

Italian Logistics - YTD Q3 2023

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SPOTLIGHT
Savills Research

Italian Logistics Spotlight



66 A robust demand for space supports the sector

Highlights

Logistics remains central to investors' strategies, being the most dynamic sector and the second in terms of investment volumes

Prime net yields decompressed in the third quarter of 2023

Take-up reached a new record high for a YTD Q3





Prime rents increased in all the key markets and will continue to grow

Secondary and emerging locations are gaining ground

Strong pipeline of new developments concentrated in the North of the country



YTD Q3 2023 KPIs

- 
INVESTMENT VOLUMES
1 bln €
-58% YoY
- 
NUMBER OF DEALS
44
-8% YoY
- 
TAKE-UP
2,200,000 sqm
+6% YoY
- 
PRIME NET YIELD GRADE A LOGISTICS
5.20%
+90 bps YoY
+20 bps QoQ
- 
PRIME RENTS GRADE A LOGISTICS MILAN & ROME
65€/sqm/y
+8% YoY
- 
DEVELOPMENT UNDER CONSTRUCTION
+1,600,000 sqm
44 projects

Logistics Investment Market

In the first nine months of 2023 the sector recorded around 1 billion of investment volumes, an encouraging figure despite the slowdown (-58% compared to the same period of the previous year). Among all the asset classes, logistics is in fact the first sector in terms of number of deals and the second one in terms of volumes.

A total of 44 deals have been recorded; the transactions were characterised by small ticket size, with 60% below € 20 mln. Despite this, one big size portfolio (> € 150 mln) located in the North of the country drove the quarterly volumes.

As a result, the North remains the most sought-after location, especially Milan which represents the first target of investors. Other locations stood out in the year, such as Pavia-Piacenza and Bergamo-Brescia.

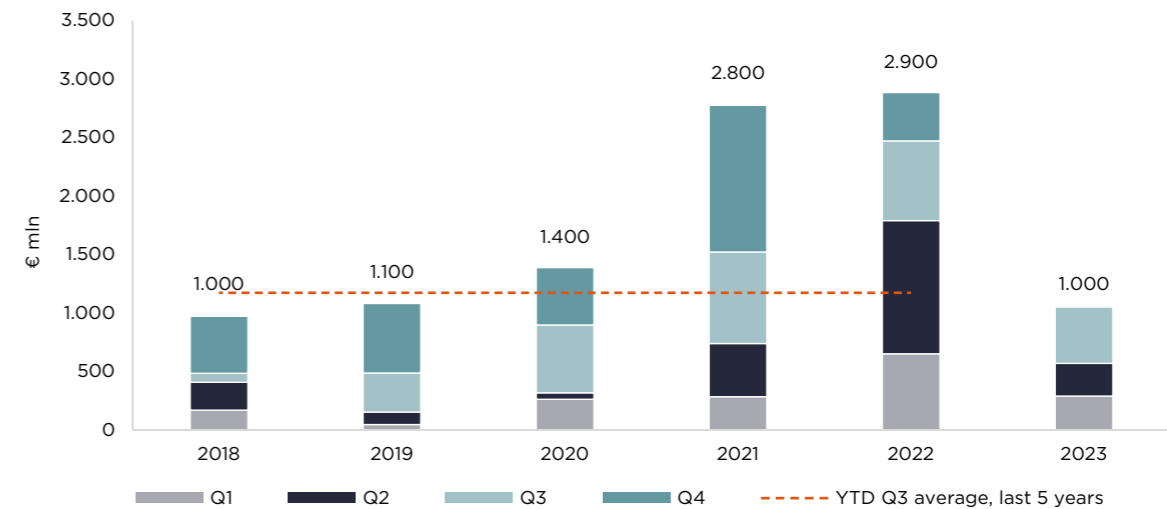
In line with the historical trend, the share of foreign capital was the most predominant, representing 85% of the total. On the other hand, domestic players were involved in 13 transactions, comprising one portfolio deal.

Prime net yields continue to decompress in all key geographies in the third quarter of 2023 as well. Today, Milan is back to the level of five years earlier at 5.20% and another upsurge could occur in the next quarter.

Last mile and cross dock assets are now considered mature for investments, notwithstanding higher rents and customization. IOS (Industrial Outdoor Storage) are now under investors' radars.

66 New record high take-up and the dynamicity on the investment side demonstrate the resilience of the sector. High demand for modern assets will support rental growth in the near term and appetite for investments.

Investment volume by quarter



Logistics Letting Market

The absorption of logistics space reached a new record high in the first three quarters of 2023: around 2.2 mln sqm were leased, a figure higher both compared to the same period of previous year (+6%) and to the YTD Q3 last 5 years average (+37%). The market proved once again to be highly dynamic, recording 119 transactions mainly characterized by medium size (10,000-30,000 sqm).

From the beginning of the year, 3PL operators counted for around half of total demand of spaces. Other relevant players' sectors during the last nine months were: retailers, groceries, and couriers operators, while e-commerce presence is slowing down. Speculative developments were successful, covering 41% of absorption.

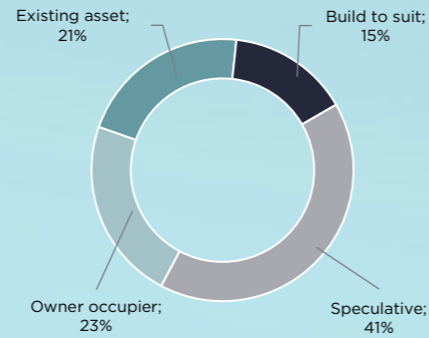
The North of the country is still the preferred location where tenants

secured around 77% of take-up; Lombardia and Piemonte together cover approximately half of the activity. Primary locations are the most appealing, but emerging clusters such as Tortona, Padova-Vicenza-Rovigo and Bergamo-Brescia are now considered mature locations.

The rising demand for logistics space justifies the high number of development projects currently in pipeline: by the end of next year around 1.6 million sqm should be placed on the market related to 44 assets; 42% of that have been already allocated.

The high demand for spaces, combined with the demand for modern assets and a low vacancy rate, are pushing rents up. A new record high has been hit with values reaching € 65/sqm/y in the clusters of Milan, Rome and Bologna.

YTD Q3 2023 Take-up by transaction profile



Logistics key facts



High performance and resilient characteristics



Capital value is a key factor for investments



Growing attention for IOS (Industrial Outdoor Storage)



Incremental attention to brownfield opportunities

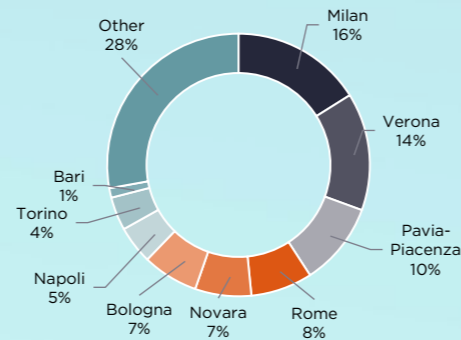


ESG parameters are increasingly in demand



Prime rents are raising up

YTD Q3 2023 Take-up by cluster



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