

ITALY

Industrial Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Prime headline rents are experiencing upward pressure due to limited availability. ▼
- Prime Yields: Stable-down. ▲
- Supply: Lack of quality space immediately available. Increasing development pipeline. ▼
- Demand: Stable demand driven by e-commerce, 3PL and retailers. ►

Prime Industrial Rents – June 2019

LOGISTICS LOCATIONS	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Rome	55.0	6.17	0.0	0.0
Milan	55.0	6.17	5.8	0.7
Bologna	50.0	5.61	11.1	1.7
Piacenza	44.0	4.71	5.0	0.0
Verona	46.0	5.16	2.2	-0.4
Turin	43.0	4.83	10.3	2.5

Prime Industrial Yields – June 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR	
				HIGH	LOW
Rome	5.75	5.75	6.25	8.00	5.75
Milan	5.25	5.25	5.50	7.75	5.25
Bologna	5.75	5.75	6.00	8.00	5.75
Piacenza	6.00	6.25	6.50	8.00	6.00
Verona	6.50	6.50	7.00	8.25	6.50
Turin	6.75	7.00	7.25	9.00	6.75

NOTES: (1) Prime Rent and Yield figures illustrated above refer to logistics properties. Prime rents for freight warehouses tend to be significantly higher.

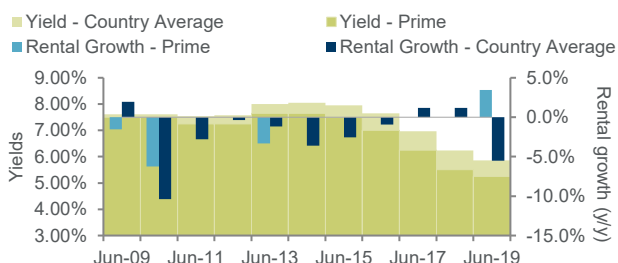
(*) Yields are calculated on a net basis as reported below:
Net Yield = NOI (1) / PP (2)

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.

Recent performance



Overview

The Italian logistics market continues to be dynamic, confirmed by high levels of take up for the first six months of the year. On the investment side feeble volumes conceal true interest on behalf of both foreign and domestic capital. Delivery of new product should begin to address the unbalance between demand and supply of quality space.

Occupier focus

Positive tenant activity continued through to the second quarter, with over 1 million square meters let since the beginning of the year. The majority of the market was still represented by built to suit product. E-commerce, large-scale distribution retailers and 3PL were confirmed as the most active players. Overall there has been a rise in medium sizes speculative developments absent for so long in Italy, mainly in core areas. Delivery of this new product is expected by year end which should begin to satisfy occupier demand largely driven by modern, efficient and sustainable assets in strategic locations.

Investment focus

Logistics and Industrial continues to be a highly sought-after asset class despite the low investment volume recorded – just over 300 €MI – since the beginning of the year. With little product officially on the market, there has been an increase in off market transaction. Foreign capital continues to be the most active, although domestic investors are starting to return. With some developers backed by capital, not all new product reaches the market, increasing interest for sale & lease-back or well positioned vacant sale opportunities. Differential between vendor and purchaser pricing expectations continues.

Outlook

End of year figures for both the investment and occupational markets are expected to be in line if not above those recorded for last year. There is a growing trust on behalf of investors mirrored by the wide range of transactions expected to close by year end. Limited availability of quality product will continue to place upward pressure on headlined rents in key locations.

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2019 Cushman & Wakefield LLP. All rights reserved.

Claudia Buccini
 Head of Research Italy
 Via Turati 16/18, 20121 Milan, Italy
 Tel: +39 02 63 799210
claudia.buccini@cushwake.com
cushmanwakefield.com