Italian Logistics - H1 2022

SPOTLIGHT
Savills Research

Italian Logistics Market Overview

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Highlights

- Investment volume hits a new high record for a first semester
- Prime net yields could decompress in the coming months
- Prime rents increased in all the key markets and will continue to grow
- Secondary and emerging locations are getting ground
- Developments are booming, especially those of speculative nature

Main Indicators

Trend YoY

INVESTMENT VOLUME
€ **1,800** M
▲ **+147%** YoY

TAKE-UP
1,500,000 sqm
▲ **13%** YoY

PRIME NET YIELD
GRADE A LOGISTICS
3.90 %
▽ **-35** bps YoY

PRIME RENTS
GRADE A LOGISTICS
MILAN & ROME
59 €/sqm/pa
▲ **+4%** YoY

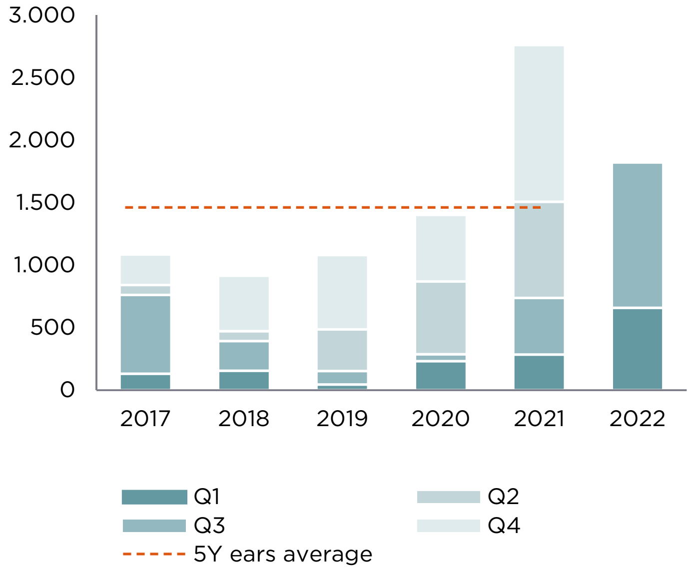
Logistics Investment Market

The logistics sector continued to attract strong interest from investors. It represented 30% of overall investment volumes since the beginning of the year with € 1.8 B, a new record high for a first semester. Volumes in H1 2022 increased strongly both on H1 2021 (+147%) and on the last H1 five years average (+290%). Moreover, this asset class was the most dynamic one, recording 38 operations, 13 of which were related to portfolios.

The investment activity continued to be concentrated in the North of the Country, where more than 85% of volumes were transacted. During the semester, Verona represented a top destination: here 31% of volumes took place across 6 transactions. Among them there is the highest deal of the semester represented by the sale of the Oppeano Logistics Portfolio for around € 270 M. A great interest has been also observed in the clusters of Milan, Bologna and Novara.

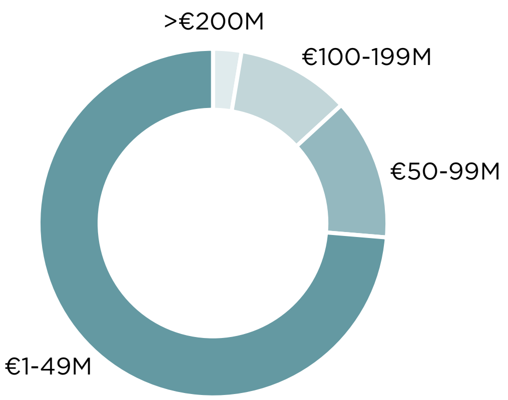
In line with the historical trends, the market continues to attract foreign capital: the market resulted in fact to be dominated by international capitals which affected 97% of the total. Investors are mainly ascribable to institutional players of global origin.

Investment volume by quarter (€ M)



Italy remains an attractive Country for investors, offering higher yields compared to other mature markets. Despite this, prime net yields could decompress in the coming months.

H1 2022 Investment volume by deal size
(over the total number of deals)



The investments of the semester refer to standard warehouse, cross dock solutions, light industrial and land acquisitions. The first represents the most common typology, counting for more than half of half-yearly volumes. Land acquisitions continue to attract a significant appeal and were mainly concentrated in Milan, Rome and Bologna submarkets.

Deals below € 50 M remain the most frequent (28 out of 38 deals) and affected 40% of total volumes. Nevertheless, 5 large deals (> € 100 M) were recorded and counted together 42% of total investment activity.

Prime net yields are still at their bottom value (3.90%) but a slight decompression could be observed in the main markets by the end of 2022. However, higher Italian yields compared to core European locations may continue to attract liquidity in the country.

Logistics Letting Market

Logistics take-up remained elevated in the first six months of the 2022, recording more than 1.5 million of sqm and setting a new record for a first semester. This figure is higher both compared to the first semester of the last year (+13%) and to the last 5 half-year average (+59%).

The market was highly dynamic, recording 88 letting operations: 32 of them refer to spaces below 10,000 sqm, while just 4 operations of big dimension (> 50,000 sqm) were closed since the beginning of the year.

3PLs operators continue to drive the demand of logistics spaces, securing more than half of the total. The most active operators sectors were: retailers, e-commerce, couriers, pharmaceutical and grocery. The latter two are sustaining in particular the demand of cold storage solutions.

Looking at the geographies, the North of the Country remains the most appealing. In the semester the Pavia-Piacenza cluster was the most requested, attracting 27% of the take-up. Milan and Rome recorded a strong level of absorption too, with more than 200,000 sqm leased.

Emerging clusters are gaining ground, such as Bergamo. Brescia and Tortona (Alessandria).

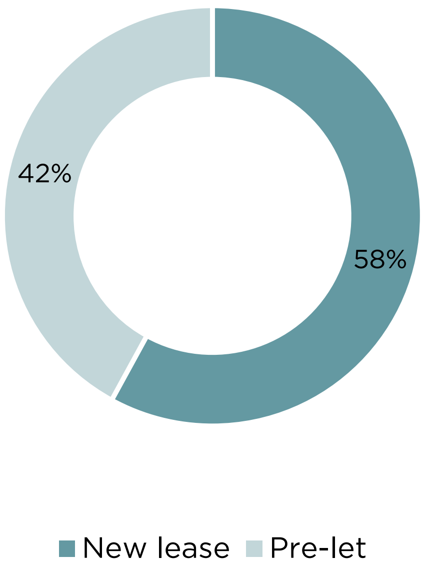
The positive momentum of the sector has led to a boom in developments. By the end of 2023, more than 1.7 million of sqm are expected to be added to the market corresponding to 39 projects. Lombardia is the region where the new developments are mostly concentrated (38%), followed by Emilia Romagna, Piemonte, Lazio, Veneto.

The majority of developments (72%) are of speculative nature, confirming the high confidence of logistics developers. 32% of spaces under construction has been already let.

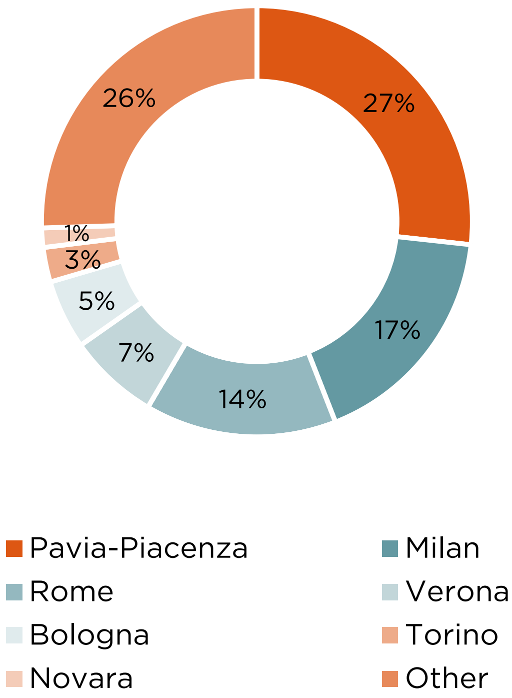
In this context, it is not surprising that prime rents increased also in the second quarter of the year in the key geographies: Milan and Rome (both at 59 €/sqm), Verona (51 €/sqm), Piacenza (49 €/sqm). In addition, rising costs will probably lead to further rental growth.

> “Low vacancy rate and the scarcity of grade A assets has led to a significant return of speculative developments.”

H1 2022 Take-up by type



H1 2022 Take-up by cluster



Logistics indicators, Q2 2022

	Prime rents (€/sqm/pa)	Prime net yields
Milan	59	3.90%
Rome	59	4.00%
Bologna	57	4.00%
Verona	51	4.25%
Pavia-Piacenza	49	4.00%
Novara	46	4.25%
Torino	46	4.50%

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

Prime rents are raising up

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