

Logistics snapshot



General Outlook

Economic growth rebounded during the third quarter and is expected to reach roughly 7%, leaving 2020 global GDP about 4% below its level before the onset of the pandemic. Following the second wave, Q4 remained beset with massive uncertainty as it is growing the awareness that only a widely approved and distributed vaccine will end the crisis. In USA, the unemployment is compressing but still above the pre Covid-19 levels. In the Eurozone, economic activity is gradually deteriorating: services are compressing, followed by a slowdown in manufacturing. Fears about the employment situation led consumers to postpone spending.

After a deceleration in 2019, the Italian economy recorded a deep downturn in GDP in Q3 2020 YTD (-8.4% YoY), mainly due to a slowing down in investment and export components. Preliminary data for 2020 show a contraction of 8.9%: the positive effects of the strong rebound in Q3 were held back by the restriction measures in the last quarter of the year. The new measures slowed down household consumption and the service sector.

The recovery in employment continued slightly in 2019 followed by a slowdown (-1.7%) in the first 11 months of 2020; despite the slight improvement since the summer, occupation remained below 2019 levels. In December, business expectations on employment were improving in manufacturing and retail trade sectors but construction and, above all, services clearly deteriorated. Till October, the second wave of the pandemic did not stop the positive trend of the industrial production. The gap between Italian (-0.2%) and European (0.2%) inflation (HICP) is decreasing; Italian CPI remained negative mainly due to energy products. In December, inflation remained negative for the eighth consecutive month. In November 2020, the interest rate on Italian 10-year Government Bond stood at 0.66%, compressing for the seventh consecutive month. The spread against the German Bund fluctuated dramatically till the end of May; at the end of October the index stabilised well below 120 bps. The Governing Council expects the key ECB interest rates to remain at their present level or lower until the inflation outlook robustly converges at 2%.

The new January decree has extended the state of emergency until the end of April and has adopted new measures to contain the pandemic until March 5th. The allocation of Recovery Plan capitals will be crucial for the recovery of the Italian economy affected by a high and growing public debt. Focusing on digitalization, infrastructures, sustainability, tourism and research this will be a unique opportunity for our RE market.

The logistics sector has continued to present strong fundamentals and is expected to be resilient moving forward. Urban logistics will reach new levels in terms of demand strength and innovative supply solutions

as e-commerce will continue to drive occupier demand for a variety of logistics buildings. This will lead to some new building designs, including multi-storey and multi-level solutions in selective major cities, while in urban cores other uses will be repurposed to support last mile activities including hyper-local distribution networks.

In Italy, the take-up in 2020 reached record levels with around 2.3 million sqm absorbed, representing a figure higher (+25%) than 2019 and about 80% up on the last 5 years average. The number of operations was the highest ever recorded in the market: 116 deals were closed in the whole year; 44% of which was related to assets below 10,000 sqm, confirming the growing interest for small buildings. Geographically, Milan continued to be the main destination, attracting the 60% of the absorption. However, other destinations are gaining ground such as Bologna (9%) and Torino macroarea (5%).

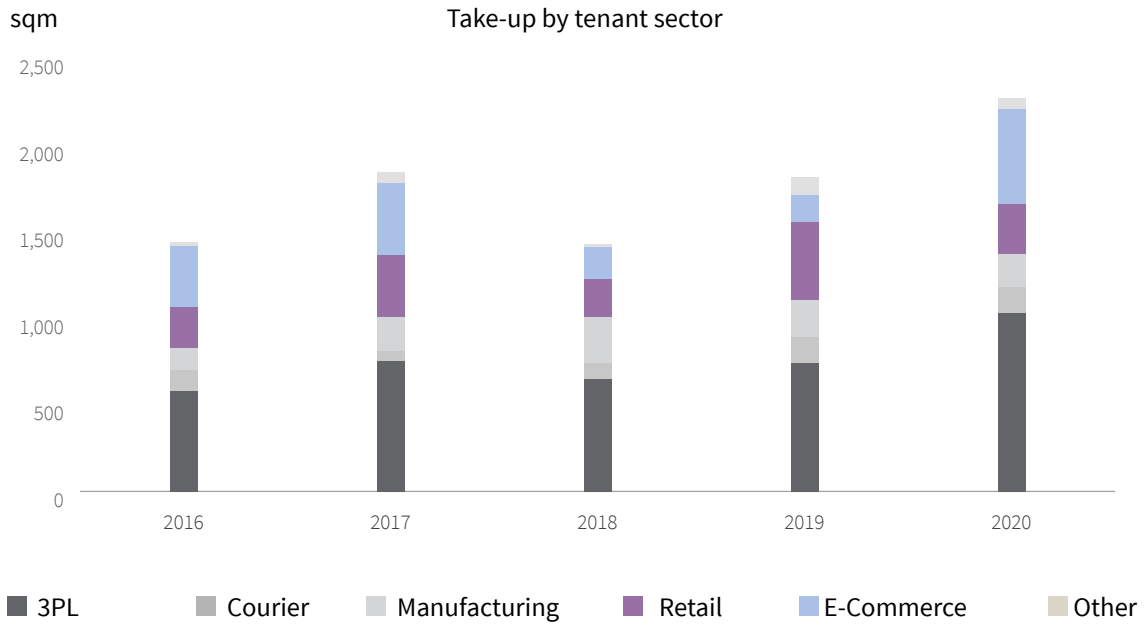
The market was characterised by a predominance of grade A buildings (90%) and by a decrease of manufacturing and retail demand in favour of e-commerce and 3PL one. Another trend was the sharp increase of pre-let and owner occupier deals, which represented the 76% of the total absorption in 2020 (56% in 2019). This confirms the fervid development activity which characterised the market in the last year: total completions grew by 40% compared to 2019.

After two years of stability, prime rents increased in Milan, Rome, Bologna and Torino markets. In Italy, 2020 recorded 141 investment deals for a total of around €8.3 billion, lower by 33% than 2019. The slowdown was mainly ascribable to the hotel and office sectors; logistics, residential, alternatives and healthcare are gaining a growing share of the market. In fact, in 2020 the logistics sector reached the highest amount of volume ever: around €1.6 bn, a figure 7% higher than 2019 and up by 42% on the last 5 years average.

The number of closed deals slightly decreased (36 in 2020, 42 in 2019) but the average size grew from €35 m in 2019 to €43 m in the last year. The area of main interest was once again Milan (where 13 deals were closed for around €510 m), with sustained interest in Veneto, Bologna, Rome and Torino markets.

Capital was once again predominantly international (90%), coming mainly from European countries. A great attention has been seen for lands and developments: these transactions totalled around €100 m during the whole 2020 (and they are not included in our investment figures). The favourable phase of the sector led to another compression for prime net yields in all the key markets which reached their bottom values.

Occupier market



Take-up by size

51
Transactions

below **10,000 sqm**
for **290,000 sqm**

65
Transactions

above **10,000 sqm**
for **2,000,000 sqm**



Milan

2020



Transactions **52**

Take-up

1,380,000sqm

(60%; +88% Y-o-Y)

Rent

57€/sqm/pa

(+2% Y-o-Y)

Last mile*

85 €/sqm/pa

690,000sqm

Completions

880,000sqm

Pipeline 2021

Rome

2020



Transactions **9**

Take-up

75,000sqm

(3%; -69% Y-o-Y)

Rent

57€/sqm/pa

(+2% Y-o-Y)

Last mile*

90 €/sqm/pa

260,000sqm

Completions

228,000sqm

Pipeline 2021

Bologna

2020



Transactions **14**

Take-up

197,000sqm

(9%; -29% Y-o-Y)

Rent

55€/sqm/pa

(+2% Y-o-Y)

45,000sqm

Completions

186,000sqm

Pipeline 2021

Veneto

2020



Transactions **5**

Take-up

53,000sqm

(2%; -77% Y-o-Y)

Rent

49€/sqm/pa

(stable Y-o-Y)

102,000sqm

Completions

353,000sqm

Pipeline 2021

Torino

2020



Transactions **5**

Take-up

116,000sqm

(5%; +114% Y-o-Y)

Rent

43€/sqm/pa

(+2% Y-o-Y)

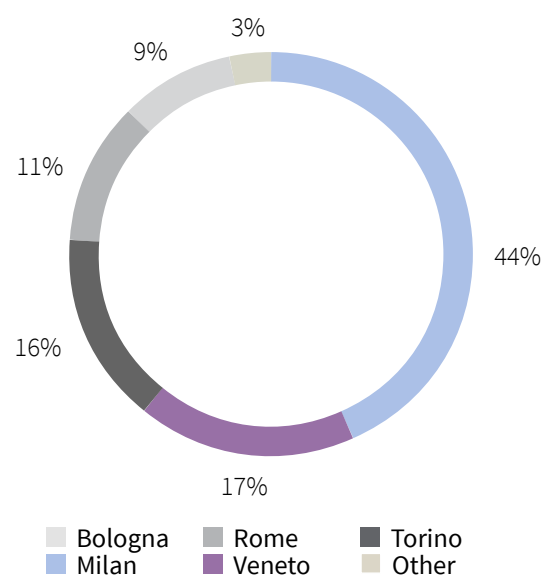
14,000sqm

Completions

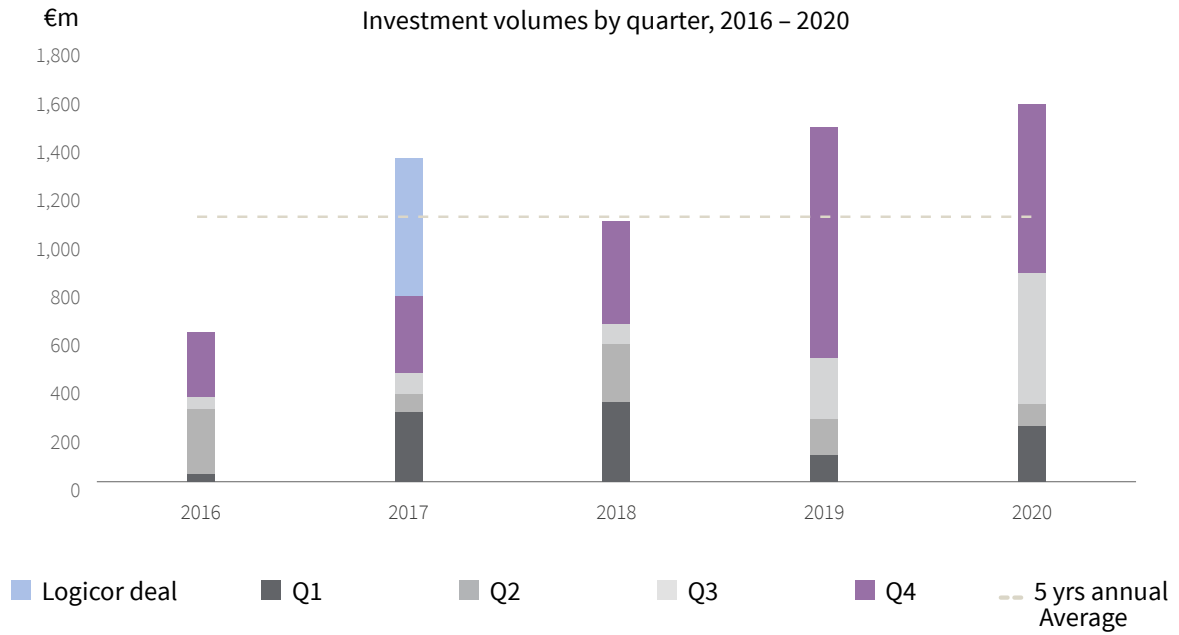
314,000sqm

Pipeline 2021

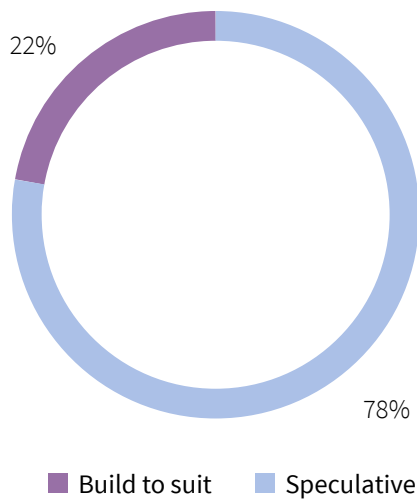
Pipeline 2021 by geography



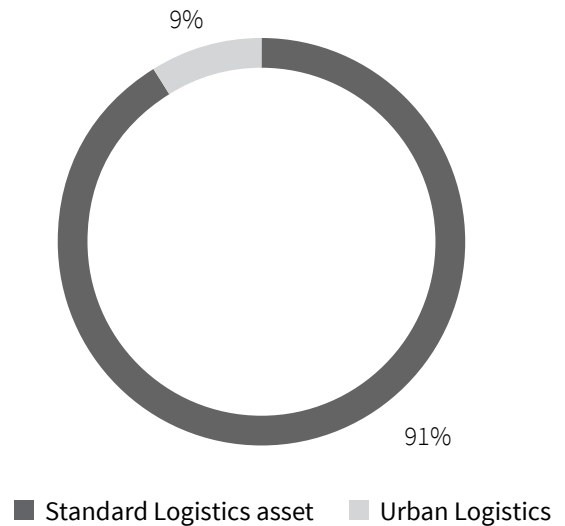
Investment market



2020 Land acquisitions by product



2020 investment volumes by type



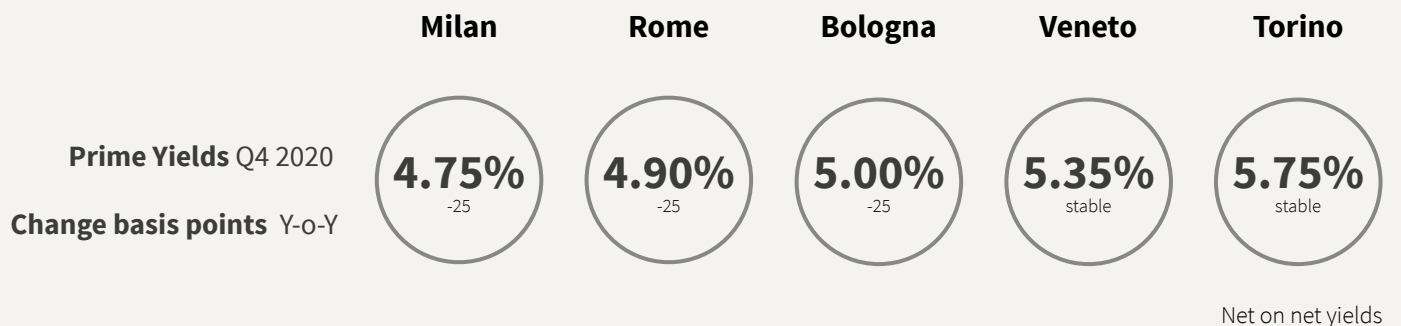
€1.6 bn

Total volume

N° of deals **36**

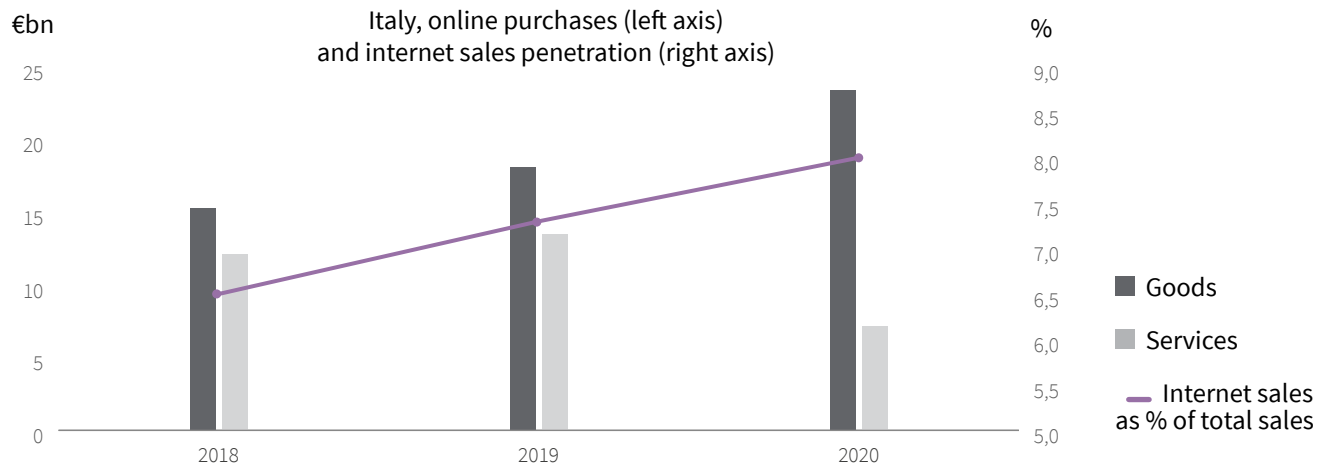
Portfolios **13**

10 deals > **€50 m**



The impact of e-commerce in logistics

E-commerce will continue to drive occupier demand for a variety of logistics buildings



Source: Osservatorio B2c, Politecnico di Milano

Ongoing occupier demand for:



Large fulfilment centres



Facilities for online grocery fulfilment



Parcel hubs and local parcel delivery centres



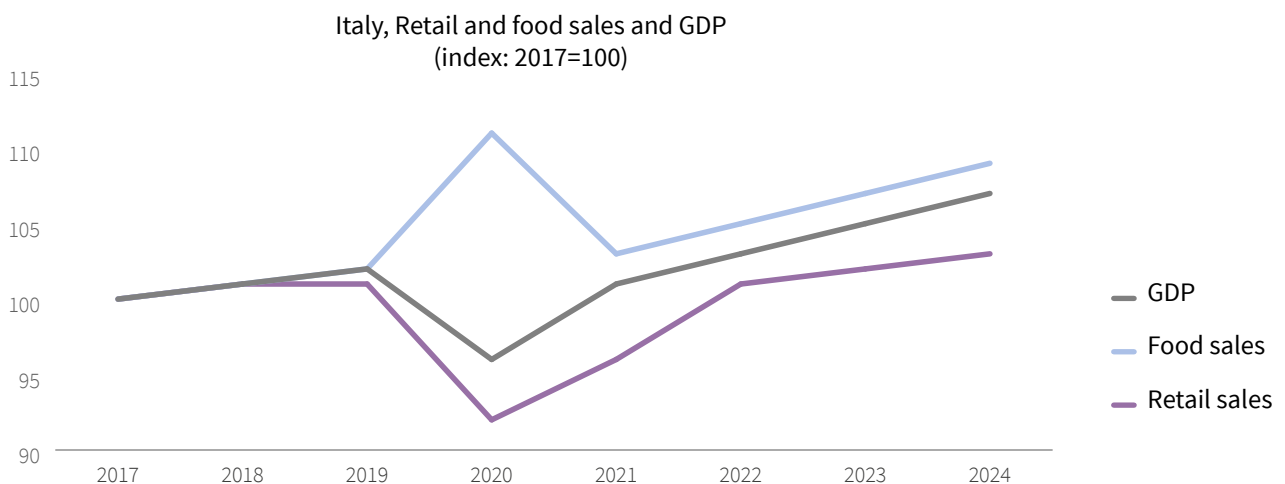
Facilities for delivery of larger items – white goods, furniture, etc.



Last mile depots and micro-fulfilment / hyper local centres

Cold storage

Rising occupier demand for cold storage space will drive new investors' interest



Source: Oxford Economics



Strong grocery spending expected to continue over the medium term



Growing requirements linked to the pharmaceutical/healthcare sectors. The challenge of storing and distributing certain potential Covid-19 vaccines has spiked further interest



Expansion of online grocery + prepared meals and food deliveries requires additional cold store processing and packing space



Consolidation among cold chain operators will stimulate demand for larger units.

* **Last mile:** Size parameter: from **3,000sqm** to **10,000sqm**

- **Functional parameter:** In logistics and transport, last mile refers to the actual delivery of the object to the customer. The delivery can take place at home, in store, in a locker or by using click&collect.
- **Location parameter:** 10/15 km from the urban center
- **Technical parameter:** height under beam 5/6 mt, (preferably) crossdocks, large outdoor area



Contacts

Davide Dalmiglio

Head of Capital Markets
davide.dalmiglio@eu.jll.com

Elena Di Biase

Head of Logistics Capital Markets
elena.dibiase@eu.jll.com

Guido Ferraresi

Head of Office and
Logistics agency
guido.ferraresi@eu.jll.com

Elena Zanlorenzi

Head of Research
elena.zanlorenzi@eu.jll.com