong first half supported by positive households' consumption and fixed investments contributions, preliminary data for Q3 reflects a slowdown of GDP on the previous quarter, bringing back the yearly growth at 2.1%. Retail sales trend has been positive over the summer while estimate for Q3 points out a slow-down in growth in both retail sales and online retail, +5.3% and +2.2% respectively. Labor market is still robust with unemployment rate further declined at 7.8% in the first 8 months; national employment slightly fell in August on the previous quarter but the trend is still positive, +1.8% (on August 2021). Consumer price inflation accelerated to 8.9% year over year in September as high electricity and gas prices spill over to other key sectors. For the year end, the improved first half results led to an upward revision of the GDP growth, by 3.6% (Source ISTAT). The inflationary pressure combined with the increasing energy bills and construction costs will be a concern for logistics developers.

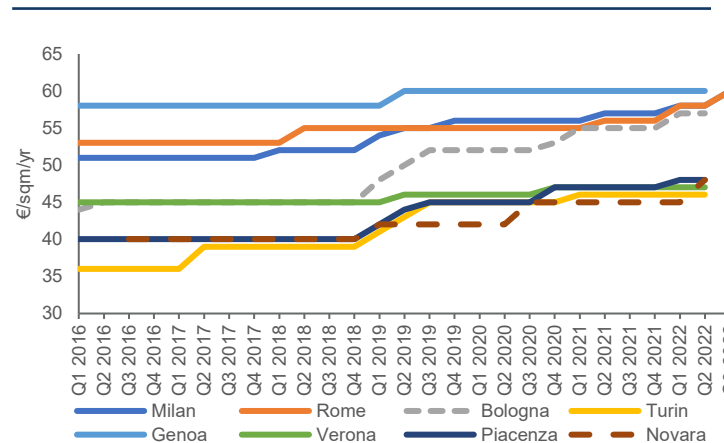
OCCUPIER AND INVESTMENT FOCUS

The growth of the Italian logistic sector does not stop and registers new record values for both the leasing and the investment market. **Take up** for Q3 22 is 500,000sqm (+26% on Q3 2021) bringing the year-to-date volume to **2mln sqm**, +24% compared to the same period last year. The majority of take up is for **Grade A** assets and 52% of transactions involved 3PL operators; retail operators followed with 16% and then e-commerce with 4%. ESG criteria have become increasingly important and increasingly present in new projects. In general, the activity for new developments has been high, with over 700,000sqm new BTS and speculative projects on the market since the beginning of 2022. Moreover, most speculative projects were confirmed, reaching approx. 1.7 Mn sqm, representing 67% of the pipeline, and often leased before being delivered on the market. The dynamicity of the demand is accompanied by an **increase** of the **prime rents**, approx. +3% Q/Q in Milan and Rome for standard logistics assets (both at €60 sqm/yr); values for last mile / courier products are also increasing and rental levels in those cities are around €95 sqm/yr. On the **investment side**, the macroeconomic situation is starting to reflect on yields, which have increased by 25/50 bps on the previous quarter for the first time since late 2012, even though the first 9 months of the year registered the highest transaction volume ever recorded: 2.5 €Bn (+40% compared to the same period of last year and representing 29% of the overall investment market). 50% of the total volume is represented by the allocation of a pan European portfolio, while around 40% is represented by single asset deals. Given this trend there is the optimistic perception of leasing market fundamentals.

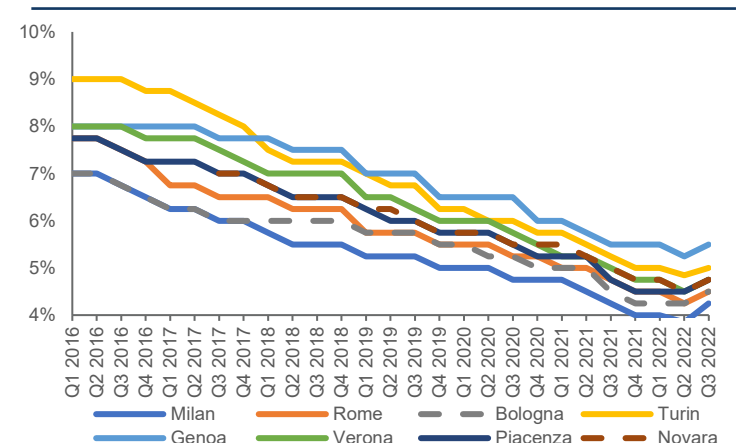
OUTLOOK

Despite the current macro-economic and geopolitical situation which is causing uncertainty on the markets, we still see appetite and liquidity to be deployed into the sector. The occupational demand is still sparkling, and we see a continue interests mainly in the consolidated clusters. The challenge due to inflation, the continuous surge on energy prices, construction costs and rising cost of capital will inevitably lead to a necessary increase in rents for new products. A certain degree of re-pricing on ongoing transactions is expected.

PRIME RENTS



PRIME YIELDS



Source: Moody's (GDP growth Q3 22 on Q3 21, retail sales and online sales growth Q2 22 on Q2 21); ISTAT: Unemployment rate (August 22)

### 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	60	↑	↑	95	→	↑	4.25	↑	↑	
Rome	60	↑	↑	95	↑	↑	4.50	↑	↑	
Bologna	57	→	↑	90	↑	↑	4.50	↑	↑	
Turin	46	→	→	75	↑	↑	5.00	↑	↑	
Genoa	60	→	→	95	→	↑	5.50	↑	↑	
Verona	47	→	→	90	↑	↑	4.75	↑	↑	
Piacenza	50	↑	↑	75	↑	↑	4.75	↑	↑	
Novara	50	↑	↑	75	→	↑	4.75	↑	↑	

### 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)
Crossbay Portfolio	Multi-Region	Multi-Province	Crossbay/Prologis	260,000
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

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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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