

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



## Italy Growth Returns as Logistics Gains Pace

Italy

Q1 2026

### Market Outlook

Italy's economy regained footing in Q3 2025, posting 0.1% q-o-q and 0.6% y-o-y growth as firmer domestic demand and revived public investment offset inventory destocking. Investment emerged as the standout driver, surging 5.1% y-o-y and 0.6% q-o-q, propelled by NRRP-funded infrastructure and digitalization projects. Household consumption has risen 0.9% y-o-y, supported by a firmer labor market with unemployment down to 5.6% in November, while sustained real wage gains further lifted disposable income. Inflation cooled to 1.1% y-o-y in November, expected to stay within the EU target ahead. Exports rebounded 2.6% q-o-q, outpacing imports at 1.2% q-o-q and delivering a 0.5 pp boost to quarterly GDP, though net exports remained neutral annually. Looking ahead, GDP is forecast at 0.5%–0.6% for 2025, accelerating to 0.8%–1.1% in 2026, fuelled by EU Funds deployment, recovering real wages, and positive spillovers from Germany's fiscal stimulus.

Italy's logistics market strengthened in Q3 2025, with take-up of 653,000 sqm, up 37% q-o-q and 15% y-o-y, and Q1 to Q3 absorption of 1.63 million sqm, 6.7% above the 10-year average. Vacancy eased by 0.3 pp q-o-q to 4.3%, even as stock expanded rapidly to 37.1 million sqm, up 4.5 million sqm y-o-y. Prime rents entered a phase of stabilisation, with Milan and Rome holding €70/sqm/year and last mile quotes at €110/sqm/year. Investment accelerated, with CRE reaching €7.8 billion in Q1 to Q3, up 24% y-o-y, and logistics reinforcing its role as a core asset class with €1.2 billion invested and a 15% share. Looking ahead, a disciplined pipeline and cautious developer strategies, alongside a live deal pipeline, Europe's defence buildup and Germany's fiscal stimulus, are expected to lift leasing volumes and investment activity into 2026...

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