Italian Logistics - YTD Q3 2022

SPOTLIGHT
Savills Research

Italian Logistics Spotlight

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Highlights

- Investment volume hits a new high record for a YTD Q3 period
- Prime net yields started to decompress in the last quarter
- 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
€ **2,500** M
▲ **+67%** YoY

TAKE-UP
2,000,000 sqm
▲ **+15%** YoY

PRIME NET YIELD
GRADE A LOGISTICS
4.30 %
▲ **+5** bps YoY

PRIME RENTS GRADE A
LOGISTICS MILAN & ROME
60 €/sqm/pa
▲ **+5%** YoY



Logistics Investment Market

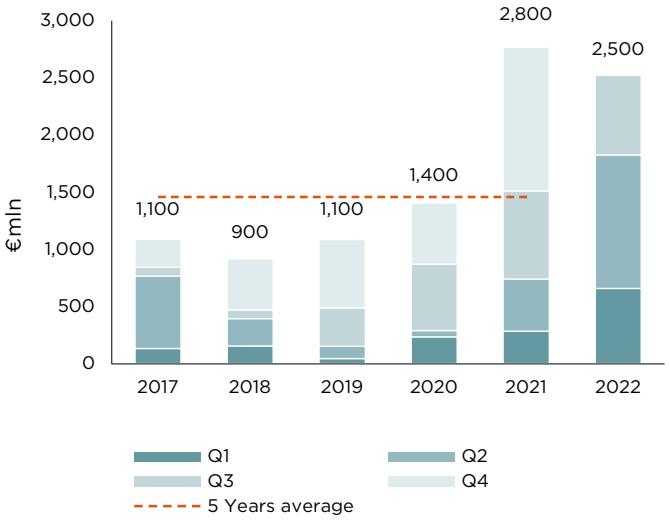
The logistics sector continued to record impressive volumes: it was the second most invested sector in the first three quarters of 2022, attracting 28% of the total. Year to date volumes are the highest ever recorded for a YTD Q3: they increased by 67% compared to the same period of the previous year, even if the third quarter slowed down compared to the previous three months (-40%).

This asset class was the most dynamic, recording 57 operations, 14 of which were related to portfolios.

The investment activity is still concentrated in the North of the Country, where more than 75% of volumes were transacted. From the beginning of the year, Verona and Milan represented the top destinations: here 45% of volumes (without considering assets in mixed portfolios) were transacted across 29 deals. A mixed portfolio transaction (> € 100 mln) drove the volumes in Q3 2022, affecting more than half of quarterly activity.

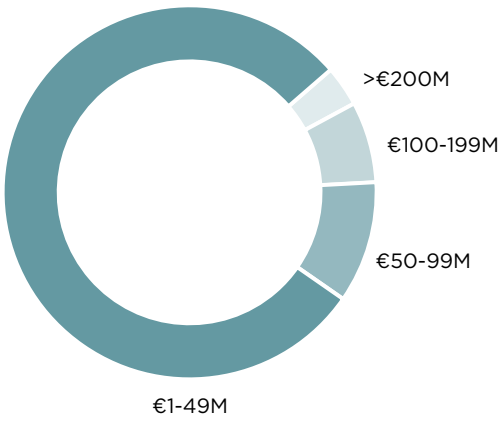
In line with the historical trend, the market continues to attract foreign capitals, which represented 83% of total year to date volumes. Investors are mainly ascribable to institutional players of global origin.

Investment volume by quarter



> Despite the decompression of yield following rising financing costs, Italian logistics market continues to attract a significant level of capitals.

YTD Q3 2022 Investment volume by deal size
(over the total number of deals)



The investments from the beginning of the year refer to standard warehouses, cross dock solutions, light industrial and land acquisitions. The first represents the most common typology, counting for more than half of volumes. Land acquisitions maintain a significant appeal and were mainly concentrated in Lombardia, Emilia Romagna and Lazio regions.

Deals below € 50 mln are the most frequent (45 out of 57 deals) and affected 41% of total volumes. Nevertheless, 6 large deals (> € 100 mln) were recorded, representing together 44% of total investment activity.

Prime net yields started to decompress in the third quarter of the year following rising financing costs. Prime net yields in Milan and Rome reached 4.30% (+40 bps on the previous quarter). In some locations such as Rome, Bologna and Piacenza, however, prime net yields are still below the Q3 2021 level.

Logistics Letting Market

The letting market remains positive in the third quarter of 2022 with around 600,000 sqm taken up (+34% YoY). This brings total absorption from the beginning of the year to more than 2 million sqm, a figure 15% higher on the same period of 202, being the top amount ever recorded in the first 9 months of a year.

The market was highly dynamic, reporting 119 letting transactions, 34 of which closed in the last quarter. The operations are mainly sized between 10,000 and 50,000 sqm, however, 5 big deals (> 50,000 sqm) were recorded year to date, 2 of which in the last quarter. The largest transaction of the year was related to a 3PL operator securing around 70,000 sqm in the province of Brescia.

It is not surprising that 3PLs players continue to drive the demand of logistics spaces, accounting for more than half of the total take-up. The most active operators sectors were: retailers, couriers and e-commerce players.

The North of the Country represents the most appealing area; the Pavia-Piacenza cluster for instance was the most requested one, counting for 26% of the year to date take-up. Milan and Rome recorded a strong level of absorption too, reaching together more than 650,000 sqm.

Emerging clusters are becoming more attractive, counting for 24% of total take-up in the first three quarters of 2022. Among them, Bergamo-Brescia and Parma-Reggio Emilia clusters stood out.

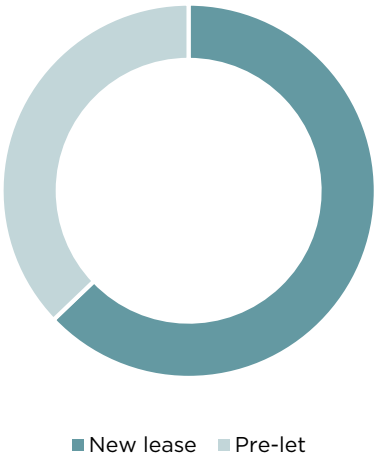
The positive momentum of the sector has led to a boom in developments. By the end of 2023, circa 1.4 million of sqm are expected to be added to the market across 40 projects. Lombardia is the region where the new developments are mostly concentrated (59%), followed by Emilia Romagna, Veneto, Lazio and Piemonte.

The majority of developments (25) are of speculative nature, confirming the high confidence of logistics developers. However, 33% of spaces under construction has been already let.

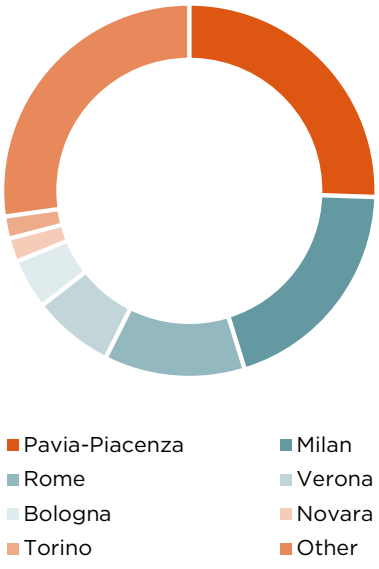
Prime rents continued to increase also in the third quarter of the year in key geographies: Milan and Rome reached the top level of the last 10 years (60 €/sqm/y). Moreover, another upsurge could occur in the next quarter as a consequence also of construction and financing rising costs.

> “The demand for logistics space remains high and a new record is expected to be reached in 2022.”

YTD Q3 2022 Take-up by type



YTD Q3 2022 Take-up by cluster



Logistics indicators, Q3 2022

	Prime rents (€/sqm/pa)	Prime net yields
Milan	60	4.30%
Rome	60	4.30%
Bologna	58	4.40%
Verona	51	4.65%
Pavia-Piacenza	51	4.40%
Novara	47	4.65%
Torino	46	4.90%

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



ESG is becoming a key parameter



Prime rents are raising up

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