



Torino Urban Profile 2016

Real estate market overview



March 2016

Turin Urban Profile 2016 - Executive Summary

- The Turin's Urban Profile 2016 has been created by JLL in collaboration with Piemonte Agency for Investments, Export and Tourism to offer a useful tool to investors, real estate developers and owners to operate in this market.

Turin in brief

- Turin's metropolitan area is the 4th largest in Italy by population, with around 2.3 million citizens (referred to Metropolitan Area), a strong presence of large corporates and worldwide top universities
- The productive structure of Turin is widely diversified, ranging from manufacturing to services activities. The manufacturing sector is mainly characterized by a concentration of automotive, engineering and aerospace industries
- The corporate environment is rich and driven by the industrial sector
- Turin is very well linked thanks to one international airport, two high-speed train stations, 13.2 km of metro line and 93 railway stations of extra urban lines.

Italy and Turin real estate market key facts

Office

- Recent projects developed by owner-occupiers have progressively polarized the supply of office space within the CBD (Central Business District), the South-East submarket and in selected peripheral areas at the expense of the historical center
- The disposal of many outdated properties due to the rationalization processes and the weak economic activity are increasing vacancy. Although, this is not the case for grade A products
- A moderate demand recovery has been headed by the South-East submarket and by small to medium-sized transactions (up to 5-10,000 sqm)

- Prime rents can be considered at the end of the bottom cycle. With the economic recovery we expect that the rent level will increase in some semicentral submarkets
- The Office sector led the 2015 investment market in Italy, accounting for about €2.96 billion, 40% of the total volume transacted in Italy during the year. Turin investment market is still characterized by owner-occupiers and developers.

Industrial & logistics

- Corporates started to commit to the territory by investing and innovating in their own plants even if oversized
- The driver in Turin's market is still the demand for hybrid light-industrial and office solutions.

Retail

- Strong pipeline for new "regional" and "urban" retail concepts in an environment characterized by a dynamic retailers demand
- As regards the investment market, the demand is driven by international players

Hotels

- Hotels in Turin have showed a double-digit increase in RevPAR (Revenues Per Available Room): on average 10% increase in the last two years.



Introduction

Why an urban profile and why JLL

The TUP, Turin's Urban Profile, has been created by JLL in collaboration with Piemonte Agency for Investments, Export and Tourism to offer a useful tool to investors, real estate developers and owners to operate in the market.

Despite JLL has been operating for many years in Turin, data are fewer than the ones available in Milan and Rome. Considering this the TUP has been grounded on the following sources:

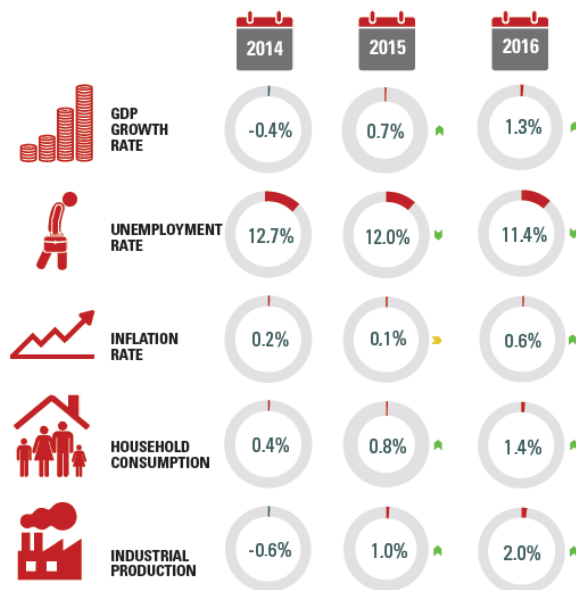
- JLL's and Piemonte Agency's know-how and experience on the market. This has been developed at first through corporate services carried out at a global level to multinational corporation (such as Honeywell, IBM, GM etc...) and with strong ties with large corporates present in the area
- Onsite and desktop research
- Corporates and real estate developers face-to-face and telephone interviews.

Economic overview in Italy

How is Italy today

- Italy is a European Republic, the world's 7th largest economy and 4th in Europe
- It is a founding member of the G8 nations, the EU and the Organization for Economic Co-Operation and Development and joined the Economic and Monetary Union in 1999
- It is the 5th biggest export nation in the European Union and has the 3rd highest net wealth of the household sector in the Eurozone. Appreciated all over the world for its beauty, culture, history and uniqueness, it's the 5th most visited country: attracting 48.6 million visitors in 2014
- Italy has a diversified industrial economy, which is divided between a developed industrial North, dominated by private companies, and a South with a weaker economy. The Italian economy is mainly based on small and medium enterprises
- Italy is a strong economy with a consistent domestic demand: both Gross Domestic Product and Household consumption has grown in 2015 achieving the best results in the last four years, a trend that will sustain over the next years.

Italy, key macro-economic indicators

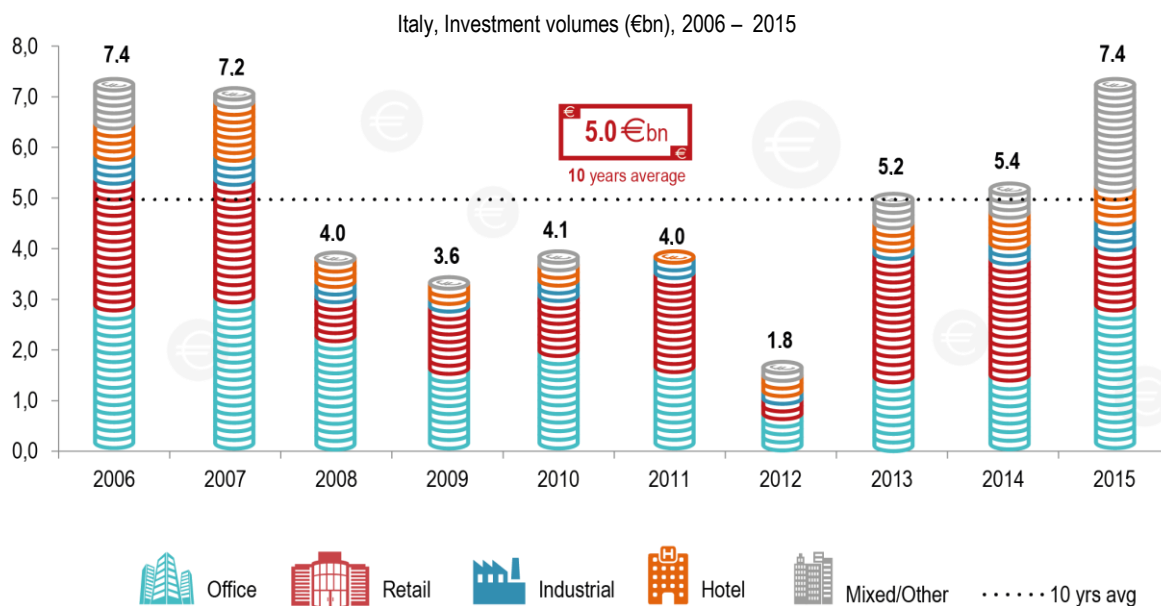


Source: JLL 2016

Key real estate Italian facts of 2015

All the recovery signs you need to know

- In 2015 total investment volumes were recorded in Italy of approximately €7.4 billion, the best result in the last ten years, returning to 2006 levels
- Compared to 2014, volumes increased by 39%. In particular the last quarter of the year, with €2.4 billion, recorded an increase of about 60% on the previous quarter
- Volumes were driven by the Office sector > € 3 billion
- We observed a general increase of core investors in 2015 after the opportunistic wave of 2014 and a strong presence of private equity groups that use leverage. Other active investors were the investment managers on behalf of separate account and also with directly-managed funds
- Core investors requested office and retail high street both in 2014 and 2015. We evidenced from opportunistic investors an increasing interest for offices in secondary locations (but in consolidated business districts) and also for some retail products as shopping centres and retail parks
- The capital invested is mainly international (from US and Middle-East) and involved all real estate asset classes. Compared to previous years, 2015 saw a substantial increase in German capital as well, which more than doubled (from €160 million in 2014 to the current €374 million)
- Domestic players were active in the Office and High street retail (Milan, Rome but also Florence and Venice).



Turin in brief

A leader amongst the most productive cities

- Turin is the 4th largest city in Italy by population, with around 2.3 million citizens (referred to Metropolitan Area), a strong presence of large corporates and worldwide top universities
- Turin is part of Piemonte, the second largest region in Italy and accounts for almost 8% of total Italian GDP. Turin alone creates more than 4% of the total national GDP output (Oxford Economics 2014). The city GDP per capita is €27,623, 9% higher than the Italian one, €25,428 (Oxford Economics)
- Turin generates 5.1% of Italy's export, 99% of which comes from the manufacturing industry and more than 40.5% comes from the automotive industry (Torino Metropoli 2025)
- The productive structure of Turin is highly diversified, ranging from manufacturing to services activities. The manufacturing sector is mainly characterized by a concentration of automotive, engineering and aerospace industries
- Turin has one of the main corporate presence of the country hosting more than 10 companies listed in the Italian Stock Exchange
- Recently, the city has heavily invested in museums and arts: in the last 10 years, tourists in Turin have grown more than 84%
- The international community has increased and this is evident also in universities: for example at Politecnico of Turin foreign students are 15% of the student body.

Turin in Europe

A productive and forward-looking EU key player

- Turin recently became a Metropolitan City and its boundaries have been expanded to the former province level. This is one of the many evidences of the growth of the city that grant it more administrative power and makes it comparable with other large core European cities
- The Metropolitan City of Turin is characterized by a highly skilled workforce, innovative companies a top ranked university. The Politecnico of Turin, for example, is ranked 35th worldwide for architecture and engineering (Topuniversities 2015), top 15th in Italy (Sole24Ore 2015). According to QS University, Turin scores better than Oslo, Geneva, Helsinki and Manchester
- More than 85% of Piemonte's workforce works in knowledge intensive sectors and the region is amongst the top regions in Italy (Eurostat 2014, Urbistat 2014). In particular, Turin has 19% of its workforce working in the manufacturing sector and 13% in high-tech, more than Amsterdam, Lisbon and Manchester (Eurostat). In addition, according to the 2ThinkNow Global Cities Innovation Ranking Turin ranks better than Milan, Geneva, Brussels and Frankfurt
- The city has more patent applications to the European Patent Office than Milan, Manchester and Geneva (Eurostat, Urbistat 2014). According to a study of Turin's Chamber of Commerce on a sample of companies in Turin Metropolitan City, 22% have registered patent (iTO 2014). Piemonte is the third region in Italy for R&D expense with €2.4 billion which accounts for 12% of the national level (Istat 2014)
- According to Forbes 2000 Turin ranks better in headquarters presence than Berlin and Liverpool.

Turin's infrastructures

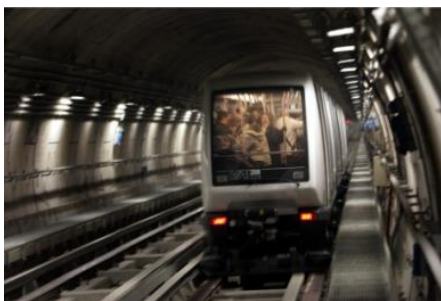
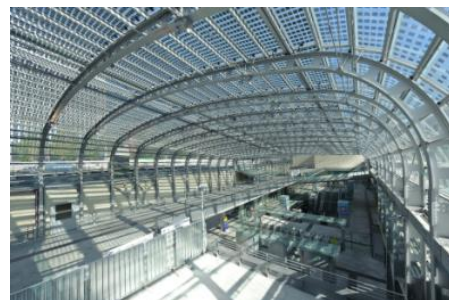
Quick and efficient all the characteristics that Turin's infrastructure have

- Turin's Sandro Pertini airport is an international airport 16 km far from the city centre. The airport registered 3.6 million passengers in 2015 with an increase of +8.6% "Y-o-Y". The number of International passengers increased by 18% thanks to the growing number of international routes (Assaeroporti 2015)
- Turin has two High Speed Railway stations: Torino Porta Susa and Torino Porta Nuova which is the third largest national with 70 million passengers per year and 350 trains per day (Trenitalia 2016)
- Turin is very well linked with the High Speed Train service: 93 trains along the route to Milan, Reggio Emilia, Bologna, Florence, Rome, Naples, Salerno. The high speed journey takes 44 minutes to Milan and 4 hours to Rome (Trenitalia 2016)
- The Metro consists of one fully automatic line 13.2 km long and with 21 stations and it is expected to be extended for additional 1.9 km. In addition to this, 8 extra urban railway lines are present with 93 stations connecting a radius of 50 km (GTT, gtt.to.it, 2016).

Infrastructure projects planned

Thinking and building ahead

- In fall 2016 Turin will complete the Railway Link one of its main railway underground infrastructure that will allow the implementation of more stations and a better connection with the North of the city up to the A4 Turin highway
- It is planned the development of the quick railway link with Turin's airport connected with the Railway Link
- The Turin-Lyon (FR) high speed train line planned will cover a distance of about 250 km in 1h40m
- The metro line 2 (15 km) is one of the most important infrastructure city project and the international call for its design will be issued shortly. It will connect the Northern and the Southern parts of Turin, crossing its historic city centre. Delivery is expected in a medium term
- During 2016 large scale fiber-optic investments are planned. They will reach 335,000 residential units and the wiring will be 200,000 Km long.



Corporate environment

The corporate environment is rich and driven by the industrial sector

- According to the study of Turin's Chamber of Commerce out of the 22 interviewed multinational corporations: 82% came from brownfield investments, meaning that already existing companies had been acquired by multinational ones and 45% of them are strongly export led (Turin's Chamber of Commerce, Report "Multinazionali", 2014)
- Moreover Turin hosts several companies listed in the Italian Stock Exchange such as FCA, BasicNet, Prime Industrie, Reply, Juventus and several foreign corporates which have their Italian headquarters in Turin: GM Powertrain, GE-Avio, Denso, Volkswagen, Mahindra, Kimberly-Clark, etc. Several other important companies and institutions are historically located in Turin: RAI broadcasting, Lavazza, United Nations, Reale Mutua, etc. (AIDA 2016)
- This rich corporate environment is completed by some of the most important IT and consulting international companies, with an headcount that is in a range of 100-500 employees: IBM, Accenture, Altran, PWC, EY, etc. (AIDA 2016)
- Five of the largest companies in Italy have an important office located within the City with more than 300-400 employees (up to 1,000-5,000 for Unicredit, Intesa Sanpaolo, Telecom and Finmeccanica) (AIDA 2016).

Real Estate Market Summary – Office

Turin Office market, according to JLL, is classified as a regional market, in order to compare it with the prime markets of Milan and Rome. The two latter account for almost 80% of the national office investment market (2014-2015) and show take-up sensible higher than Turin.

Office Stock & Supply

Recent owner-occupier developments have progressively polarized the supply within the CBD (Central Business District), the South-East submarket and in selected peripheral area at the expense of the historical center

- According to JLL estimates, Turin Province office stock is approximately 4 million sqm. About 10% of total office stock is occupied by the Public Sector and 0.5 million sqm of office stock is distributed out of town spread across different Municipalities within the Province, such as Ivrea, Moncalieri and Caselle. These towns show a relatively important concentration of stock, compared to other Municipalities, hosting big corporates' offices like Alenia Finmeccanica, Vodafone, Olivetti and Intesa Sanpaolo
- Unlike Milan and Rome, Turin has not developed a strong concentration of modern office spaces. The city has converted former industrial sites spread around the city in office spaces. Nonetheless, JLL has identified 8 office submarkets with a size larger than 200,000 sqm and has estimated in the Centre submarket a stock of 1 million sqm of office spaces
- The new owner-occupier developments are shaping more than ever Turin's submarket profile. With respect to TUP's 2013 edition we have splitted the former Centre in two submarkets: the Centre and the CBD. The Central Business District is located next to the Torino Porta Susa railway station, outside the restricted traffic area, well served by the underground and part of it are the Politecnico of Turin and the Courthouse. Furthermore the CBD, will be vitalized by the new office spaces in the Great Repair Factories (OGR) area and in the Energy Center, by the construction of a new Congress center (currently ongoing) and by the realization of the FS tower planned straight after the realization of the Intesa Sanpaolo Tower in 2015
- In addition, the South East Semi-central submarket is significantly evolving. It extends from the end of the historic centre up to the Lingotto area where the realization of the New Piemonte Region Tower is located.

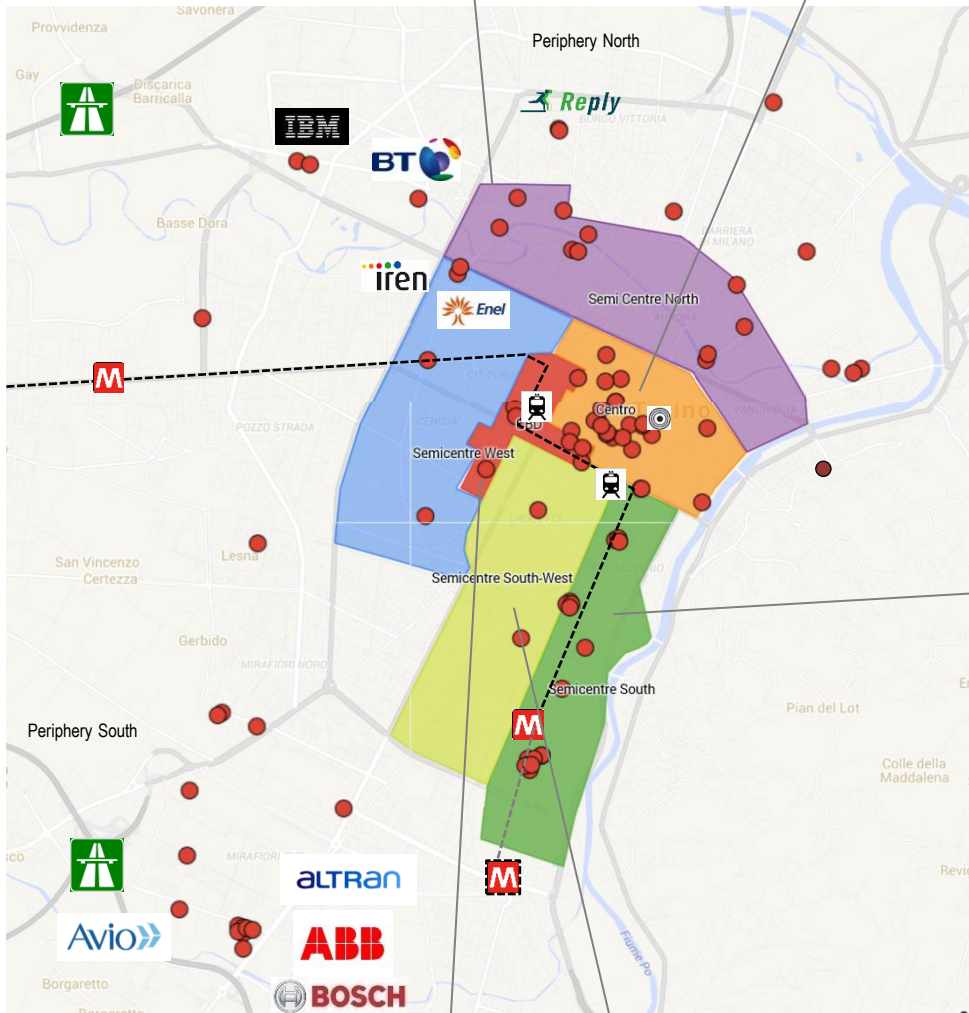
Semicentre North



Centre



Office clusters and corporates localization



Semicentre South-East



CBD



Semicentre South-West



Stock quantity and vacancy

The disposal of many outdated properties due to the rationalization processes and the weak economic activity are increasing vacancy, although this is not the case for grade A products

- A large portion of Turin's metropolitan city office stock is outdated and not commercially attractive for the local market, mainly due to poor flexibility, efficiency and low rating score
- In the last 10 years, Turin experienced a strong development phase dominated mainly by owner-occupiers (SEAT PG, Amiat, Intesa Sanpaolo, Regione Piemonte, Lavazza, Reale Mutua, etc.) for more than 200,000 sqm. From 2012-2013 this trend reverted and developments slowed, in particular speculative ones
- In the last three years, only one development was larger than 10,000 sqm (Via Lugaro – Beni Stabili). There is limited availability of grade A product and this had an impact on take-up
- Some of the largest corporate disposals, rationalizations and consolidations, came from Intesa Sanpaolo, FCA, Unicredit, etc. and put on the market medium to low quality products (ie: Lingotto Business Center, Corso Ferrucci 112, etc.)
- Furthermore, there is a continuing trend of converting office space to residential, in particular, in the Centre submarket (Via Roma, Via Alfieri, etc.). It is expected that this trend will continue in the following years incentivized by the disposal of large corporates and the one held by public authorities. This shows a tendency of limiting the Centre submarket role as a “business environment” and turning it more as a “representative environment”
- The conversion to residential is rather fast, but not enough to decrease the vacancy rate in the Centre submarket, that in some areas is more than 20%
- In other submarkets with a more modern office stock (ie: Semicentre South-East, Semicentre North, Periphery), vacancy rate is less significant and for grade A products counting less than 10%.

Submarket	Stock (estimated)		Office Stock characteristics	Office Stock quality	Office supply trends	Vacancy
Centre	800,000	1,000,000	Small offices and large historical buildings	Medium	Under contraction	15-25%
CBD	300,000	400,000	Large buildings and business centers	Medium - High	Growing	10-15%
Semicentre South-East	400,000	500,000	Large buildings and business centers	Medium - High	Growing	8-13%
Semicentre South-West	200,000	300,000	Small offices and historical buildings	Medium	Under contraction	15-20%
Semicentre West	200,000	300,000	Small offices and some large building	Medium - Low	Under contraction	15-20%
Semicentre North	300,000	400,000	Large buildings and business centers	Medium - Low	Stable	10-15%
Periphery South	200,000	300,000	Large buildings and business centers	Medium - Low	Stable	15-20%
Periphery North	200,000	300,000	Large buildings	Medium - Low	Stable	10-15%
Other periphery and hinterland	200,000	300,000	Various	Medium - Low	Stable	N.a.

Legend: Large building >10,000 sqm - Business center >30,000 sqm

Office stock and pipeline in Turin - Examples



Office Demand

A moderate demand recovery headed by the South-East submarket and by small to medium-sized transactions of 5-10,000 sqm

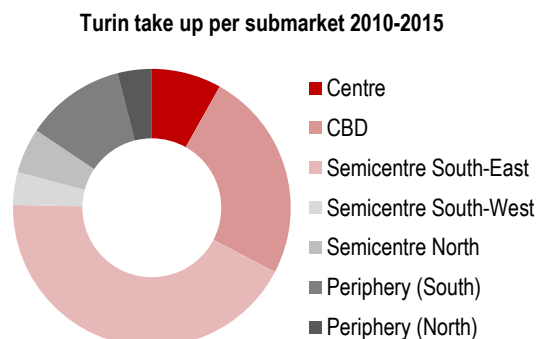
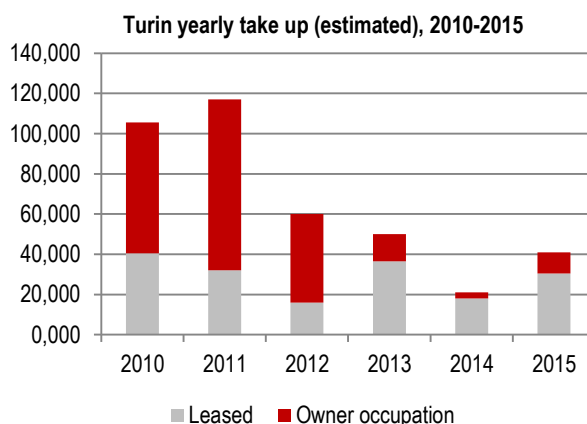
Turin's office demand trends are similar to the ones emerging at the international level: companies consolidations and rationalizations driven by both M&A and cost-reduction needs. Focusing on Turin's market, demand is driven by three different categories of occupiers:

- Local and international professionals and service sector companies (size units below 1,500-2,000 sqm). Some of these are now at the beginning of a recovery trend and are looking for additional spaces
- Turin based financial, industrial and other business sector companies (generally owner-occupier of large size units)
- National and international Corporations (size units from 1,500-2,000 up to 10,000 sqm).

Over the past 5 years, Turin's office take-up has averaged approximately 60,000 sqm yearly considering both owner-occupiers and leasing transactions >500 sqm 2015 is below the five-year average, although it showed signs of recovery while 2016 is even more promising according to our estimates.

In 2011-2015 period one-third of the transactions took place in the South-East Semicentral submarket.

This was in particular due to the Via Lugaro's project, the Piemonte Region New Tower currently under construction, the office space available after Alpitour and Intesa San Paolo disposal in the Lingotto Business Center leased by Unipol SAI and ICOM.



Selection of the main leasing transactions occurred in Turin over the last three years are (sqm estimates):

Year	Name	Sqm (estimated)	From	To	typology
2013	Kimberly-Clark	1,500	Centre	Semicentre South-East	Leased
2013	Alpitour	10,000	Semicentre South-East	Semicentre South-East	Leased
2013	Reale Mutua	13,500	Centre	Centre	Owner occupier
2013	Credit Safe	1,000	n.a.	Periphery (South)	Leased
2013	Banca Generali	1,500	n.a.	Centre	Leased
2014	EY	2,000	CBD	Centre	Leased
2013	RAI	10,000	CBD - Periphery	CBD	Leased
2014	UBS	500	Centre	Centre	Leased
2014	TNT	n.a.	Hinterland	Periphery (North)	Leased
2014	ACI	n.a.	Centre	Semicentre South-West	Owner occupier
2015	Diageo	1,500	Other	Semicentre South-East	Leased
2015	Unipol Sai	6,000	n.a.	Semicentre South-East	Leased
2015	ICOM College	1,500	-	Semicentre South-East	Leased
2015	Motul	1,000	n.a.	Centre	Leased
2015	Altran (extension)	1,000	Periphery (South)	Periphery (South)	Leased
2015	IBM	5,500	Periphery (South)	Periphery (North)	Leased
2015	Clinical Industry research park	n.a.	Expansion facility	Semicentre South-East	Owner occupier

Office Market Values

Prime rents can be considered at the end of the bottom cycle. With the economic recovery we expect an increase of the rent level in some semicentral submarkets

Turin City prime office rents averaged 150 €/sqm/yr at the end of 2015. Some iconic and historical buildings located in the city centre can reach higher rents if fully refurbished and small/medium sized

Office market - Prime values Q4 2015

Office	Prime Rent €/sqm/yr
Centre (fully refurbished)	160-180
Semi-centre (Grade A)	140-150
Periphery (Grade A)	100-120

Source: JLL

- Rental values in peripheral areas range between 80-90 €/sqm/yr for a standard office building. Grade A buildings can achieve higher rents, averaging 120 €/sqm/yr
- Prime rents declined over the last 6 years can now be considered at the end of the bottom out market cycle. Lack of good quality stock availability in semi-central locations and local vacancy level are the main factors driving prime rents trend
- We expect that the rent level will increase in the semicentral areas for built-to-suit projects and medium size transactions. However, rents will be stable for the next few years in the other submarkets where supply exceeds demand
- Turin's office market in 2015 was in general a tenant favorable market. Incentives usually consist in 6-12 months of rent-free period and/or fit-out contribution for high quality offices.

Office investment market

Turin investment market is still characterized by "owner-occupiers" and developers

- The Office sector led the 2015 investment market, accounting for about €2.96 billion, 40% of the total volume transacted in Italy. In 2015 47 deals were closed in the Office sector equal to 43% of total transactions in all sectors
- Milan remains the city of greatest interest in Italy as nearly 70% of office volumes were transacted there. The Office sector was particularly under-demand in 2015 from both core and value add investors, with reference to assets in secondary locations but within consolidated business districts
- In the last three years, the Turin volume of investments in office property is mainly characterized by owner-occupier buyers and developers (who converted offices into residential)
- The main institutional investors already present on the market are Cassa Depositi e Prestiti, Reale Mutua, Beni Stabili, Generali, Unipol SAI
- Investment yields do not represent a significant indicator of investment market risk/returns for regional locations. That is due to the limited number of transactions taking place in such markets. For this reason Turin's office market has been compared to more mature ones (Milan, Rome) which represent benchmarks for investment yield of around 7.00-7.25% net (prime). For smaller investment lots, private and local investors can be offered by yields more compressed, thinking in a €/sqm perspective
- In 2014-2015 several transactions took place, two involving an asset repositioning in the city center. The rest were part of portfolios diversified at a national level.

Real Estate Market Summary – Industrial & Logistics

Corporates started to commit to the territory by investing and innovating in their own plants even if oversized. The driver in Turin's market is still the demand for hybrid light-industrial and office solutions

The following analysis is focused on Turin Metropolitan Area and its hinterland. This area is characterized by a large offer of light industrial and logistics properties. Four main industrial/logistics clusters can be identified:

● **North-East** It represents the main industrial cluster of the Turin Metropolitan Area. The area benefits from an excellent location (Turin Ring Road, A4 Turin-Milan motorway and the Sandro Pertini International Airport). The real estate stock is mainly characterized by oversized industrial sites with respect to the market demand. These are in some cases outdated and one example of this is Pescarito industrial area, where a committee has been constituted to plan its repositioning. In addition, the main express couriers, TNT, DHL, SDA, have profited from the location and have created their hubs in this area. The main investments that modernized the owned occupied facilities took place in this area (i.e: Pirelli Tyre, FPT Industrial).

● **Western Ring Road** This industrial area is difficultly identifiable through a satellite view. It is located within the municipalities adjacent to the first Western ring road and partly in the freeway inner area. It is characterized by a number of medium to large international corporates (Azimut Yacht, Prima Industrie, Changan, Alenia). The area does not have a particular sector presence, although, the automotive has a significant presence (i.e: Magneti Marelli, Johnson Controls, Oerlikon).

● **South-West** The area has a strong specialization in logistics, due to the presence of the freight road-rail interchange of Orbassano (S.I.T.O.) – the largest in Piemonte with its almost 0.9 million sqm of Gross Floor Area – and the wholesale fruit and vegetable centre of Turin (C.A.A.T.). In this area are located the main logistics occupiers (Bartolini, Ceva Logistics), several other express couriers and Third Parties Logistics (3PLs). In addition, within the area is Corso Allamano that links with the city of Turin and where all the most important automotive and mechatronics corporates are located (Maserati, Comau). In 2016 FCA will reactivate some production lines of the Mirafiori site to produce the Maserati SUV.

● **South-East** It is the most modern stock of the metropolitan area in terms of average size, amenities to corporates and quality. For this reason, several important corporates have channeled their investments here (Italdesign – Giugiaro, Pininfarina, I.DE.A Institute, JBM Tesco). Also others MNEs are undertaking new investments within this macro area: Petronas Lubricants Italy, Denso Thermal Systems.

Denso production site

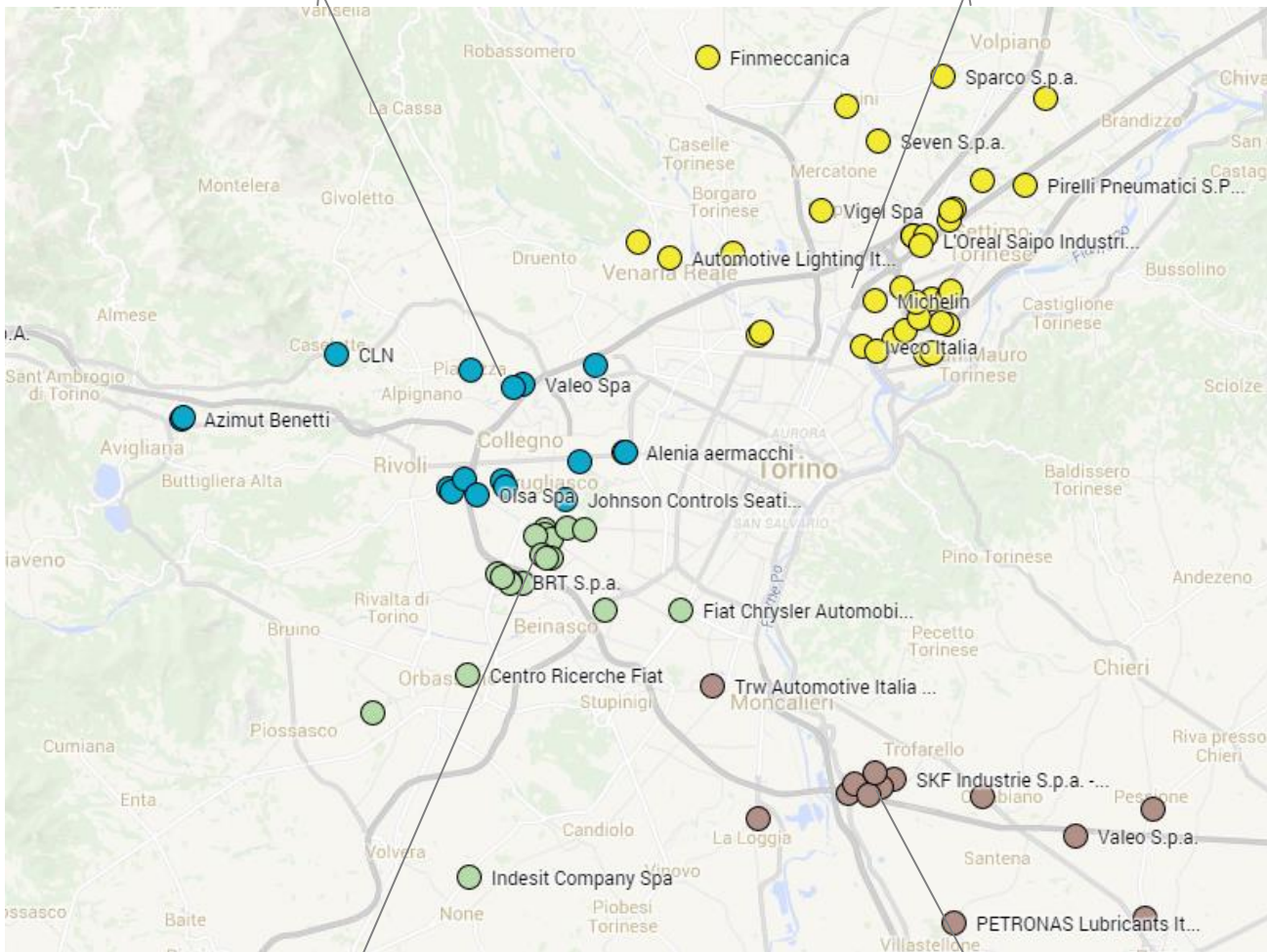


SKF warehouse



Pininfarina Headquarters





Key messages

Investments in corporates and in existing properties

- In the last years, several significant M&A activity had a relevance in Turin's area. The majority of the deals involved large local corporates and investments MNE. Here below are listed the main and most recent ones:
 - Mahindra acquired a controlling stake of Pininfarina
 - In the next years, Petronas Lubricants Italy will invest in a new research center in the Villastellone site
 - Prima Industrie, through Prima Electro, has renovated its collaboration with Politecnico of Turin. It will produce a solid state laser and will setup new laboratories in Turin's Northern area
 - Denso has planned a new research center
 - General Electric will invest in the renewal of Avio's sites in Turin
 - In 2010 the Volkswagen Group acquired Italdesign from Giugiaro and over the years it has been making significant investments
 - During 2016, FCA will partly reactivate the Mirafiori site to produce the Maserati SUV "Levante" after recent investments in the former Bertone site where it produces Maserati "Quattroporte" and "Ghibli".

Demand for high quality properties

- Companies with strong ties to export or fast-growing innovative companies have found their new and modern offices spaces right next to urban centres in locations with good accessibility. Some examples of this are: the site of Changan Automobile European Designing Center S.R.L (12,000 sqm) and JBM Tesco in Moncalieri – Trofarello industrial area
- Regardless of the company dimension, the automotive sector and its connected industries are the most relevant sectors in terms of investments and number of employees.

Key in Turin's market is the demand for hybrid light-industrial and office solutions

Turin's Metropolitan Area is a dynamic market for highly skilled labor in laboratories and production sites. Two examples of this demand needs are the Environment Park and the Lanificio di Torino both located in good quality surrounding with easy accessibility to public transport and with low vacancy level. Similarly, TNE (Torino Nuova Economia) is currently redeveloping a portion of the Mirafiori site in a new industrial park.

Outdated / over-sized stock

- A significant portion of the industrial stock is over-sized and outdated. This stock dates mainly from the 60s and 70s and it is for its largest part out of the market. This is due to its units size, low maintenance level and expensive environmental rehabilitation. In addition to this, the area faces a competition of new developments both in greenfield and brownfield area promoted by both private investors and public authorities. In the 2000s Turin Metropolitan Area has experienced significant repositioning of industrial areas. It is expected in the next years a new wave in brownfield areas conversion.

Logistics market

- The logistics market in 2015 achieved the best result in the last 5 years with about 953,000 sqm of take-up, a 30% increase compared to 2014. The number of transactions is also increasing. In 2015, 83 deals were concluded (up 57% on 2014), including 27 closed in the last quarter, the highest quarterly result that have been recorded over the past eight years
- Italian logistics investments saw 2015 closing on a positive note, with a 20% increase on 2014 in volumes invested, for a total of about €410 million and 11 transactions closed
- Turin logistics market, according to JLL, is classified as a secondary hub in Northern Italy (JLL considers as prime markets Milan, Rome and Bologna logistics clusters)
- Piemonte region logistics stock estimate for modern warehouse is about 700,000 sqm of GLA, mainly concentrated in the Interporto di Orbassano-SITO and in the Hinterland North cluster
- Logistics space demand in South quadrants is driven by retailers (GDO, Food) that are expanding their supply chain and by Third Party Logistics (3PL). The North-East market is driven by express couriers demand, more than industrial sector demand, which is limited to the big corporates located there (Lavazza, Michelin, Seven-Invicta, etc.

Logistics at the Interporto SITO



Turin logistics, light industrial and land market values

- Our estimate for greenfield land prime value in the hinterland of Turin range between €50/sqm and €120/sqm (inside ring road). In the rest of Turin's metropolitan area, land values range between €35 up to €50/sqm for large size plots
- Logistics prime rents are related to modern logistics platforms larger than 20,000 sqm. In 2015 the levels in Turin Metropolitan Area had an increase reaching a value of €42/sqm/yr. Net yield was stable during 2015, for prime asset located in Turin in a range of 8.25% - 9.25%. Net yield for secondary locations are in a range of 9.25% – 10.50%
- Our estimate of light industrial prime rents in Turin ranges from €50 to €65/sqm/yr (inside ring road). Rents in the hinterland of Turin range between €30 to €45/sqm/yr (outside the ring road)
- Light industrial prime values range between €700–€800 sqm. Values in secondary location and in the hinterland range from €350 sqm to €600 sqm in the metropolitan area, outside the ring road.

Industrial and logistics market values Q4 2015

<i>Logistics</i>	<i>Q4 2015</i>	<i>Δ Y-o-Y 2014- 2015</i>	<i>Outlook 12 months</i>
Net prime yield Italy (Milan)	7.15%	▼	▼
Net prime yield Turin	8.25 - 9.25%	▶	▶
Net secondary yield Turin	9.25 - 10.50%	▶	▶
Vacancy rate, national average	< 5%	▶	▶
Prime rents Italy (Milan), €/sqm/yr (*)	50	▶	▲
Prime rents Turin, €/sqm/yr (*)	42	▲	▲

Source: JLL 2016 (*) Prime rents relate to modern logistics platforms larger than 20,000 sqm

<i>Light industrial</i>	<i>Rents €/sqm/yr</i>	<i>Capital value €/sqm</i>
Prime inside the ring road	50 - 65	700 - 800
Secondary out of the ring road	35 - 45	450 - 600
Hinterland	30 - 35	350

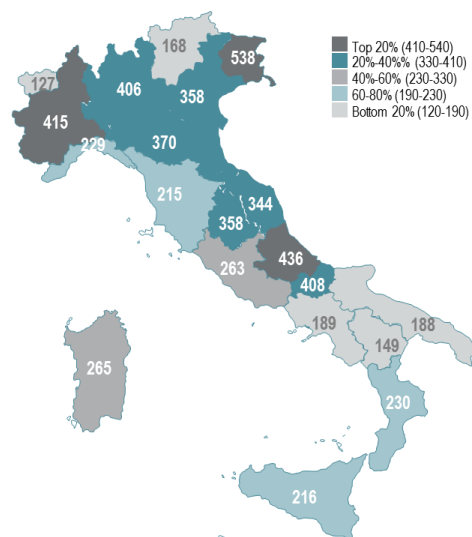
Source: JLL 2016

Retail market

Strong pipeline for new “regional” and “urban” retail concepts in a environment characterized by a dynamic retailers demand. On the investment size, market driven by international players

- Retail stock in Italy at the end of 2015 was approximately 18,468,000 sqm with reference to shopping centres, retail parks, factory outlets, leisure centers, entertainment and lifestyle centres. Piemonte region stock at the end of 2015 was approximately 1,878,000 sqm with 888,000 sqm in the Metropolitan Area of Turin, distributed in 59 different facilities
- 65% of shopping centres in Italy have been realized before to 2005. This was due to the constant development reduction of Italian shopping centres. On the other hand, retail parks have grown in the last years with an increase of +280% in the period 2007-2015
- The stock currently under construction and scheduled for delivery in 2020 is about 800,000 sqm, 35% of which in Lombardia, 17% in Lazio and 16% in Piemonte. With regards to Turin Metropolitan Area 19 projects are planned or currently under development. Six of these projects, have a dimension >20,000 GLA (Gross Lettable Area) sqm (i.e: Caselle –Turin Experience, Palazzo del Lavoro) and in some others the construction phase has already started (i.e: I Viali di Nichelino, Mondo Juve, Turin Outlet Village). Turin has planned also smaller developments next to the city centre such as Esselunga Porta Susa, Coop ex Scalo Vallino, etc
- Piemonte region has a retail density of 415 GLA sqm for each 1,000 inhabitants, higher than the national average which is 309 GLA sqm for each 1,000 inhabitants. Turin’s metropolitan area has a density lower than the region’s average and around 385 GLA sqm for each 1,000 inhabitants. This is expected to increase to 442 GLA sqm for each 1,000 inhabitants considering the developments currently under construction
- Shopping centres rental levels underwent a significant increase during the course of the year achieving €880/sqm/yr in Milan. Only retail park rents are experiencing a period of stability, at €210/sqm/yr
- Turin’s rental level for shopping centres and retail parks are in line with the one evidenced in Milan Metropolitan Area.

Italian regions retail density (GLA sqm / 1,000 inhabitants), 2015



Main existing SC and RP with a size >30,000 sqm, 2015

Municipality	Name	GLA (sqm)
Grugliasco	Shopville Le Gru	70,000
Beinasco	Le Fornaci	51,631
Moncalieri	45° Nord	32,100
Turin	Auchan Torino	31,570
Settimo T.se	Settimo Cielo	30,953

Main retail projects currently under development or planned, 2015

Project	Municipality	GLA (sqm)	Development phase
Area Lancia	Turin	17,000	Planned
Palazzo del Lavoro	Turin	28,000	Planned
I Viali	Nichelino	42,000	On-going
Mondojuve	Vinovo	58,000	On-going
Scalo Vanchiglia	Turin	19,436	Planned
Torino Retail Park	Turin	24,700	Planned
Torino Outlet Village	Settimo T.	16,500	On-going
Settimo Cielo C.C.	Settimo T.	30,000	Planned
Caselle -Torino Experience	Caselle T.	130,000	Planned

Caselle-Torino Experience – Mondo Juve SC & RP



Source: JLL 2016

High Street

The high street retail in Turin is on-going a dynamic market phase. Retail brands new to the Italian market prefer, as entry point, cities such as Milan, Rome, Venice and Florence. Although, thanks to the pedestrianisation and upgrading of the historical centre Turin became an important destination for high street segment

- Via Roma is the key retail street and stretches from Porta Nuova to Piazza Castello. The offer consists of mid to upmarket and luxury brands including Hermès, Louis Vuitton, Gucci, Max Mara, Apple, Antony Morato, Max&Co, Pinko, all Inditex brands, etc.
- Via Lagrange runs parallel to Via Roma and hosts the multi-level department store La Rinascente (refurbishment planned). In recent years, national and international fashion brands have opened stores here, particularly young fashion, such as Diesel, Lacoste, Harmont & Blaine, Superga, Liu Jo, Yamamay and several others. This street can also boast a number of luxury retailers such as Miu Miu, Moncler, Chanel and Brunello Cucinelli.



Office market - Prime values Q4 2015

High street retail	Prime rent €/sqm/yr
Via Roma	2,000
Via Lagrange	1,600-1,700
Via Garibaldi	1,200

Source: JLL. Note: These values are free of keymoney. Rental levels may vary according to frontage, size and layout

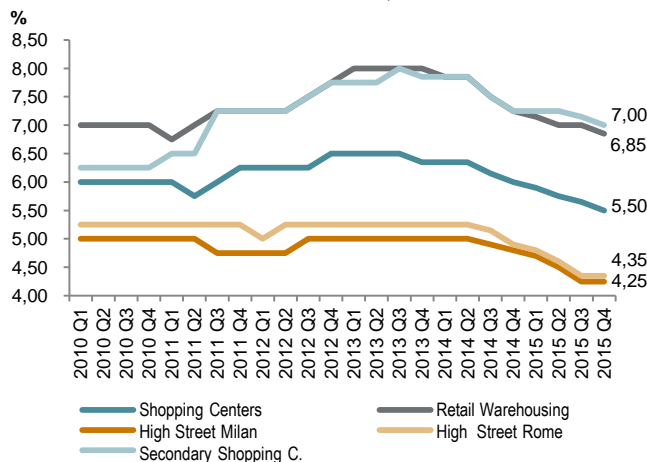
Retail investments

- The Retail sector recorded a total of €1.2 billion invested in 2015, across 24 transactions. This data is slightly less than the one of 2014 due to the shift of some deals in 2016. In the period 2013-2016, in Turin three transactions took place with international investors such as GWM – Pimco, Foncière LFPI, UBS and they are listed below

Year	Center/yrk name	Typology	Transaction volume (€ Mil. - estimated)
2014	Parco Dora Gallery	Shopping Centre	14.1
2014	8Gallery - Lingotto	Shopping Centre	80.0
2015	Settimo cielo	Retail Park	60.0

- During the course of the year there has been a general compression of prime net yields. In Q4 2015 these stood at 5.50% for shopping centres (from 5.90% in Q1), 6.85% for retail parks (from 7.15% in Q1).

Prime Net Yields Retail, 2010 – 2015

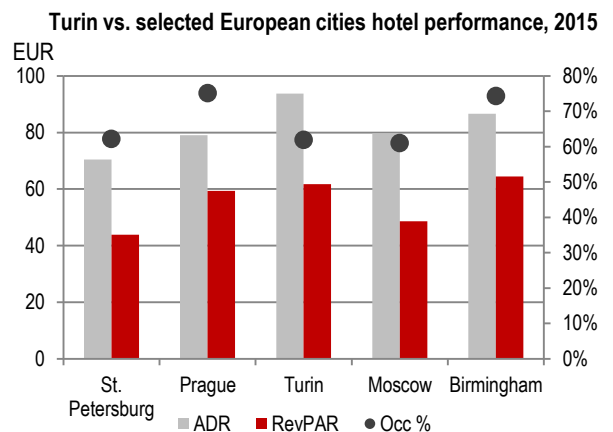
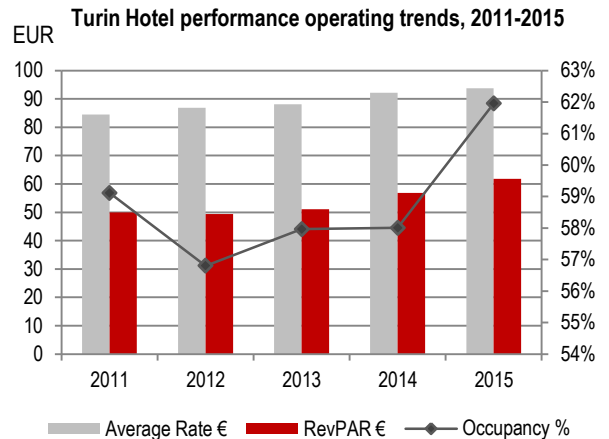


Source: JLL 2016

Hotels market

Hotels in Turin have showed a double-digit increase in RevPAR (Revenues Per Available Room): on average 10% increase in the last two years

- In the last 10 years and after the 2006 Winter Games, the number of tourists in Turin has increased more than 84% (Torino Metropoli 2025)
- Turin is considered a World Heritage Site by UNESCO and has lot to sightsee such as: Europe's largest collection of archaeological findings at the Egyptian Museum, the ancient arts beauty of Royal Palace and the Venaria Reale Palace, contemporary arts within Castle of Rivoli amongst many others artistic beauties enclosed in a breath-taking architectural settlement surrounded by mountains
- Turin is 1st with the Egyptian Museum amongst Italian museums for the increase in visitors between 2014-2015 with +33% and 757,691 visitors
- Turin's hotel numbers evidence a growth in all indicators. In particular, occupancy rate is higher than Moscow and ADR (Average Daily Rate) is higher than St. Petersburg and Birmingham (STR Global)
- Hotels in Turin have showed a double digit increase in RevPAR (Revenues Per Available Room) on average 10% increase in the last two years and a 7% increase in occupancy rate in 2015 (STR Global)
- The positive trend of the tourism sector has incentivized the development of new facilities. For instance, in 2014 and 2015 opened the Turin Palace Hotel (refurbished by Reale Mutua Assicurazioni) and the new NH Collection Piazza Carlina (developed by Immobiliare Galileo)



- In Italy, total investment volume in 2015 was €800 million, the highest figure since 2007, confirming that hotels appeal in main cities and exclusive resort destinations is high and on the wish lists of international hotel investors
- Transaction activity during 2015 further confirmed the high interest of international buyers for trophy assets in key cities across Italy, with moderate interest shown towards secondary markets like Turin. Secondary markets are likely to experience an increase in investment since banks renewed their interest in financing new acquisitions
- Nevertheless, in the last 3 years, we registered two important transactions for more than €70 million in Turin and in Pragalato driven by international investors demand (Internos Global Investors and HSBC Assurances).

Source: JLL 2016



Contacts

Claudio Piccarreta

Associate Director - Head of Consulting Italy

Tel. +39 02 8586861

Mob. +39 389 2489690

claudio.piccarreta@eu.jll.com

Cristiana Zanzottera

Head of Research Italy

Tel. +39 02 8586861

Mob. +39 335 1712614

Cristiana.zanzottera@eu.jll.com

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Contacts

Federico Zardi

International Marketing – Project Manager

Invest in Torino Piemonte

Tel. +39 011 6700511/502

federico.zardi@centroestero.org

Luciana Di Chio

Local real estate and property

Invest in Torino Piemonte

Tel. +39 011 6700511/581

luciana.dichio@centroestero.org

www.centroestero.org

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