

2,900,000
Italy Take-Ups_{sqm}



€61
Prime Rent €/sqm/yr, Milan



€61
Prime Rent €/sqm/yr, Rome



ITALIAN ECONOMIC INDICATORS Q3 2022

+3.7%
GDP Growth



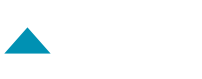
7.8%
Unemployment Rate



2.2%
E-Commerce Sales Growth



5.3%
Retail Sales Growth



ECONOMY OVERVIEW

Economic activity in Italy slowed down in the fourth quarter due to both the waning recovery in services and the decline in industrial production. Household spending appears to have slowed while unemployment rate was stable at 7.8%. Wage growth remains moderate. Preliminary estimate for the year end 2022 GDP growth stands at almost 4% while growth should weaken below 1% in 2023, and strengthen again in the following two years, starting with a modest recovery from the second half of this year. Inflation remains high, still mainly driven by energy, despite the government's energy-related measures appear to have partially mitigated consumer price growth. In December the CPI for the whole nation increased by 0.3% on monthly basis, declining at 11.6% on annual basis. In 2022, the average annual rate of change of CPI, measured by NIC, was +8.1% while the HICP stands at +8.7%. Within the current environment of high uncertainty, stemming above all from the ongoing conflict in Ukraine which is not expected to end soon, CPI is expected to ease by the end of 2023 and 2024. Construction costs eased at the beginning of January but still high thus slowing down logistics developers activity. The ECB raised its key interest rates by 75 and 50 basis points respectively in October and December, and announced that they will still need to rise significantly, though at a slower pace. This has sharply cooled the logistic investment market in Q4 with investors waiting to understand where the price will land.

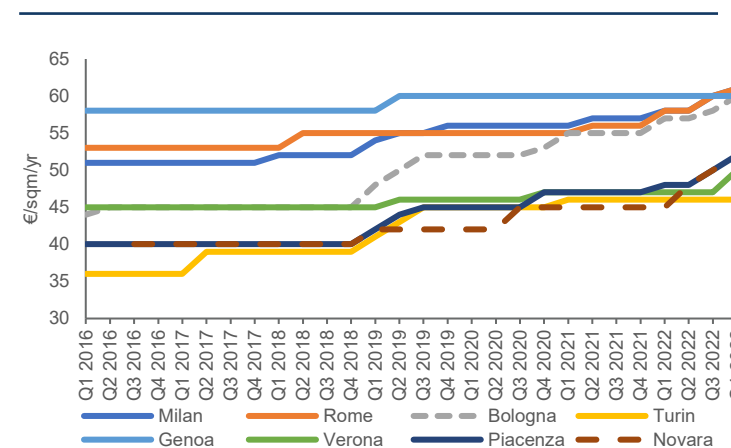
OCCUPIER AND INVESTMENT FOCUS

The occupier market remains solid and active, with quarterly absorption in line with Q4 2021 (circa 820,000 sqm) and an annual volume well above 2021 levels (+17%), with 2.8 Mln sqm absorbed, setting a new record for the market. Demand is mainly supported by 3PLs looking for modern space close to major cities, mainly for an area between 5.000 and 15.000 sqm. Rising construction costs and the resulting uncertainty over developments, have resulted in many speculative pipeline developments being turned into potential developments with the condition of an eventual BTS project; this could impact the future availability of ready-to-use Grade A space. The dynamism of demand has resulted in an increase of prime rents, by +2% Q/Q and by 7%-9% Y/Y in Milan and Rome respectively for standard logistics assets (both at €61 sqm/yr); values for last mile / courier products are also increasing and rental levels in those cities stand at €100 sqm/yr. On the Investment side, investors maintain a keen interest in this asset class. Despite a slowdown in activity this quarter (approx. - 45%) with a volume of roughly €380 m, the year ended with a volume in line with 2021, standing at almost €2.9 Bn, still accounting for a third of the overall CRE investment volume in 2022. Slowdown is mainly due to rising capital and construction costs. Prime yield values, reflecting market repricing, increased by 50-75bps in all major hubs, standing at 4.75% for the Milan market and 4.85% for the Rome market.

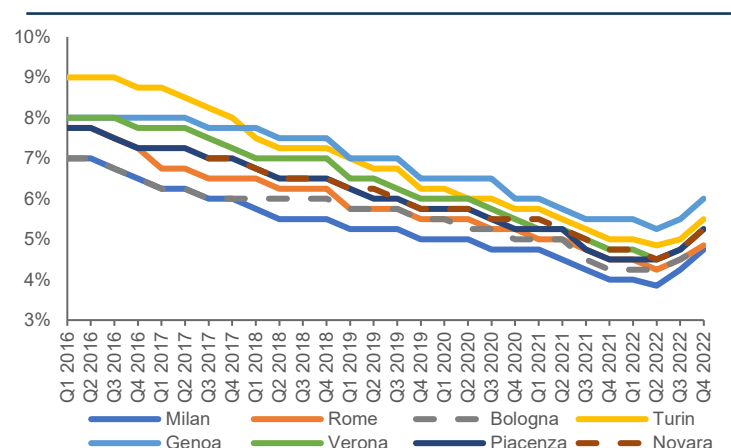
OUTLOOK

A slowdown of activity is expected during the first half of 2023, due to the uncertain economic environment, especially considering the cost (and availability) of borrowing. Despite this, the appetite and interest in the sector remains high, supported by strong fundamentals occupier-side. ESG thematic, mainly the E and S components, is growing in importance for investors, occupiers and employees, and is critical in targeting prime rents and values. The increasingly difficult to finance new projects could have dampening impact on longer-term pipeline.

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			LAST MILE/CROSS DOCK			LOGISTICS WAREHOUSE & CROSS DOCK			
	€/Sqm/Yr	Q/Q	Y/Y	€/Sqm/Yr	Q/Q	Y/Y	%	Q/Q	Y/Y	
Milan	61	↑	↑	100	↑	↑	4.75	↑	↑	
Rome	61	↑	↑	100	↑	↑	4.85	↑	↑	
Bologna	60	↑	↑	90	→	↑	4.85	↑	↑	
Turin	46	→	→	75	→	↑	5.50	↑	↑	
Genoa	60	→	→	95	→	↑	6.00	↑	↑	
Verona	50	↑	↑	90	→	↑	5.25	↑	↑	
Piacenza	52	↑	↑	75	→	↑	5.25	↑	↑	
Novara	52	↑	↑	75	→	↑	5.25	↑	↑	

KEY LEASE TRANSACTIONS

REGION	CITY (PROVINCE)	TENANT SECTOR	AREA (SQM)	TYPE
Lombardia	Bascapè (PV)	Retailer	90,000	Lease
Lombardia	Chiari (BS)	3PL	70,000	Lease
Lombardia	Casei Gerola (PV)	3PL	60,000	Lease
Lazio	Rieti (RI)	Retailer	60,000	Lease
Piemonte	Alessandria (AL)	Retailer	60,000	Owner occupier (BTO)

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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