

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment

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Industrial Markets' Strong Dynamics Despite Economic Slowdown

Italy

Q1 2024

Market Outlook

Italy's economy slowed down in 2023, while Q3 rebounded with a growth of 0.1% q-o-q, reversing the contraction seen in Q2. The recovery is driven by rising household consumption and the positive impact from foreign trade. Inflation dropped remarkably to 1.7% y-o-y in October, thanks to easing prices in food and energy products. The manufacturing sector and industrial production remain subdued due to weak external demand. Italy's labor market remains resilient with a historically low unemployment rate and rising wages. Despite the challenges from tightening financial conditions and high interest rates, Italy's economy showed resilience, avoiding a recession. Italy's GDP growth is expected to be modest, with forecasts indicating a 0.7% increase in 2023, followed by a gradual rise ranging from 0.5% to 0.9% in 2024.

In Q3 2023, Italy's logistics sector solidified its position as the leading asset class for investors. Investments surged to €428 million in Q3, contributing to a year-to-date (YTD) total of €943 million, which represents 40% of the total capital influx. With a y-o-y growth of 11%, the sector's take-up reached 750,400 sqm in Q3 and 2.15 million sqm YTD despite economic challenges. The overall vacancy rate in Italy's logistics market is maintained at a low 6%, with major markets below 1.5%. The first three quarters saw 1.2 million sqm of new completions, 66% of which were speculative, indicating strong investor confidence and a positive market outlook. Robust demand and scarce availability are escalating rents across all regions, with Milan and Rome leading the market, where prime rents have reached €65/sqm/yr...

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