Q2 2021

Logistics snapshot

General Outlook

GDP growth recovery continues to face a high degree of uncertainty: US and UK forecasts remain robust, and the European ones are improving. The progress and effectiveness of vaccination campaigns and policies to support families and businesses continue to be driving factors for the international recovery. The strong dynamism was accompanied by a rise in prices.

In July 2021 meeting, the ECB Governing Council published its new monetary policy strategy which states that price stability is best maintained by aiming for a 2% inflation target over the medium term. This target is symmetric. The accommodative monetary policy stance was reconfirmed.

In Italy, after the relaxation of the lockdown measures and the restoration of the white zones, due to the surgency of Covid-19 cases connected to the Delta Variant in July, government has extended the state of emergency until 31st December 2021 and the use of the green pass. The annual GDP growth estimates have been revised upwards for 2021, forecasting a growth of 5.9% (Oxford Economics, July 2021) thanks to an improvement in confidence among consumers and businesses. Reform and investment spending plans favored a restart of services, which goes hand in hand with the ongoing consolidation of the industrial activity. Unemployment rate will remain high as business support and redundancy ban gradually stop.

The European Commission and Ecofin approved the Italian plan for the Recovery Fund, paving the way for the arrival of €24.9 billion in pre-financing by the end of July; they will be used to finance the first investment projects and to sustain the economic recovery. The Italian PNRR – Piano Nazionale di Ripresa e Resilienza (i.e., National Recovery and Resilience Plan) plans the allocation of €248 bn.

In Italy, H1 2021 recorded 83 investment deals for a total of around €3 bn, lower by 15% YoY. The slowdown was mainly ascribable to a decrease in deal size (€34 mln vs €59 mln in H1 2020) as the semester registered more transactions than H1 2020, highlighting the positive market outlook. The downtrend was attributable to the retail and office sectors and, slightly, by the hospitality one, as all the other segments showed a positive variation. Office confirms to be the main asset class. Logistics is gaining a growing share of the market (25%) and became the second asset class in terms of investment volume. Living, alternatives and healthcare are now becoming an integral part of investment strategies. Appetite per higher-quality core and core-plus product persists, but the demand is increasing for value-added and opportunistic assets in competitive segments of the market. International investors supported the investment's volume. Milan continues to be the leading Italian market followed by a growing interest in other cities.

The logistics sector maintained its strong momentum in EMEA in the first semester of 2021, sustained by a robust demand driven by e-commerce and 3PLs sectors. With the booming of online shopping, the demand for new last mile logistics facilities is in fact increasing; high land values, lack of available space and zoning issues are creating significant challenges for developers and occupiers. Demand for cold storage facilities is also on the rise. This reflects the increasing volume of items that needs to be kept in cold storage, whether it's COVID-19 vaccines, or food being distributed to restaurants, grocery stores or directly to consumers.

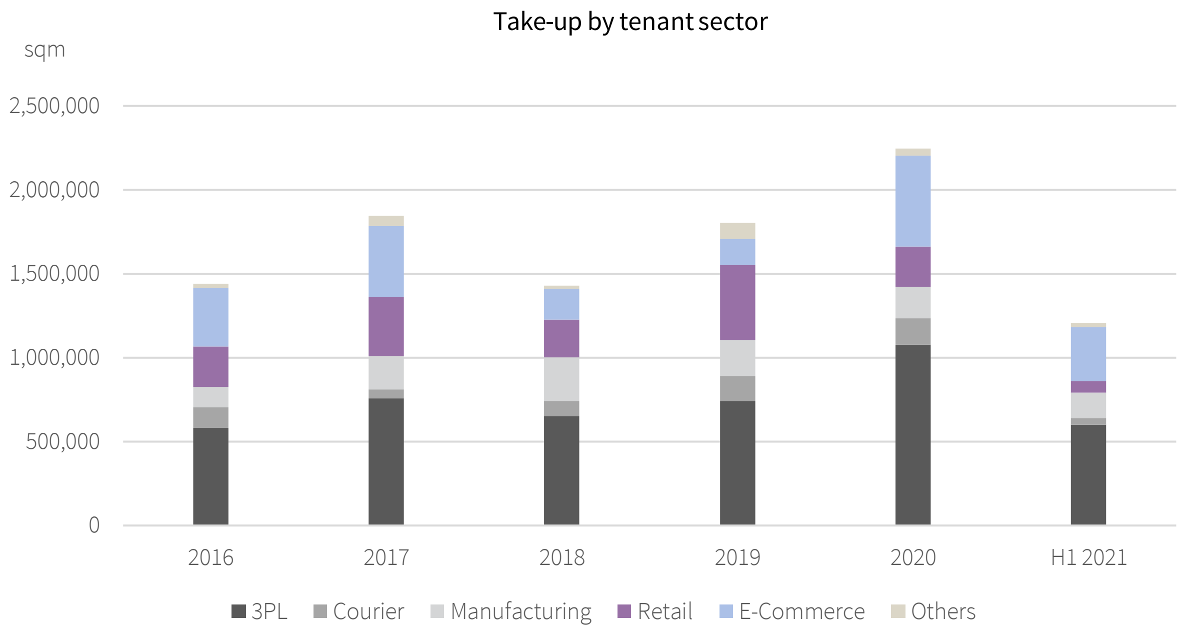
In Italy, another record was hit for the leasing activity in the first semester of 2021, with take-up exceeding 1.2 million of sqm, a figure up by 48% on the same period of 2020 and more than double on the last 10 years average. The number of transactions was impressive too: 83 deals were recorded since the beginning of the year (+38 YoY). More than half of the operations regarded small assets (below 10,000 sqm), partially due to the increase of urban logistics solutions, while only two big size (>50,000 sqm) deals were registered. More than half of the leased space was related to existing assets (49), while the *build to suit* approach diminished its presence affecting just one third of the overall deals.

The e-commerce presence increased in the last six months, characterising the 27% of take-up; the biggest transaction of the semester was related indeed to an e-commerce company which secured almost 200,000 sqm in Abruzzo region. "Other" geographies are becoming more interesting and recorded a strong increase compared to one year ago, both in terms of sqm and number of transactions. Prime rents remained stable over the last three months in the main geographies.

On the investment side, the sector recorded impressive data too: €750 m were registered in the semester, a volume more than double compared to H1 2020. The North of the Country continued to be the main investors' target: Milan attracted more than €200 m of volumes, but in Torino was located the biggest deal of the quarter related to a portfolio of three assets combining standard logistics and last mile solutions. The market witnessed a high dynamicity in the last six months with the closing of 18 deals (+10 on H1 2020) characterised by an increasing average size (€42 m, €32 m in H1 2020). Several lands and development projects were also transacted in the market, confirming the healthy status of the sector. Development activity continued in fact to be fervid: more than 100 development projects are expected to be completed by the end of 2022.

Only international capitals were active in the market, especially those of global origin. The solid fundamentals of the sector led to a strong yields compression in the main geographies.

Occupier market



Take-up by size

43 Transactions — below **10,000 sqm** for **260,000 sqm**

40 Transactions — above **10,000 sqm** for **950,000 sqm**

Milan
H1 2021

Transactions **31**

Take-up
460,000sqm
(share 38%)

Rent
57€/sqm/pa
(+2% Y-o-Y)

Last mile*
85 €/sqm/pa

Rome
H1 2021

Transactions **5**

Take-up
56,000sqm
(5%)

Rent
57€/sqm/pa
(+2% Y-o-Y)

Last mile*
90 €/sqm/pa

Bologna
H1 2021

Transactions **12**

Take-up
122,000sqm
(10%)

Rent
55€/sqm/pa
(+2% Y-o-Y)

Veneto
H1 2021

Transactions **10**

Take-up
125,000sqm
(10%)

Rent
49€/sqm/pa
(stable Y-o-Y)

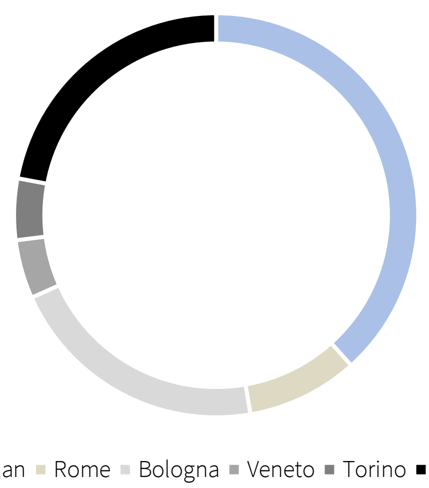
Torino
H1 2021

Transactions **0**

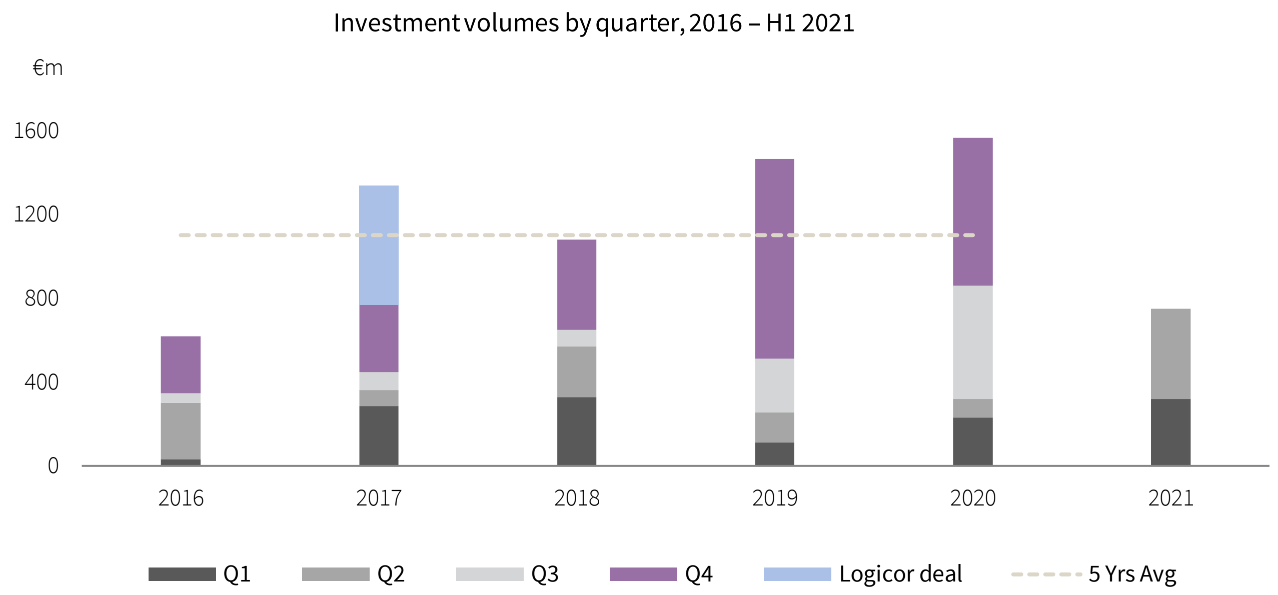
Take-up
0 sqm
(10%)

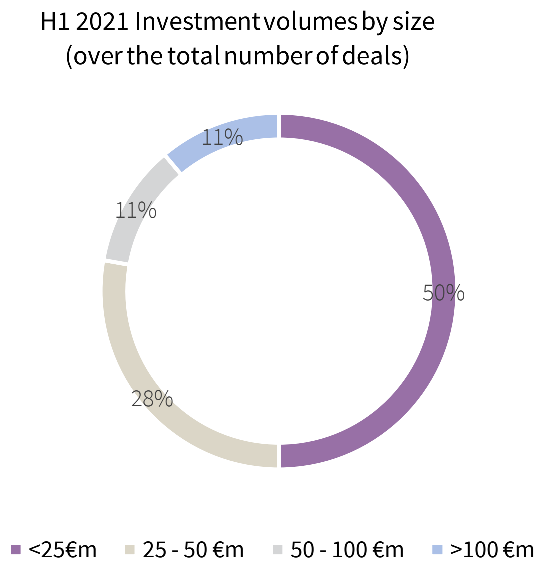
Rent
43€/sqm/pa
(+2% Y-o-Y)

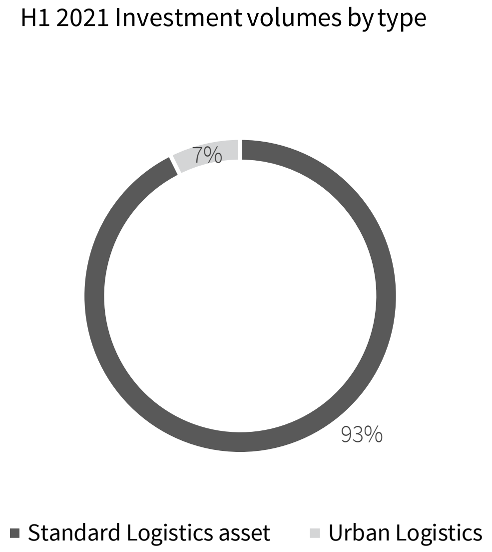
Pipeline 2021-2022 by geography



Investment market







€750 m

Total volume

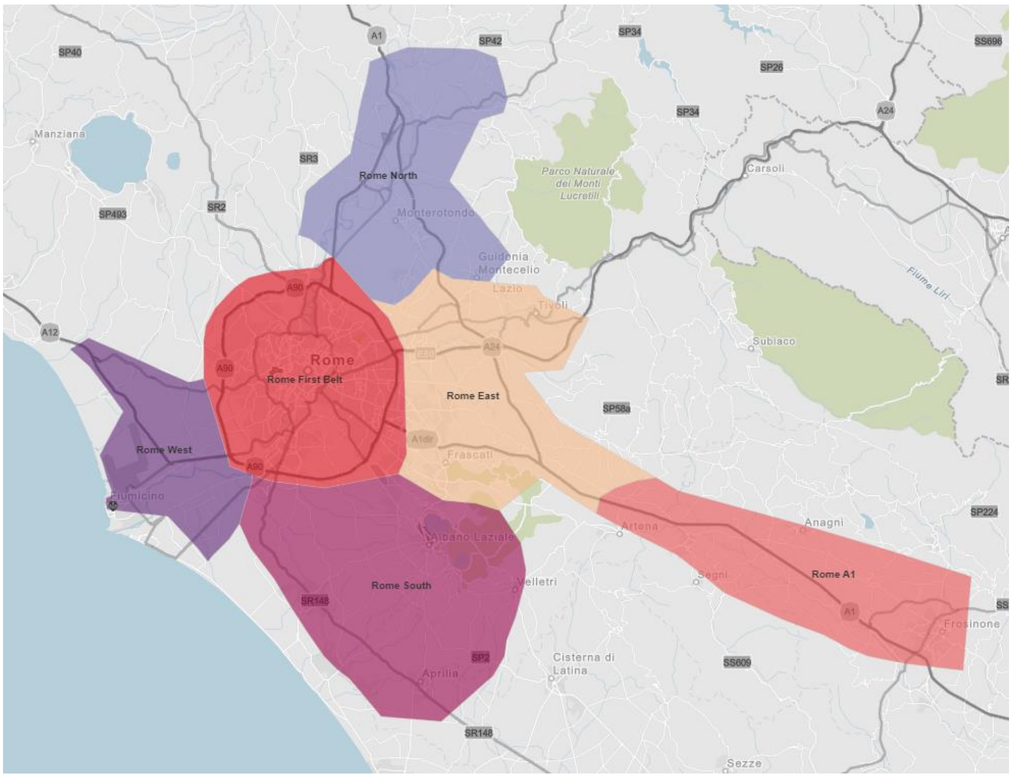
N° of single deals **11**
Portfolios **7**
4 deals > **€50 m**

	Milan	Rome	Bologna	Veneto	Torino
Prime Yields Q2 2021	4.50%	4.50%	4.55%	4.65%	4.80%
Change basis points Y-o-Y	-50	-65	-70	-70	-0.95

Net on net yields

Rome macroarea

A destination restrained by a lack of product



130 K sqm

Take up
(2020 - H1 2021)

<5%

Vacancy rate

8

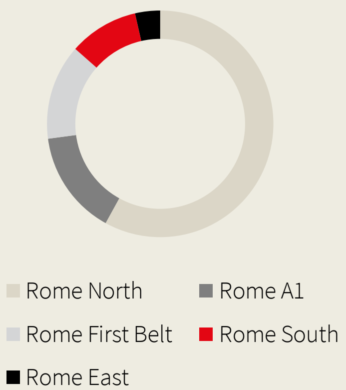
New assets
(2020 - H1 2021)

300 k sqm

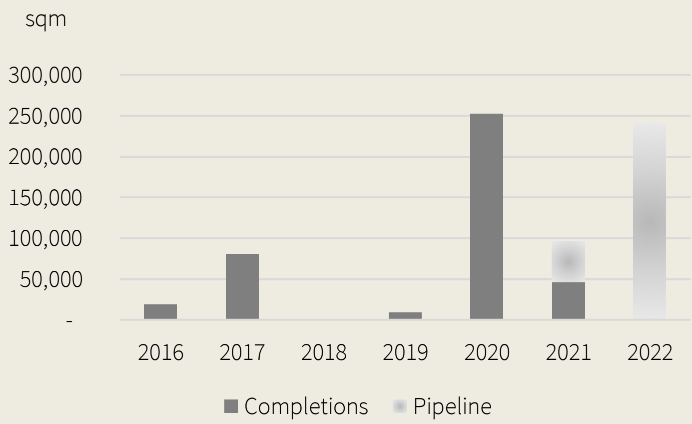
Pipeline under construction
(2021 - 2023)

Rome is the second most relevant logistics markets in Italy. Thanks to its central location, it serves the entire southern Italian market and it is strategic for occupiers that need to reach both northern as well as southern Italy.
The absorption of the last semester amounted to 56,000 sqm, a figure higher by 27% YoY; the take-up is lower than the amount absorbed in the other geographies, but this is due to a shortage of product. Since 2020 the market was dominated by *letting* operations, affecting more than 90% of the take-up. This has been accompanied by an increase of development activity; the completions in the last 18 months were mainly located in Rome North submarket and were driven by the e-commerce sector. Last year saw also the return of speculative projects after years of absence in the market. Moreover, around 300,000 sqm of new assets are already under construction and expected to be completed by 2023.
The growing appeal of the area has been sustained by the interest of international investors who purchased 6 assets in the last 3 semesters. Prime net yields reached the bottom record level of 4.50% in Q2 2021, while standard logistics prime rents in this area are the highest in the Country, at the same level of Milan (57 €/sqm/pa).

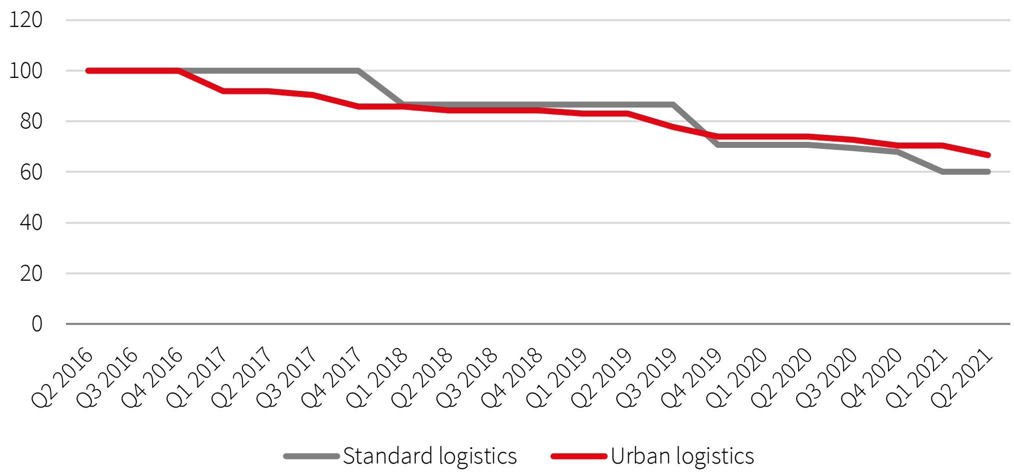
2020-H1 2021 Take-up by geography



Completions and pipeline (under construction)



Logistics standard and Urban logistics prime yield index (Q2 2016=100)

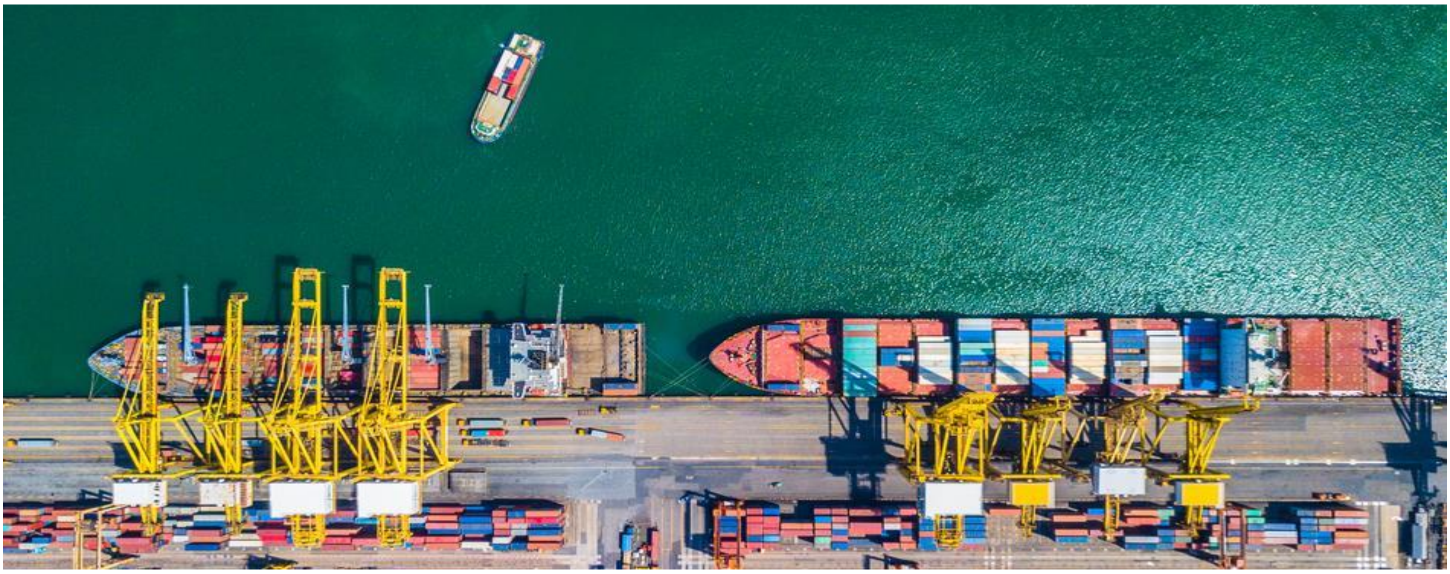


Urban prime yield
-240 bps
Q2 2021 vs Q2 2016

*** Last mile:**

	from	to
Size parameter:	**3,000sqm**	**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

Renato Loffredo
Head of Logistics Agency
renato.loffredo@eu.jll.com

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