

Logistics snapshot



General Outlook

GDP growth recovery continues to face a high degree of uncertainty as countries are struggling to quantify the impact of growth against the Delta variant and global supply bottlenecks. Inflation expectations have risen in many major economies and continue to incite speculation over the timing of policy tightening.

US Fed Chair Powell indicated that QE tapering might start at year-end. In September 2021 meeting, the ECB Governing Council expects the key ECB interest rates to remain at their present or lower levels until inflation reached 2%, well ahead of the end of its projection horizon and durably for the rest of it.

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, the government has extended the state of emergency until the 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 6.6% (Oxford Economics, October 2021) thanks to an improvement in confidence among consumers and businesses. GDP expansion is driven by a 5% surge in household consumption that reflects the gradual reopening of the economy since April.

The first tranche of funding (around €25 bn) from the EU Recovery Fund has been disbursed to the Italian government in August. The Italian PNRR – Piano Nazionale di Ripresa e Resilienza (i.e., National Recovery and Resilience Plan) plans the allocation of €248 bn. With the D.M. 6th August 2021, the Ministry of Economy and Finance has proceeded with the allocation of resources in favor of each Administration responsible for the interventions. Brussels will make ten transfers to the Italian state upon reaching the objectives, by mid-2026.

In Italy, the first nine months of 2021 witnessed a good dynamism of the market, with the closing of 144 deals for a total of around €5.4 bn, higher by 2% YoY. Even if the office sector confirmed to be the main investors' target with around €2 bn of volumes, the logistics one hit a new record high reaching in Q3 2021 the highest number of investments ever recorded. Living, alternatives and healthcare are becoming an integral part of investment strategies, while the retail sector continued to record a downward trend as the hospitality one, although the latest remained one of the most sought-after sector. The positive market momentum was highlighted by the increasing number of transactions which were characterised by a smaller deal size (€36 mln vs €61 mln in YTD Q3 2020). International investors were the most active in the market, looking for assets in the whole investment spectrum in the most competitive segments. Milan is still the main investors' destination, attracting the 43% of the volumes, but other geographies are becoming more and more appealing along with the increasing interest in the living, alternatives and healthcare sectors.

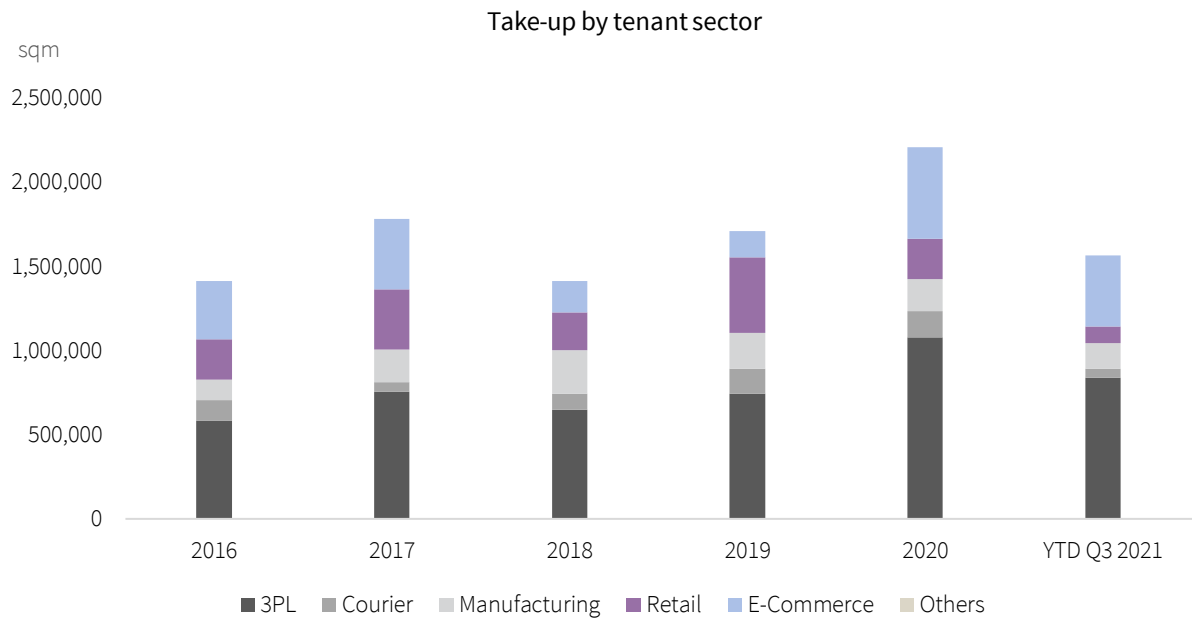
At the end of the third quarter, take-up in Italy totalled around 1.6 million of sqm, a figure slightly higher (+3%) than the same period of one year ago and 83% higher than the last YTD Q3 10-years average. The market was particularly dynamic, recording a booming number of transactions: 123 deals were closed, a number already higher than what achieved in the whole 2020. Most of them (58%) regarded assets with a surface below 10,000 sqm, confirming the high appetite for urban logistics solutions. However, since the begin of the year 4 big deals (> 50,000 sqm) were closed both in the North, Centre and South of the Country.

The demand was driven by grade A assets (93%) and by 3PLs operators which affected more than half of the demand. Besides, e-commerce players continued to increase their presence in the market, absorbing the 26% of the overall space in the first three quarters of 2021; the biggest transaction of the year was related indeed to an e-commerce company which secured almost 200,000 sqm in Abruzzo region. The constant increase of take-up over the year has been accompanied by a fervid development activity: more than 1 million of sqm were added to the market since the begin of 2021; the new assets were mainly related to *pre-let* projects (61%), followed by speculative (29%) and owner occupation ones (10%).

On the investment side, the sector hit a new record at the end of September, reaching around €1.8 bn of volumes, a figure more than doubled compared to the first three quarters of 2020 and already higher than the total of the previous year. Moreover, several lands and development projects were transacted in the market: both investors with a long-standing presence in the market and major European and global property companies are looking at Italy as a high potential new European logistics destination. The number of deals was impressive: 41 operations were recorded in the market (+19 YoY), characterised by a remarkable average size (€43 mln). Big portfolio deals dominated the market: the main one was a 9 assets portfolio located in the North of Italy sold from Blackstone to GLP for around €260 mln. Excluding mixed portfolios, Milan continued to be the preferred destination, attracting more than half of the volumes. An increasing appealing was also observed for Torino, Bologna and Veneto macroareas. Rent reversion is rewarded with sharper entry yields by specialist logistics investors looking to create and expand their presence in the Italian market.

The abundance of liquidity from European and Global investors, targeting product across the risk profile curve is pushing yields downwards with a strong premium for a combination of asset quality, location, covenant and security of income. While the prime net yield has remained stable in the last quarter, ongoing investment activity points towards a likely compression by the end of the year.

Occupier market



Take-up by size

71
Transactions

below **10,000 sqm**
for **420,000 sqm**

52
Transactions

above **10,000 sqm**
for **1,200,000 sqm**



Milan

YTD Q3 2021



Transactions **48**

Take-up

600,000sqm

(share 38%)

Rent

57€/sqm/pa

(+2% Y-o-Y)

Last mile*

85 €/sqm/pa

Rome

YTD Q3 2021



Transactions **11**

Take-up

140,000sqm

(9%)

Rent

57€/sqm/pa

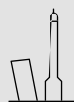
(+2% Y-o-Y)

Last mile*

90 €/sqm/pa

Bologna

YTD Q3 2021



Transactions **15**

Take-up

140,000sqm

(9%)

Rent

55€/sqm/pa

(+2% Y-o-Y)

Veneto

YTD Q3 2021



Transactions **14**

Take-up

160,000sqm

(10%)

Rent

49€/sqm/pa

(stable Y-o-Y)

Torino

YTD Q3 2021



Transactions **0**

Take-up

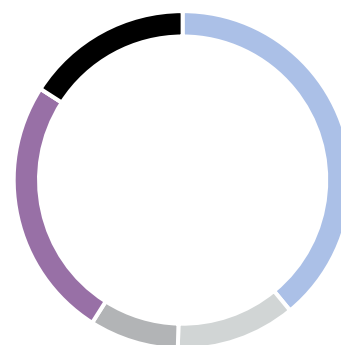
0 sqm

Rent

43€/sqm/pa

(+2% Y-o-Y)

Pipeline under construction
2021-2022 by geography

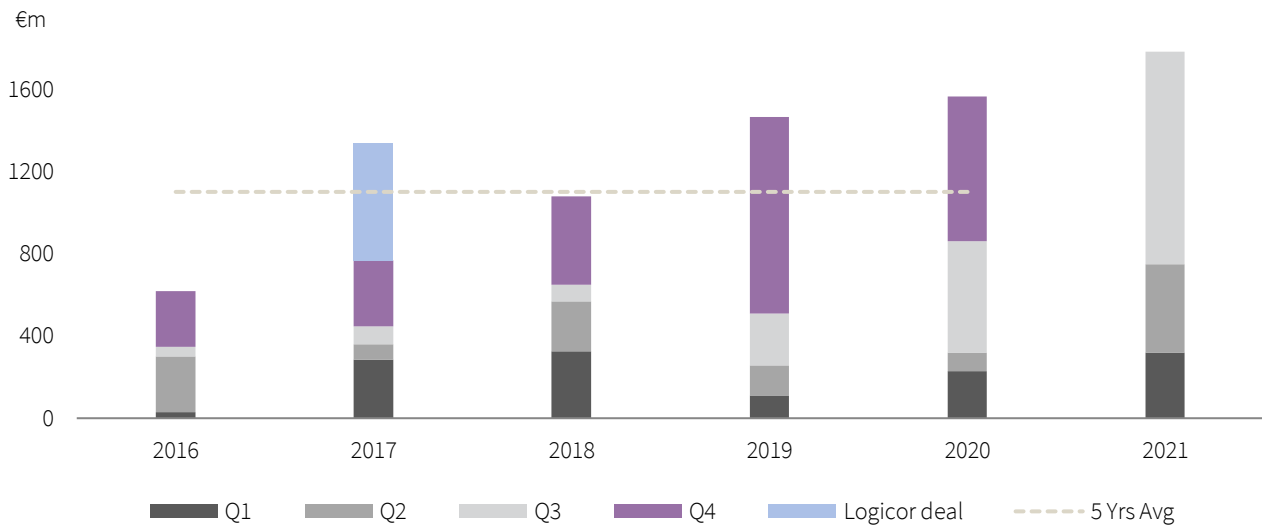


■ Milan ■ Rome ■ Bologna ■ Veneto ■ Torino ■ Other

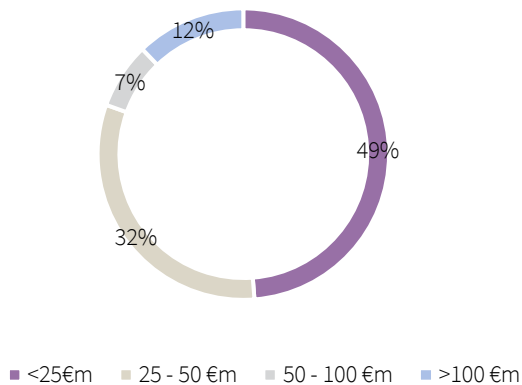
* Last mile rents: refer to existing assets only

Investment market

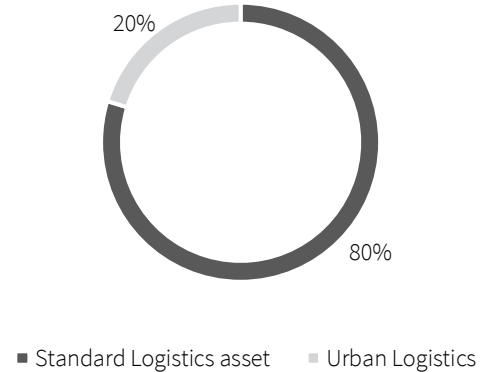
Investment volumes by quarter, 2016 – YTD Q3 2021



YTD Q3 2021 Investment volumes by size (over the total number of deals)



YTD Q3 2021 Investment volumes by type



€1,800 m
Total volume

N° of single deals **27**
Portfolios **14**
8 deals > **€50 m**

	Milan	Rome	Bologna	Veneto	Torino
Prime Yields Q3 2021	4.50%	4.50%	4.55%	4.65%	4.80%
Change basis points Y-O-Y	-40	-55	-60	-70	-0.95
	Net on net yields				

Italian logistics stock

A huge stock, only partially modern

The logistics stock in Italy consists of around 45 million of sqm and more than 2,000 assets. The modern stock (built in the last 10 years) represents just the 17% of the total, corresponding to 293 assets which are owned mainly by institutional players (71%) and end-users (22%). Among the main consolidated geographies, Veneto and Rome result to have the most recent developments (both 23% of the total), while Milan, Bologna and Torino are in line with the Italian average.

Moreover, more than 1 million square meters are already under construction and expected to be completed by the end of 2022.



Total stock

45 mln sqm



Pipeline Under construction

> 1 mln sqm



Modern stock
(built in the last 10 years)

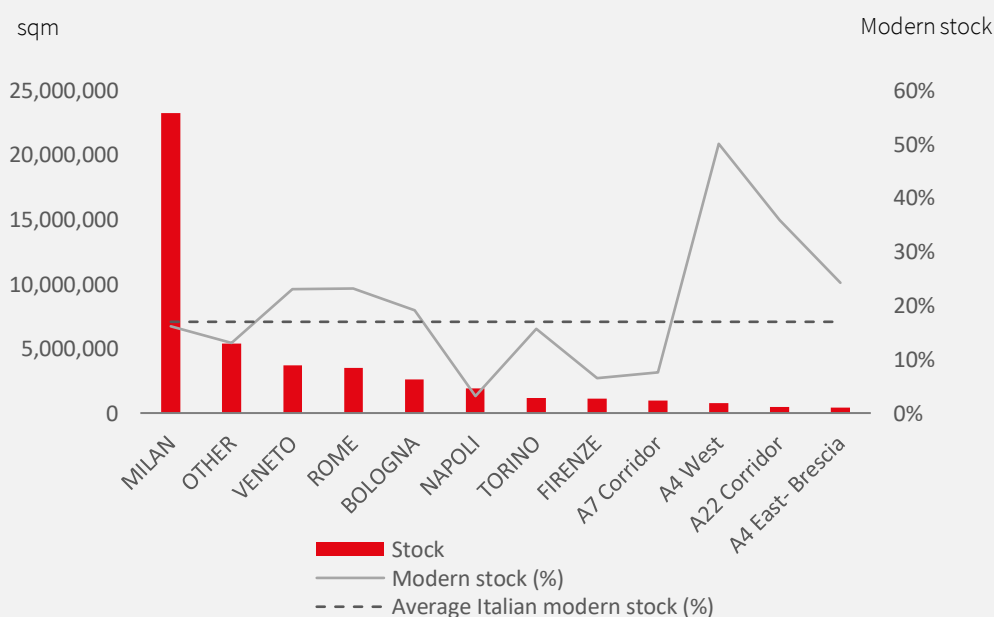
7.7 mln sqm



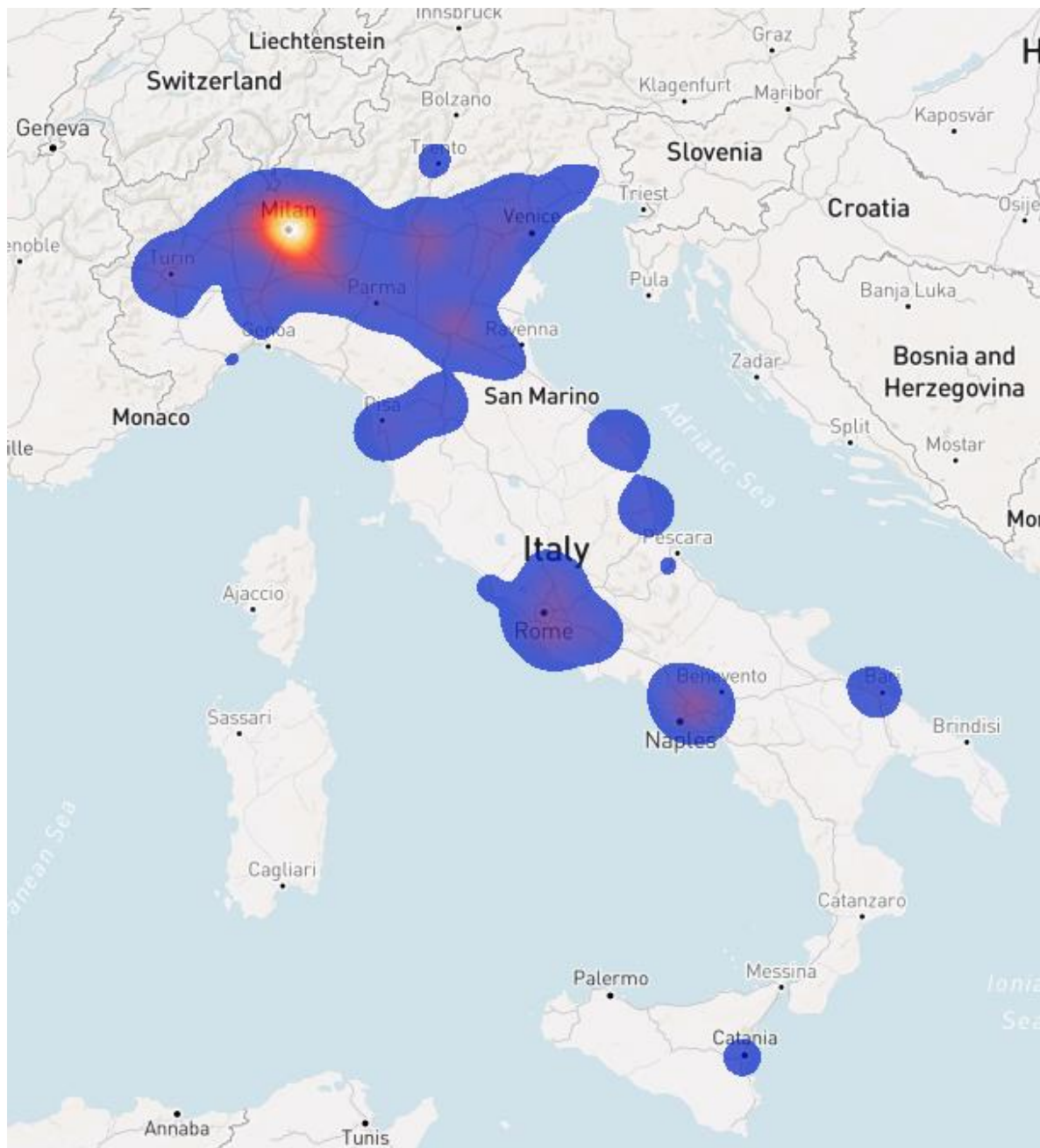
Vacancy rate

< 5%

Stock by submarket and % of modern stock (right axis)



Italy Logistics Stock Heatmap



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