



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
4.6% Vacancy Rate (Immediate)	▼	▼
568,000 Q Absorption, SQM	▼	—
€67 Prime Rent, SQM/YR <i>(Overall, All Property Classes)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.6% GDP Growth	▲	▲
6.3% Unemployment Rate	▼	▲
3.73% 10-Yr Treasury Yield	▼	▼

Source: Moody's Italy, October 7 update (GDP Growth estimate Q3 2024 on Q3 2023; Unemployment Rate Q3 2024; 10-Yr Gov Bond at Q3 2024).

ECONOMY

Italy is managing to maintain a steady growth trajectory for its economy amidst a backdrop of cautious optimism and persistent global uncertainties. According to preliminary estimate by ISTAT (June 2024), Italy's economy showed moderate growth in the first nine months 2024, despite facing several challenges. The GDP growth by the year end is still expected by approximately 1%, supported by both domestic and foreign demand. Private consumption saw a slight increase, driven by a stronger labor market and rising real wages. The employment rate improved, with a slight decrease in the unemployment rate to 7.1%. Inflation rates began to stabilize, moving closer to the European Central Bank's targets, with a notable decrease in the household spending deflator. Despite these positive trends, the international economic environment remained uncertain, influenced by ongoing geopolitical tensions.

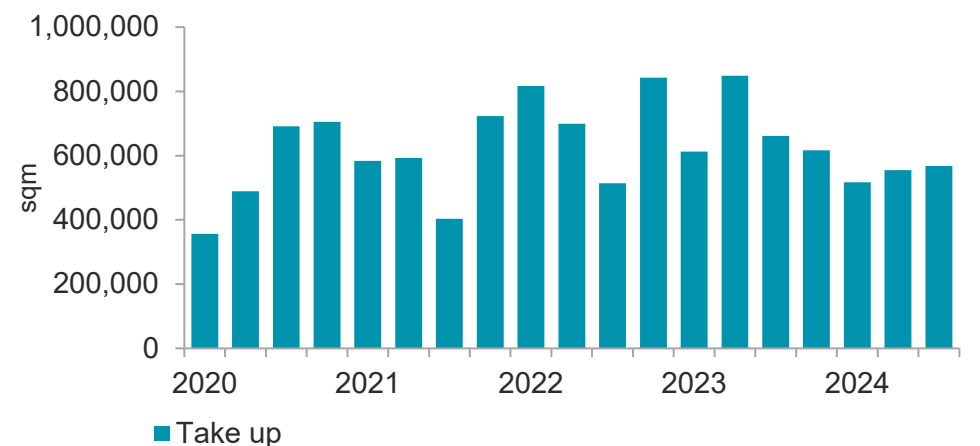
OCCUPIER

In the third quarter of this year, market absorption remained stable compared to the first two quarters, with 568,000 sqm, bringing the total volume since the beginning of the year to nearly 1.6Mn sqm. However, the quarterly result represents a 14% decrease from Q3 2023 and a 24% slowdown if we consider the year-to-date absorption compared to Q1-Q3 2023. This is largely due to occupiers delaying decision-making amid ongoing economic and business uncertainty. Additionally, the steady rise in asking rents for high-quality spaces has led 3PLs, traditionally the most active players, to adopt more cautious expansion strategies. This shift is largely driven by their clients' reluctance to bear the higher rent costs, which prevents them from winning tenders and the consequence preference of End-Users to stay with their current providers by investing directly in long-term projects. As a result, this has boosted BTO operations and slowed down new take-up. Despite this decline, year-to-date absorption is still significantly higher (around 50%) than the five-year pre-pandemic Q1-Q3 average. Throughout the quarter, Lombardy maintained its position as the most attractive region, accounting for 33% of total absorption.

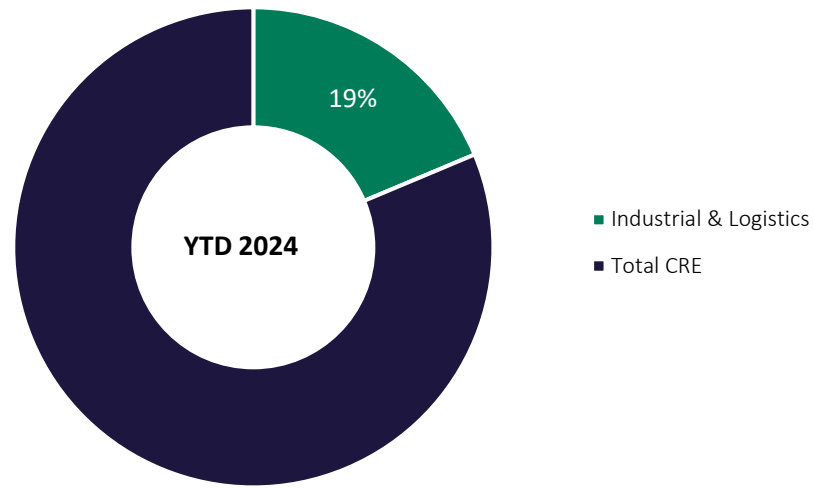
OVERALL VACANCY (IMMEDIATE)



TAKE UP (SQM)



I&L vs. ALL SECTORS - YTD INVESTMENT VOLUME ITALY

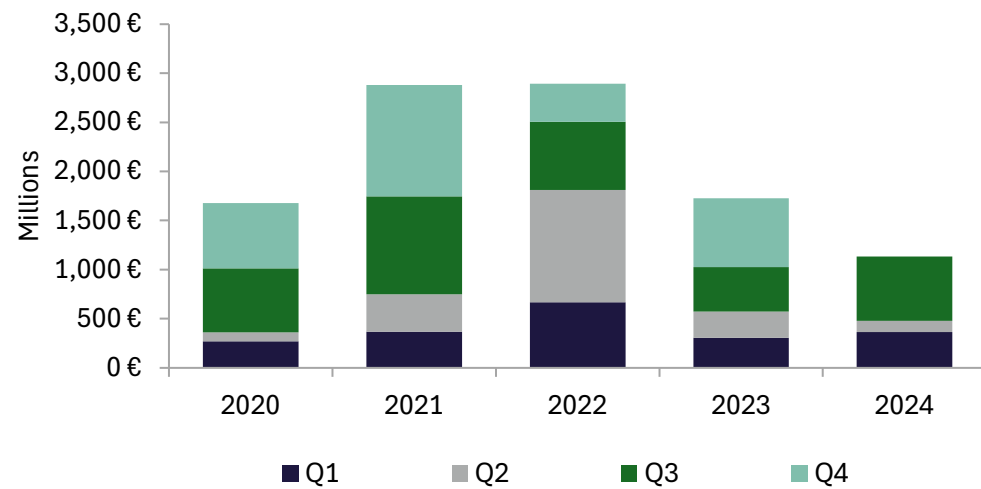


It was followed by Piedmont and Emilia-Romagna, which contributed 18% and 19% of transaction absorption, respectively. Notably, the two largest transactions of the quarter occurred in Piedmont and Lazio, both exceeding 64,000 sqm in size, and were build-to-suit (BTS) deals closed by end-user retailers. In terms of transaction types, BTS and build-to-own (BTO) deals increased their share, now representing 55% of the quarterly volume and 40% of the total number of transactions. This highlights a growing preference for tailored solutions over leasing existing buildings. The quality of assets is becoming an increasingly critical factor for tenants. Companies are now prioritizing operational efficiency and aligning their strategies with sustainability objectives, which is driving growing interest in high-quality, energy-efficient properties.

INVESTMENT

On the investment side, as pricing levels begin to stabilize, market activity is gradually recovering. In Q3 2024 transaction volumes, with approximately 655 €Mn, matched those recorded in the first half of the year and recorded a 45% increase compared to Q3 2023. This result was largely driven by a major portfolio transaction, which accounted for 51% of the quarterly total. The year-to-date (YTD) total reached 1.2 €Bn, representing a 17% rise from the same period in 2023. Investors are still focused on Value Add assets, but capital that has been waiting for the right time for Core products is now preparing for deployment, supported by the rate cut and stable yields, as evidenced by the largest transaction of the quarter related to the Segro Portfolio acquired by Pontegadea, for 327 €Mn, of four ESG-certified Core assets, two in Milan and two in Rome, fully leased. Other notable transactions include the Castel San Giovanni Logistics Hub Portfolio (two assets) sold by DEKA to JP Morgan for 114 €Mn. These transactions highlight continued investor interest in the logistics sector, particularly in high-demand urban markets like Milan and Rome.

I&L INVESTMENT VOLUME



PRICING

Over the past year, the rate of rental growth has continued to decelerate, with values stabilizing across most markets from the beginning of 2024. In Q3 24 rental rates in key cities remained steady, standing at 67€/sqm/yr in Milan and Rome. Although overall occupier demand has weakened, rental levels have been supported by strong demand in highly sought-after locations, where supply remains limited. Prime yield have stabilised over the past nine months and stand at 5.50% for both Milan and Rome.

OUTLOOK

- We anticipate occupier activity to continue stabilizing in the latter part of 2024, albeit at lower levels compared to recent years, though still significantly higher than pre-pandemic volumes. Vacancy rates are expected to remain low, and rental rates are projected to hold steady.
- Investment volumes are likely to improve by late 2024 as investor activity increases and interest rate cuts reduce financing costs. Core-plus and Value-add investors are primarily showing interest, with core capital starting to show tentative signs of returning to the market. The focus remain on the assets in locations with strong market fundamentals and rental growth prospects.
- Demand for ESG-compliant spaces is anticipated to play a central role in shaping the future landscape of the logistics industry, with companies focusing on energy efficiency, carbon neutrality, and ethical practices. This shift is being fueled by both regulatory pressures and consumer expectations for greener operations.

MARKET STATISTICS

SUBMARKET	PRIME RENT (€/SQM/YR)				PRIME YIELD (NET)	
	LOGISTICS WAREHOUSE	1 YEAR GROWTH	LAST MILE/CROSS DOCK	1 YEAR GROWTH	LOGISTICS WAREHOUSE & LAST MILE/CROSS DOCK	1 YEAR GROWTH
CONSOLIDATED MARKET						
Milan	67	↑	110	→	5.50%	→
Rome	67	↑	110	→	5.50%	→
Bologna	65	↑	95	→	5.50%	→
Turin	50	→	80	→	6.50%	↑
Genoa	65	↑	105	→	6.25%	→
Verona	57	↑	95	→	5.75%	→
Piacenza	57	↑	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%	→

(**) Yields are calculated on a net basis as: 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.

KEY LEASE TRANSACTIONS YTD

QUARTER	REGION	CITY (PROVINCE)	TENANT SECTOR	SQM	TYPE
2	Veneto	Cittadella (PD)	3PL	83,000	Pre-lease (BTS)
3	Lazio	Fara in Sabina (R)	Retail	65,800	Pre-lease (BTS)
3	Piedmont	Novara (NO)	Retail	64,000	Pre-lease (BTS)
3	Lombardy	Somaglia (LO)	Retail	40,000	BTO
2	Piedmont	Cameri (NO)	3PL	28,000	Lease (Speculative)
3	Lombardy	Corbetta (MI)	3PL	25,000	Lease
3	Lombardy	Cerro Maggiore (MI)	3PL	21,500	Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD

QUARTER	PROPERTY-REGION	CITY (PROVINCE)	SELLER/BUYER	SQM	PRICE / € MN
3	Portfolio Segro	Milan and Rome (MI/RM)	Segro / Pontegadea	339,000	327
1	Portfolio Fedrigoni (S&LB)- Phase 2	Multi-City	Fedrigoni / WP Carey	-	133
3	Castel San Giovanni	Castel San Giovanni (PC)	Deka / JP Morgan	164,000	114
1	Metra Holding S&LB	Multi-City	Metra Holding / WP Carey	108,000	90
3	Project North	Multi-City	AXA IM / Mileway	113,000	74.5
2	Portfolio Patrizia - Mantova	Mantova (MN)	Barings / Patrizia	90,000	70
2	Park Telgate - Akno	Bergamo (BG)	Akno / Coima	66,000	60.5

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