

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment

CGLIM

Economy and Logistics on Steady Growth Path

Italy

Q3 2024

Market Outlook

Italy's Q1 2024 economy shows a steady recovery, with an upswing in household consumption and substantial gains in investment and net exports. The labor market remained robust with unemployment hitting a record low of 6.8% in May. Strong wage growth and improved purchasing power are set to bolster household consumption. Inflation held steady at 0.8% y-o-y in May. The service sector overtakes the sluggish industry as the main GDP growth driver. Despite the withdrawal of government incentives and tighter fiscal measures, substantial EU funding is anticipated to maintain investment momentum. Italy's GDP growth is projected at 0.7% - 1.0% for 2024, with an optimistic outlook for acceleration to 1.1% - 1.2% in 2025, fueled by sustained consumption, favorable financial conditions, and expanding net exports.

In Q1 2024, Italy's logistics market continued its robust growth with a gross take-up of 550,000 sqm, 5% above the five-year Q1 average. The vacancy rate remained below 2%, pushing tenants to explore assets outside traditional markets and favoring BTS and BTO projects. Investment in logistics surged to €365 million, a 15% y-o-y increase, representing 20% of total CRE investment volume, highlighting strong investor confidence and the sector's continued appeal. Prime rents stabilized in key markets, with slight increases in emerging regions. Looking forward, the market is poised for sustained growth, driven by strong fundamentals, anticipated interest rate cuts, and the ongoing expansion of e-commerce and reshoring trends...

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