

Italian Logistics Market Overview

Q1 2022

HIGHLIGHTS

- Investment volume hits a new high record for a Q1
- Prime net yields are at their bottom historical levels
- Prime rents increased in all the key markets
- Secondary and emerging locations are getting ground
- Speculative developments are well established in the market
- Strong demand for last mile and cross dock assets from both occupiers and investors
- Sustainability is becoming a key factor for investors

MAIN INDICATORS

Trend YoY



INVESTMENT VOLUME
€ 700 M
+139% YoY



TAKE-UP
700,000 sqm
+15% YoY



PRIME NET YIELD
GRADE A LOGISTICS
3.90%
-85 bps YoY



PRIME RENTS
GRADE A LOGISTICS
MILAN & ROME
58 €/sqm/pa
+2% YoY



Logistics Investment Market

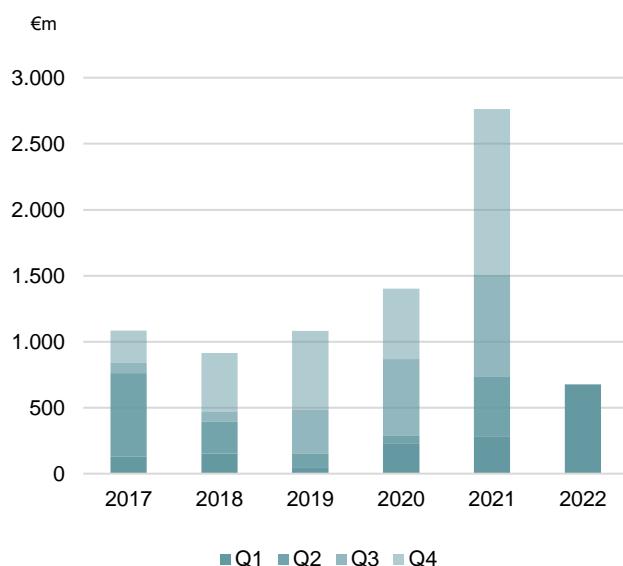
Logistics confirmed to be a top priority for the investors' strategies: it was the second most wanted sector in Q1 2022 with approximately € 700 M, representing 20% of the total. Investments in the first quarter increased strongly both on Q1 2021 (+139%) and on the last Q1 five years average (+300%). Moreover, logistics was the most dynamic asset class, with the closing of 21 operations, 8 of which were portfolios.

International investors confirmed to be the most active ones, accounting for more than 90%, mainly represented by institutional players of global origin. It is also worth mentioning an increasing presence of investors targeting European portfolios of big dimensions (> € 100 M).

In the specific, Verona market was the first cluster in terms of volumes in Q1, recording more than € 200 M across the closing of 3 operations, among them the acquisition of the Zalando warehouse in Nogarole Rocca. Milan represented the second destination, accounting for 24% of quarterly volumes.

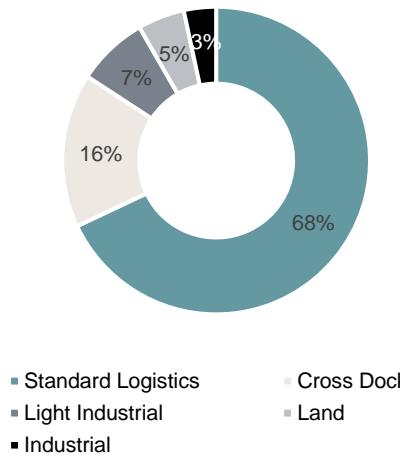
Despite the North of the Country being still the most sought after area (76%), a growing interest has been noted for emerging and secondary locations all over Italy, in particular those intended for *last mile* purposes and cross dock activities.

Investment volume by quarter



“The sector confirms to be one of the most appealing in the Italian scenario. An impressive interest has been noted from different players targeting all the logistics solutions.”

Q1 2022 Investment volume by subsector



In Q1 2022, over 1 million of sqm were acquired related to 52 assets. More than half of them were related to *cross dock solution*, confirming the relevance of this asset typology in the investors' strategies. The majority of the volumes was invested in standard logistics assets, attracting 68% of the investments.

Indeed, a wide spectrum of products and operations was recorded: standard and urban logistics assets, cold storages, light industrial, developments, lands, and *forward funding*. *Core* assets with the best characteristics, as well as *value add* properties in needs of being requalified have also been picked up.

The demand for logistics spaces looks overwhelming and refrained just by a scarcity of the right product which could meet the players' needs (ESG criteria, automation, cold storage, and accessibility). This will probably lead to another compression of prime net yields, which already decreased in Q1 2022 at the historical bottom level of 3.90%.

Logistics Letting Market

The absorption of logistics space also remained elevated in the first three months of 2022: around 700,000 sqm were leased, recording a 15% increase on the same period of the previous year. The market confirmed to be highly dynamic, with the closing of 44 operations.

3PLs operators drove the demand of spaces securing 46% of quarterly absorption; among end-users, the most active were courier companies, manufacturers, grocery and e-commerce players. The latter continued to ride the wave of success, expanding especially in urban locations where online retail requests are continuously increasing.

Thanks to this trend, various secondary locations are gaining ground and becoming more and more interesting: in Q1 2022 emerging locations affected the 18% of absorption across 8 deals. Insofar, logistics is no longer just about large storage warehouses close to main road connections, but it increasingly includes properties serving *last mile* operations as well.

Pharmaceutical and grocery sectors are also recording good performances, supporting the request of cold storages solutions.

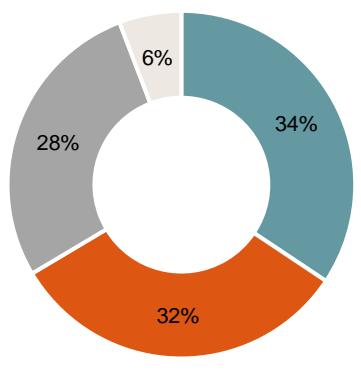
The vivacity of the market has led to a booming of developments, those speculative in particular, that had been lacking for several years. The Q1 2022 take-up recorded instead a large amount of this typology (around 200,000 sqm), even if existing assets continued to be the first choice of the operators (36%).

Operators have different needs and different requests, but a common trend can be noted. Buildings increasingly need to be low-energy, efficient, fit-for-purpose, and wellness-oriented.

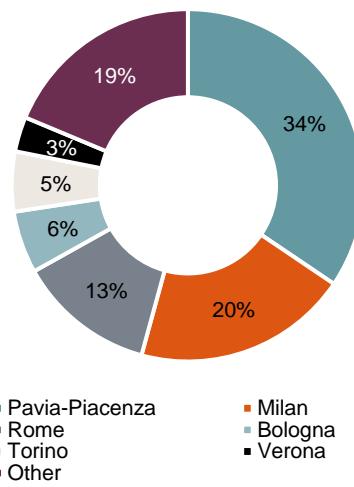
In this context, it is not surprising that prime rents increased in the first part of the year in the key geographies: Milan and Rome (both at 58 €/sqm), Verona (50 €/sqm), Piacenza (48 €/sqm). Moreover, another upsurge could also occur by the end of the year.

“Asset quality is a key driver for logistics players: they increasingly require to have the highest standards to improve efficiency and cost savings”

Q1 2022 Take-up by type



Q1 2022 Take-up by cluster



Logistics prime rent and prime net yield, Q1 2022

	Prime rent (€/sqm/pa)	Prime net yield
Milan	58	3.90%
Pavia-Piacenza	48	4.00%
Verona	50	4.25%
Torino	46	4.50%
Novara	45	4.25%
Bologna	55	4.00%
Rome	58	4.00%

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Logistics key drivers



Strong performance and resilient characteristics



Demand-supply imbalance



Vacancy rate is near to a record low



Lack of well-located industrial land



Fast growing e-commerce market share



Supply chain risk and inventory management