

Logistics snapshot



General Outlook

GDP growth recovery continues to face a high degree of uncertainty: US and UK forecasts are accelerating while European one slowed down again. Inflation is coming back sustained by energy costs and government stimulus programmes, but we should plan for a temporary rebound between 2% and 3%, not for the emergence of a sustained period of above-normal price growth.

In Italy, strict lockdown measures were put in place over Easter to prevent a fresh surge in cases; an increase in vaccinations is essential in order to enable safe reopening. In March, the government led by Mario Draghi finalised an additional emergency €32 bn spending package, increasing support for businesses and extending the redundancy ban and furlough schemes. The Government has approved and transmitted to Parliament DEF 2021. The annual GDP growth estimates have been revised downwards for 2021, forecasting a growth of 4.5% due to the worsening of the epidemic and, consequently, the restrictive measures adopted to contain it. The deficit will reach 11.8% in 2021 while public debt will rise to 159.8% in 2021. Government will ask Parliament to authorise a further budget variance of €40bn for a new measure that will be promulgated by the end of April.

By the end of April, the government will have to submit the plan for the Recovery Fund to the European Commission. The Italian PNRR – Piano Nazionale di Ripresa e Resilienza (i.e., National Recovery and Resilience Plan) plans the allocation of €221.5 bn related to 6 different Missions: digitisation, innovation, competitiveness and culture; green revolution and ecological transition; infrastructure for sustainable mobility; education and research; inclusion and social; health. Among these, more than €120 bn will be allocated to activities directly related to the real estate sector: energy upgrading and renovation of buildings; high speed railways and safe roads; renewable energy, hydrogen and local sustainable mobility; enhancement of skills and right to study; social infrastructures, families, communities and third sector; tourism and culture; special intervention for territorial cohesion; intermodality and integrated logistics and supply chain.

In Italy, Q1 2021 recorded 36 investment deals for a total of around €1.3 bn, lower by 18% YoY. The slowdown was mainly ascribable to a decrease in deal size as the quarter registered more transactions than Q1 2020 (€36 mln vs €51mln in Q1 2020). The downtrend was attributable to the retail sector as all the other segments showed a positive variation; despite this, mixed-use asset combining office and high street saw a great appetite. Logistics, residential, alternatives and healthcare are gaining a growing share of the market. International investors supported the investment's volume confirming the attractiveness of the Italian market.

Rising allocations to logistics were impressive in 2020 and continued to be elevated also in the first quarter of 2021: the sector is benefitting from increased reliance on delivery platforms, online retail and urban logistics. The Covid-19 pandemic has highlighted the need for robust supply chains, resulting in strong demand. Moreover, as bricks and mortar retail was suppressed by the pandemic, consumers were forced online, leaving many retailers looking to solidify and expand their e-commerce infrastructure.

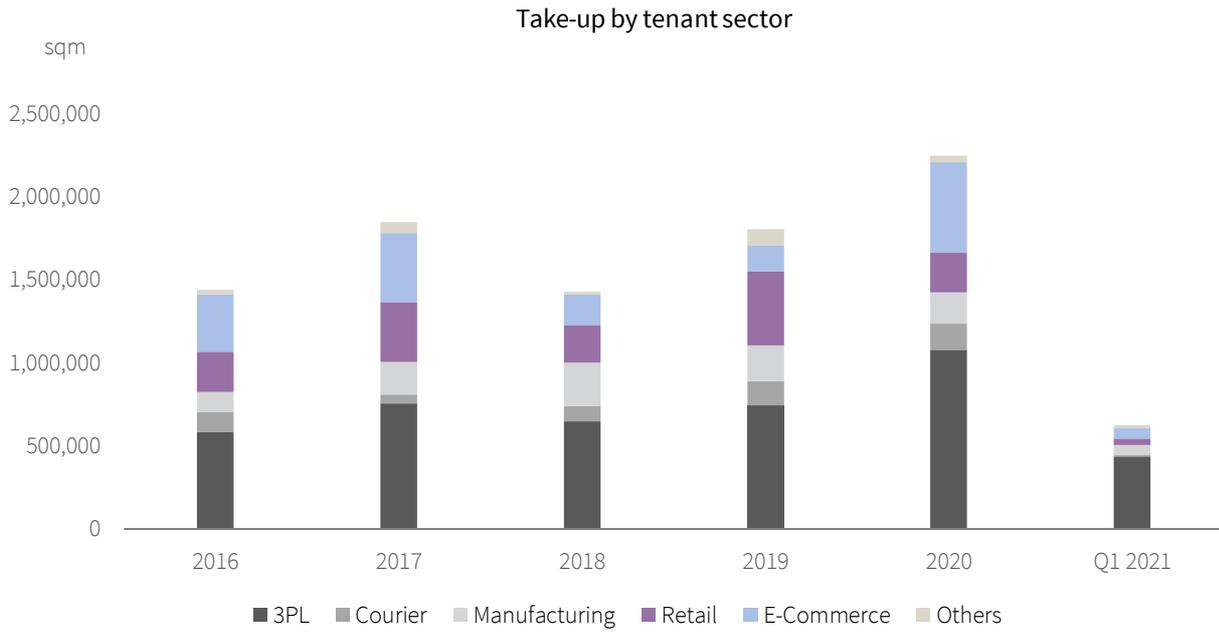
The logistics Italian letting activity continued to be significant also in the first quarter of 2021 and characterised by a notable liveliness: around 620,000sqm were absorbed, a record Q1 figure which almost doubled both on the same quarter of 2020 (+83%) and on the last 10 years average. The number of deals was extraordinary too, counting 49 transactions, the highest amount ever recorded. Almost half of the transactions were related to assets below 10,000sqm while no big deals (> 50,000sqm) were registered, partially confirming the significant interest for last mile solutions. Half of the sqm absorbed concerned existing assets, while *build to suit* operations affected around 35% of quarterly take-up.

3PLs operators dominated the market in the first three months of the year, affecting 70% of space demand; they were followed by e-commerce players (10%), manufacturing companies (9%), retailers (7%) and couriers (2%). Geographically, the North of the Country was the main catalyst of interest, where 85% of the sqm were located. The macroarea of Milan remained the most preferred destination, but the "other" destinations outside the main geographies are gaining ground. Prime rents remained stable in the main geographies as well as incentives.

In the first quarter of 2021, the logistics sector recorded a significant growth compared to the same period of the previous year (+39%), with around €320 mln of investments. As with the leasing activity, the interest of operators was mainly focused on the North of Italy, with the Lombardy region in the forefront. In Q1 2021, 8 deals were recorded, 3 of which were portfolios. Among them, Tristan one stood out, representing the biggest one of the quarter and related to 5 assets located mostly in Milan and Rome macroareas sold to GLP. Two deals of urban assets were closed in the last three months: a portfolio of three assets and a single asset deal. All the investors in the last three months came from abroad, confirming the strong interest for the sector.

After the strong compression of Q4 2020, prime net yields remained stable in Q1 2021 in all the key geographies, but a compression is forecasted by the end of the year.

Occupier market



Take-up by size

25 below **10,000 sqm**
for **145,000 sqm**
Transactions

24 above **10,000 sqm**
for **478,000 sqm**
Transactions



Milan

Q1 2021



Transactions **17**

Take-up

254,000sqm

(41%; +39% Y-o-Y)

Rent

57€/sqm/pa

(+2% Y-o-Y)

Last mile*

85 €/sqm/pa

247,000sqm

Completions

765,000sqm

Pipeline 2021

Rome

Q1 2021



Transactions **3**

Take-up

25,000sqm

(4%; +26% Y-o-Y)

Rent

57€/sqm/pa

(+2% Y-o-Y)

Last mile*

90 €/sqm/pa

49,000sqm

Completions

120,000sqm

Pipeline 2021

Bologna

Q1 2021



Transactions **6**

Take-up

80,000sqm

(13%)

Rent

55€/sqm/pa

(+2% Y-o-Y)

8,000sqm

Completions

137,000sqm

Pipeline 2021

Veneto

Q1 2021



Transactions **4**

Take-up

46,000sqm

(7%; +15% Y-o-Y)

Rent

49€/sqm/pa

(stable Y-o-Y)

16,000sqm

Completions

328,000sqm

Pipeline 2021

Torino

Q1 2021



Transactions **0**

Take-up

0 sqm

Rent

43€/sqm/pa

(+2% Y-o-Y)

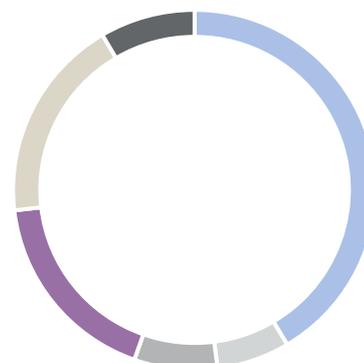
0sqm

Completions

338,000sqm

Pipeline 2021

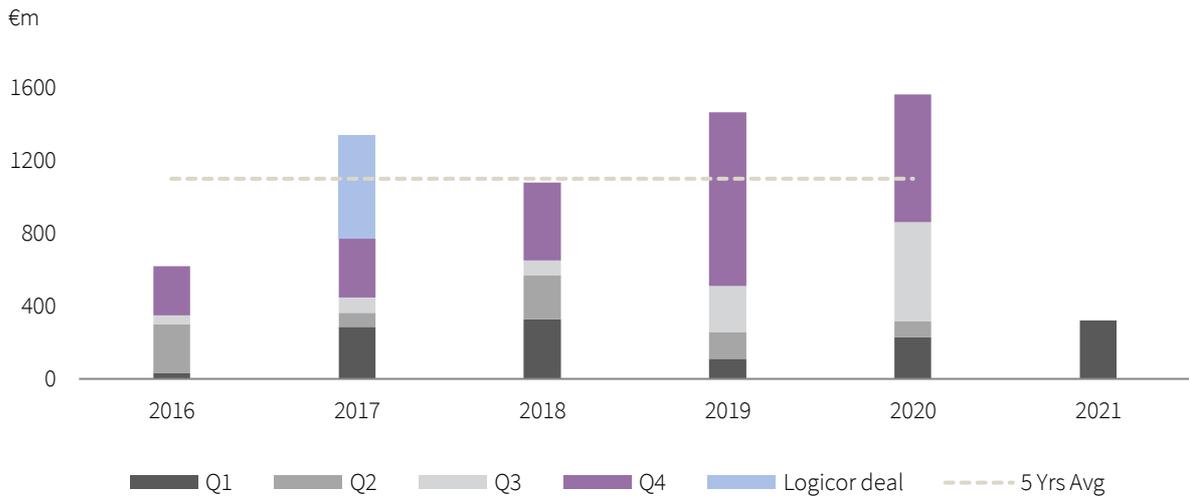
Pipeline 2021 by geography



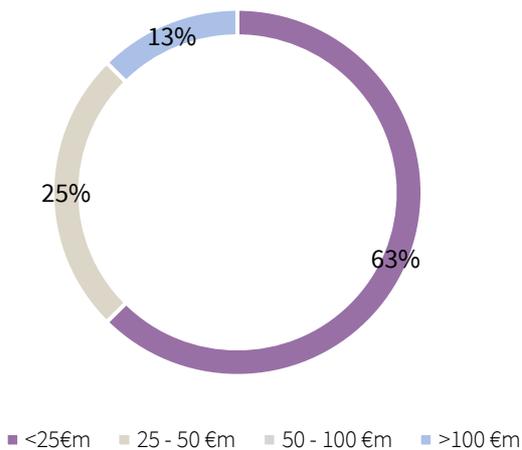
■ Milan ■ Rome ■ Bologna ■ Veneto ■ Torino ■ Other

Investment market

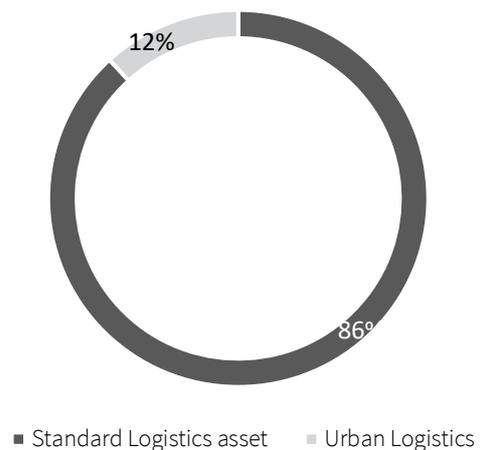
Investment volumes by quarter, 2016 – Q1 2021



Q1 2021 Investment volumes by size (over the total number of deals)



Q1 2021 Investment volumes by type



€320 m
Total volume

N° of deals **8**
Portfolios **3**
1 deal > **€50 m**

	Milan	Rome	Bologna	Veneto	Torino
Prime Yields Q1 2021	4.75%	4.90%	5.00%	5.35%	5.75%
Change basis points Y-o-Y	-25	-25	-25	stable	stable
	Net on net yields				

Land acquisitions

Developments are more and more in the investors' sights

Thanks to the fervid development activity of the recent times, in the last year a growing interest has been observed for land acquisitions. The purchases were mainly concentrated in the North of the Country, where a predominance of international investors targeted mainly speculative projects.

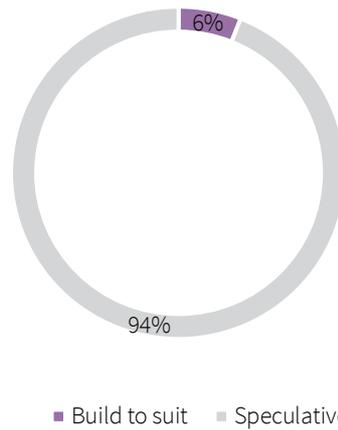
Over the last 15 months:

More than 1 million of sqm acquired

Deals closed for more than 130 €m

Half of the volumes located in Lombardy

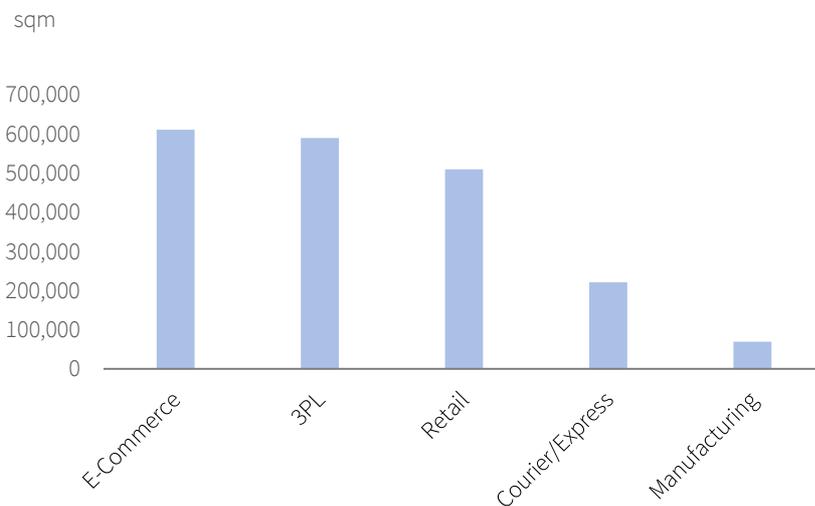
2020-Q1 2021 land acquisitions by type (over total sqm)



Developers' requests

How the demand for logistics spaces is changing and evolving

Italy, 2021-2022 developments by occupier type



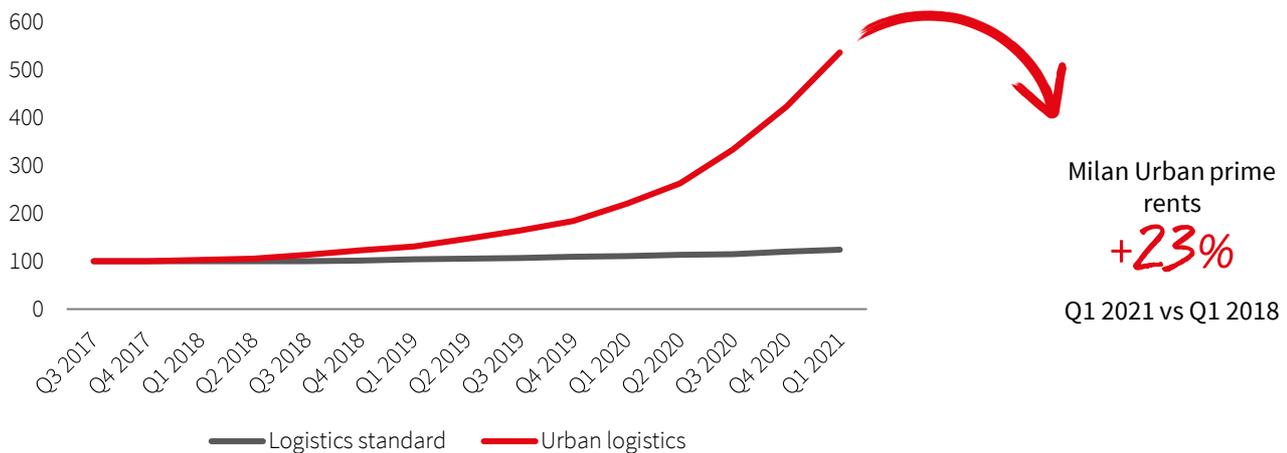
 Cold storage requirement is becoming a top priority for a wide range of occupiers

 Increasing demand from pharmaceutical industry also due by the vaccination campaign

 E-commerce players are continuing their expansion with the online retail growth

 Great attention for last mile solutions are pushing urban prime rents to record levels

Milan, Logistics standard and Urban logistics prime rental index (Q3 2017=100)



* Last mile:

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



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