

	YoY Chg	12-Mo. Forecast
555,000 Italy Take-Upsq ^m	▼	▬
€67 Prime Rent €/sqm/yr, Milan	▲	▲
€67 Prime Rent €/sqm/yr, Rome	▲	▲

ITALIAN ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
1.0% GDP Growth	▲	▲
6.8% Unemployment Rate	▼	▲
3.87% 10-Yr Treasury Yield	▲	▲

ECONOMY OVERVIEW

In H1 2024, Italy's economy showed signs of cautious optimism, leading to improved year-end forecasts. GDP grew by 0.9% in 2023 and 0.3% in early 2024, projecting an annual increase of 1%. The labor market strengthened, with a slight rise in employment and an expected 7.1% unemployment rate by year-end. Inflation was subdued at 0.8% in May, with a gradual return to ECB targets, leading to a significant drop in the household spending deflator to 1.7% in 2024 from 5.2% in 2023. Despite wage growth consolidation is expected to rise in the following months, 2025 inflation trend will show a moderate increase, but would remain aligned to the ECB 2% target. The ECB's June rate cut, the first since 2022, reduced government bond yields and returned the yield spread between Italian real estate and the 10-year bond to positive territory, fostering optimism among real estate investors, signaling a positive outlook for the property market. Overall, the forecast scenario remains characterized by uncertainty in the international framework, particularly due to ongoing geopolitical tensions. However, the economic forecast for Italy in H1 2024 offers a guardedly positive view, anticipating moderate expansion and a steady macroeconomic climate.

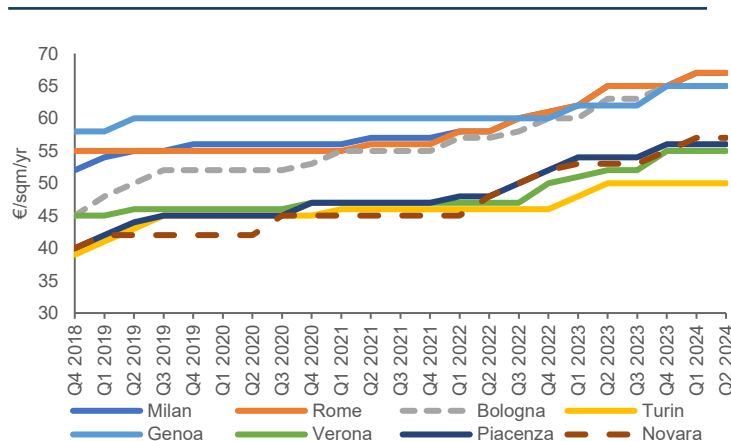
OCCUPIER AND INVESTMENT FOCUS

In the second quarter, the occupier market recorded an absorption of 555,000 sqm, in line with the volume seen in the first quarter but slightly below the 5-year average of 660,000 sqm. The total take-up for the first half of the year, at 1.1 million sqm, reflects a decrease of 27% compared to H1 2023 (which was the best semester ever alongside the first half of 2022), however it remains consistent with the five-year average. The share of demand facilitated through speculatively developed space has decreased, as demand for BTS/BTO saw an increase accounting for the 59% of the quarterly take-up. The stability of construction costs had a positive impact on development activity and from the beginning of the year the speculative pipeline has been growing Q-on-Q (+ 60% Q2 vs Q1 24); considering the limited immediate availability, developers are more confident to start works. Throughout the quarter, the majority of transactions were for spaces between 10,000-20,000 sqm (43% by number of transactions and 33% by volume on the total). In the quarter, Lombardy continues to attract significant demand and remains one of the preferred destinations, accounting for 50% of the number of transactions. Alongside Piedmont, Veneto, and Emilia-Romagna, where the three largest transactions of the quarter were completed (each exceeding 50,000 sqm in size). The overall vacancy rate for immediate availability is very limited, but the rise in rental level has slowed down and values are stable in most markets, standing at 67€/sqm/yr in Milan and Rome. On the investment side, I&L continues to attract investors as one of the most sought-after asset classes, representing 16% of H1 2024 overall investment volume. Despite this, the market remains constrained by a limited supply of products that meet institutional investors' expectations. The volume recorded in Q2 saw a decrease of 49% compared to Q1 2024, bringing the total volume for the first semester to 550 €Mn (-4% compared to H1 23). ESG criteria and value-add opportunities are key factors influencing investors' decisions. Prime yields have remained stable at 5.50% for both Milan and Rome.

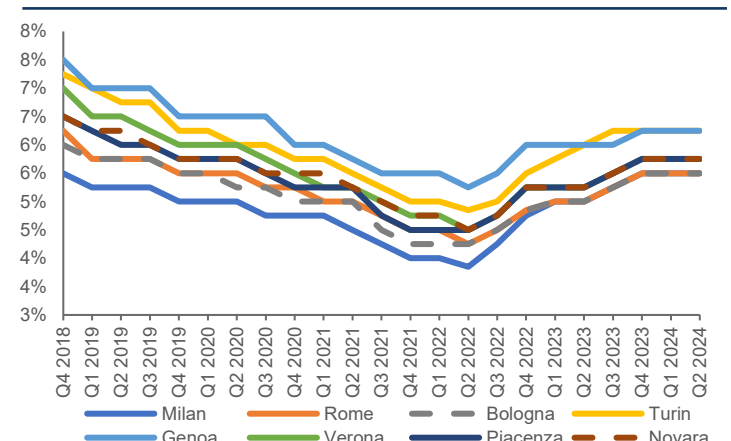
OUTLOOK

Looking ahead, the logistics sector is expected to continue its growth trajectory, with a demand expected to remain stable, increasingly focused on ESG compliant spaces. Market sentiment is expected to slight improve in the coming months, but this year's leasing activity is unlikely to match last year's robust take-up. High quality availability is predicted to further contract, therefore, we anticipate prime rents to continue increasing as upward pressure persists, albeit at a slower pace averaging 1.5% over the next semester (vs 4.6% considering the entire 2024). A marginal improvement in investment volumes and stability in pricing may signal a turning tide for the sector and point towards an improvement throughout 2024. Investors will continue to concentrate on Core/Core+ and value-add opportunities. However, the primary challenge for investors targeting the sector remains an absence of suitable opportunities.

PRIME RENTS



PRIME YIELDS



Source: Moody's Italy (GDP Growth estimate Q2 2024 on Q2 2023; Unemployment Rate Q2 2024; 10 yr Gov Bond at Q2 2024)

MARKET VALUES (*)

SUBMARKET	PRIME RENT €/SqM/Yr						PRIME YIELD (NET)			
	LOGISTICS WAREHOUSE			LAST MILE/CROSS DOCK			LOGISTICS WAREHOUSE & LAST MILE/CROSS DOCK			
	€/SqM/Yr	Q/Q	Y/Y	€/SqM/Yr	Q/Q	Y/Y	%	Q/Q	Y/Y	
CONSOLIDATED MARKET	Milan	67	→	↑	110	→	↑	5.50	→	↑
	Rome	67	→	↑	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	57	→	↑	80	→	↑	5.75	→	↑
EMERGING MARKET	Florence	78	→	↑	115	→	↑	5.75	→	→
	Naples	60	→	↑	85	→	↑	7.00	→	→
	Bari	60	→	↑	85	→	↑	7.00	→	→

KEY LEASE TRANSACTIONS YTD

REGION	CITY (PROVINCE)	TENANT SECTOR	AREA (SQM)	TYPE
Veneto	Cittadella (PD)	3PL	81,000	Pre-lease (BTS)
Emilia Romagna	Maranello (MO)	3PL	60,000	BTO
Emilia Romagna	Parma (PR)	Retail	50,200	Pre-lease (BTS)
Lombardia	Somaglia (LO)	3PL	40,000	Lease
Piemonte	Novara (NO)	3PL	28,000	Lease (Speculative)
Lombardia	Cerro Maggiore (MI)	3PL	21,500	Lease

KEY SALES TRANSACTIONS YTD

PROPERTY	REGION	CITY (PROVINCE)	SELLER / BUYER	AREA (SQM)	PRICE/€ MN
Portfolio Fedrigoni (S&LB)-Phase 2	Multi-Region	Multi-City	Fedrigoni /WP Carey	-	133
Metra Holding S&LB	Multi-Region	Multi-City	Metra Holding / WP Carey	108,000	90
Portfolio Patrizia - Mantova	Veneto	Mantova	Barings / Patrizia	90,000	70
Park Telgate - Akno	Lombardia	Bergamo	Akno / Coima	66,000	60.5
AXA Gorgonzola - Last mile	Lombardia	Milan	AXA IM Alts / Mileway	47,500	33.8

ANNA STRAZZA

Associate Director, Research & Insight
+39 02 63799278
anna.strazza@cushwake.com

CARLO VANINI

MRICS International Partner
Head of Capital Markets Italy
+39 02 63799302
carlo.vanini@cushwake.com

MARZIO GRANATA

Partner, Head of Industrial & Logistics Italy
Logistics, Development & Data Centre Advisory
marzio.granata@cushwake.com

(*) 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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