

2.7 M Italy Take-Ups _{sqm}	▼	▬
€65 Prime Rent €/sqm/yr, Milan	▲	▲
€65 Prime Rent €/sqm/yr, Rome	▲	▲

ITALIAN ECONOMIC INDICATORS Q4 2023

0.7% GDP Growth	▼	▼
7.7% Unemployment Rate	▼	▲
3.6% Retail Sales E-commerce Index Growth	▲	

Source: Moody's (2023 on 2022 change; 2023 data for unemployment rate; 2022 on 2021 change for E-commerce Index Growth)

ECONOMY OVERVIEW

Italy's GDP remained stable in Q4 2023, with negligible growth due to tight credit conditions and high energy prices, causing stagnation in consumption and a contraction in investment. Manufacturing experienced a downturn, while services remained stable, and construction grew with tax incentives. Projections for 2024 estimate a 0.6% GDP growth, slightly lower than the estimated 0.7% in 2023, and subsequent years are expected to see 1.1% growth. Employment continued to rise, with robust wage growth in the non-farm private sector. Inflation fell, particularly in core inflation, and is projected to slow to 1.9% in 2024 from 5.9% in 2023, with expectations of easing inflationary pressures in the short to medium term. The European Central Bank (ECB) kept key interest rates steady, anticipating their prolonged maintenance to contribute to achieving the 2% inflation target. Monetary tightening has led to decreased demand for credit, impacting the growth of monetary aggregates, while government bond yields have decreased, and spreads between Italian and German bonds have narrowed.

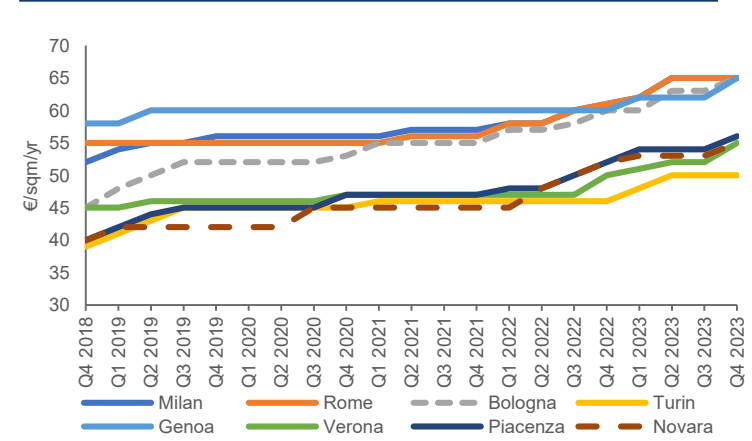
OCCUPIER AND INVESTMENT FOCUS

The occupier market maintains the good trend recorded last year, the best year ever, with an absorption almost in line (above 2.7Mn sqm). 3PLs continue to be the most active sector with 62% of the total take-up followed by Retailers and Food sector. Demand is increasingly moving towards those assets capable of responding to new requirements and to the highest standards in terms of environmental efficiency and technology. Sustainability certifications are a must have for global players and large companies. Analyzing transactions size throughout the year, the majority were for spaces between 5,000 and 25,000 sqm (accounting for 67% by number of transactions and 44% by volume during this period); Milan, Piacenza, Bologna and Verona have been the preferred destinations; moreover, compared to the past, emerging locations such as Alessandria and Mantua are consolidating as new markets. The speculative pipeline has decreased constantly during the year as a consequence of the higher construction costs, difficulties in accessing credit and supply chain disruption, registering an even more severe fall in the last quarter, partly due to the completion of many projects (-83% compared to the end of 2022). On the **investment** side, a 44% decrease in volumes which reached circa 1.7€Bn the logistics sector remains dominant in the market, accounting for 27% of the total yearly investment volume. Market fundamentals are robust, and investor sentiment is positive. Prime yields have increased by 25 bps Q/Q and new players have entered the market, attracted by the faster recovery of this asset class and its potential for growth. The high appeal of Logistics is confirmed by two main transactions which together represented 20% of yearly investments: the sale of the Aurora Portfolio (4 properties and two building plots in Q3 and the forward purchase of the first part of the Logiman Portfolio. This transaction underpins a portfolio of 7 development projects in strategic locations in Lombardy and Veneto (provinces of Como, Bergamo, Lodi, Pavia, Piacenza, Mantua and Belluno) for a total of 300,000 sqm.

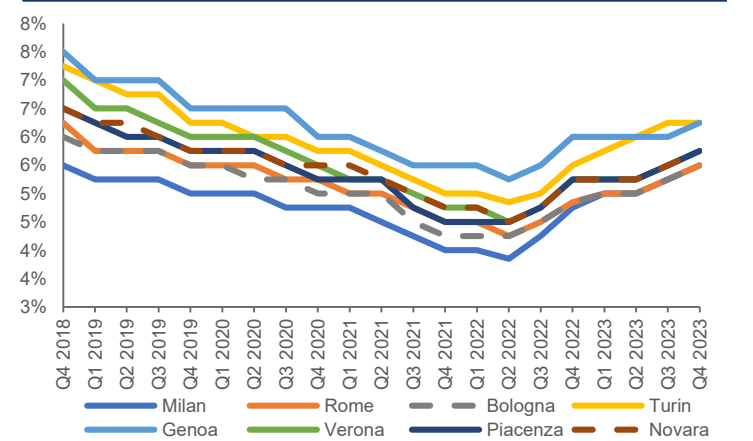
OUTLOOK

The demand will remain stable; despite occupiers will be more cautious, prime rents will continue to grow although not as rapidly as in the past. Demand will be increasingly driven by ESG criteria, which will be a key requirement for those occupiers focusing on sustainability and on the well-being of employees. Investors will consolidate their interest in the logistic sector, and we expect yields to further grow slightly in 2024.

PRIME RENTS



PRIME YIELDS



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	
CONSOLIDATED MARKET	Milan	65	→	↑	110	→	↑	5.50	↑	↑
	Rome	65	→	↑	110	→	↑	5.50	↑	↑
	Bologna	65	↑	↑	95	→	↑	5.50	↑	↑
	Turin	50	→	↑	80	→	↑	6.25	→	↑
	Genoa	65	↑	↑	105	→	↑	6.25	↑	↑
	Verona	55	↑	↑	95	→	↑	5.75	↑	↑
	Piacenza	56	↑	↑	80	→	↑	5.75	↑	↑
	Novara	55	↑	↑	80	→	↑	5.75	↑	↑
	Florence	78	↑	↑	115	→	↑	5.75	→	↑
EMERGING MARKET	Naples	60	→	↑	85	→	↑	7.00	→	↑
	Bari	60	→	↑	85	→	↑	7.00	→	↑

KEY LEASE TRANSACTIONS

REGION	CITY (PROVINCE)	TENANT SECTOR	AREA (SQM)	TYPE
Piemonte	Cameri (NO)	GDO	75,000	Pre-lease (BTS)
Lombardia	Landriano (PV)	3PL	62,000	Lease
Piemonte	Serravalle Scrivia (AL)	Retail	55,000	Lease (Speculative)
Lombardia	Verdellino (BG)	3PL	55,000	Lease
Emilia-Romagna	Monticelli D'Ongina (PC)	3PL	55,000	Pre-lease (Speculative)
Piemonte	Tortona (AL)	Retail	52,300	Pre-lease (BTS)

KEY SALES TRANSACTIONS

PROPERTY	REGION	CITY (PROVINCE)	SELLER / BUYER	AREA (SQM)	PRICE/€ MN
Portfolio Logiman (phase 2)	Lombardy	Mantua (MN)	Logiman/Starwood	175,000	170
Portfolio Aurora	Multi-Region	Multi-City	Logicor/Boreal IM	198,000	155
Portfolio Fedrigoni (S&LB)	Multi-Region	Multi-City	Fedrigoni/WP Carey	186,000	91
Logistic Park Chiari	Lombardia	Chiari (BS)	Invesco/JP Morgan	84,000	72
Vigasio	Veneto	Vigasio (VR)	BNPP/JP Morgan	88,000	70

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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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