



CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



Navigating Headwinds with Enduring Market Strength

Italy

Q3 2025

Market Outlook

Italy's economy grew modestly in Q1 2025, with GDP up 0.3% q-o-q and 0.7% y-o-y, driven by resilient domestic demand. Final consumption contributed 0.5pp to GDP, supported by steady household consumption fueled by wage growth and inventory accumulation. Investment rose 1.4% y-o-y, fueled by EU funds and non-residential construction. Net exports subtracted 1.1pp from growth, as imports surged, outpacing export gains. Inflation eased to 1.6% y-o-y in May, with forecasts of 1.5–2.0% through 2026. Looking forward, Italy's economy is set for steady growth, with GDP projected at 0.6% in 2025, rising to 0.8–1.0% in 2026, supported by robust consumption, stronger investment, lower interest rates, EU funding, and spillovers from Germany's stimulus and the ReArm EU plan, despite soft external demand constrained by tariffs and geopolitical uncertainty.

Italy's logistics market in Q1 2025 demonstrated robust resilience, fueled by strong investment inflows and consistent leasing activity despite global economic headwinds. Investment volume surged to €640 million in Q1, doubling y-o-y and capturing a substantial 25% of total CRE investment, underscoring its appeal to investors. Take-up stabilized at a sustainable 505,000 sqm in Q1, aligning with long-term averages. Prime rents recorded a solid 4% q-o-q increase, with key hubs like Milan and Rome reaching €70/sqm/year. The national vacancy rate rose marginally to 4.86%, while prime hubs like Milan and Rome maintained near-full occupancy. Occupiers diversified, with 3PL operators driving 40% of national demand, followed by retailers, e-commerce, and end-users such as manufacturers. Bolstered by a solid market foundation, constrained new supply, and structural tailwinds like e-commerce growth, nearshoring, and broader economic recovery, the logistics sector is well-positioned for sustained growth in the coming years...

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