

10.1%

Grade A,B&C Vacancy Rate

YoY Chg



12-Mo. Forecast



100,000

Take-Up sqm



€600

Prime Rent €/sqm/yr



MILAN PROVINCE ECONOMIC INDICATORS 2020 (FORECAST FULL YEAR)

-3.4%

GDP Growth



6.4%

Unemployment Rate



1.99M

Employment



-0.6%

Employment Growth



Sources: C&W elaborations based on ISTAT and Oxford Economics..

Note: Employment data refers to workplace based employment, individuals who work within the urban area.

ECONOMY

The evolution of the global economy is highly uncertain, due to the Covid-19 emergency, and the outcomes are hard to predict. The ongoing crisis has been described as unprecedented and the worst since WW2. With the Italian economy expected to fall into recession together with the whole Eurozone, information related to major cities has not been released yet. Milan, close to the epicentre of the Italian emergency, is currently under lockdown, and is expected to gradually reopen its economy from early may. However, given its position of leading city of the country and its favourable economic indicators before the crisis, the recovery time will be relatively short.

OCCUPIER AND INVESTMENT FOCUS

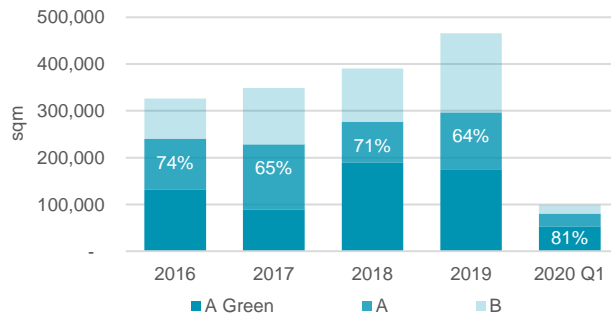
In 2019 the market has registered a significant growth, achieving record values and also the first quarter of 2020, not yet affected by the Covid-19 emergency, has followed a positive trend with a take up of approx. 100,000sqm. Such a high volume has been due to a single pre-let transaction which accounts for 41% of the overall take-up (leasehold acquisition from a Gas/Energy company). But if we compare the first quarter of 2020 with the same period of 2019, the remaining transactions have been for small-medium spaces; many companies have relocated last year and other are currently in negotiations and we expect them to increase the percentage of big pre-lease transactions as it happened last year. Levels of demand for grade A space continue to be at an all-time high, representing the 80% of the total take up and highlighting companies' attention to identify efficient spaces that can improve the wellbeing of their employees and therefore improve their productivity. Wellbeing and health and safety will be even more important once the Covid-19 emergency will be over. The development market remains strong, even if the completion of some projects may be delayed due to the interruption of construction works.

The office investment market, with € 510 Mln transacted, has witnessed a reduction of volume due, mainly, to a small pipeline rolling over from last year. Milan confirms its attractiveness, representing 63% of the total investment office volume. The largest transactions continue to be concentrated on core properties in the central areas of the city; Covid-19 emergency caused, starting from March, the postponement and, in some cases, the suspension, of some value-add transactions which were about to be completed.

OUTLOOK

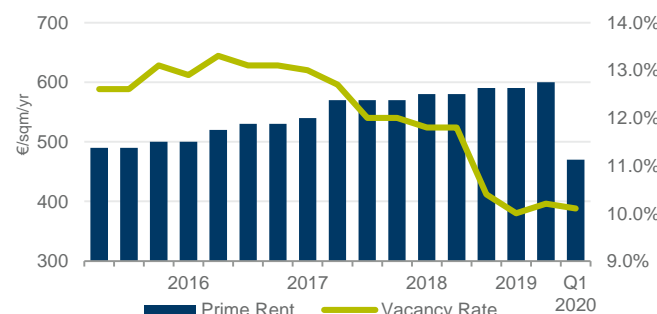
The global uncertainty generated from the health emergency will surely have an impact on the market, but it is still early to forecast tangible consequences due of this particular circumstance. The availability of existing grade A spaces is limited but the demand for such spaces is constantly increasing, there are several important project being developed and new decentralized clusters are establishing, generating new market opportunities for both occupiers and investors.

TAKE UP BY GRADE



Note: Percentages refer to the share of grade A-A Green take up on total take up.

OVERALL VACANCY & PRIME RENT





MARKET STATISTICS

SUBMARKET	OVERALL VACANCY RATE (Grade A,B&C)	YTD OVERALL TAKE-UP(SQM)	UNDER CNSTR (SQM)	PRIME RENT €/sqm/yr	PRIME YIELD (NET*)
CBD	6.4 %	10,000	254,000	600	3.25 %
Centre	7.2 %	7,000	83,000	480	4.00 %
Semi Centre	2.6 %	12,000	160,000	350	4.50 %
Periphery	15.7 %	61,000	395,000	280	4.75 %
Hinterland	13.9 %	10,000	118,000	240	5.75 %
TOTALS	10.1 %	100,000	1,010,000	600	3.25%

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Spark 1 & 2 Via Bonfadini	Periphery	Gas / Energy	41,300	Pre Lease
Via Rimini 34	Periphery	Public Sector	7,200	Owner Occupier
Corso di P.ta Vigentina 9	Centre	Insurance	4,500	Owner Occupier
V.Le Fulvio Testi 280	Periphery	Banking	2,900	New Lease
Via Fabio Filzi 25/A	CBD	Legal services	2,300	New Lease

KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Via Orefici 13/ Via Cantù	Centre	Hines UK / DEKA	10,000 (Office&Retail)	210
MeVe - Palazzo Mellerio & Piazza Velasca	Centre	Kryalos SGR / DeA Capital Sgr	11,000	Confidential
Corso Venezia 56	Cbd	Banca IFIS / Merope Asset Management	-	50.5
Via Manzoni 9	Cbd	Polis Fondi Sgr and 2 Privates / Merope Asset Management	3,000	31
Milano Santa Giulia - Rogoredo Spark One and Spark Two	Periphery	Milano Santa Giulia Spa / Lendlease	47,000	23.5

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(*) NOTES:

(*) Yields are calculated on a net basis as reported below:

Net Yield = NOI (1) / PP (2)

1. Net Operating Income - after deducting all non-recoverable expenditure

2. Purchasing Price – excluding transfer costs, tax and legal fees

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

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