

9.0%

Grade A,B&C Vacancy Rate

YoY
Chg



12-Mo.
Forecast



192,000

Take-Up sqm



€600

Prime Rent €/sqm/yr



MILAN PROVINCE ECONOMIC INDICATORS
2020 (FORECAST FULL YEAR)

YoY
Chg



-9.2%

GDP Growth

12-Mo.
Forecast



5.8%

Unemployment Rate



1.93M

Employment



-3.6%

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

As the second wave of Covid-19 contagions hits Europe, the recovery phase that began in early Q3 appears to be slowing down - even if the situation is currently less worrying than in other European countries. Overall, GDP is expected to fall by 9.8% in 2020. Milan, one of the cities with the highest contagion rates since the start of the pandemic, will experience a strong contraction together with the whole country. After several years of positive performances, GDP and employment will contract in 2020. However, as it represents the country's business and financial core, and provided its international relevance, Milan is expected to recover to pre-crisis levels before the rest of the country.

OCCUPIER AND INVESTMENT FOCUS

With the Covid-19 pandemic that still affects the entire country and the metropolitan city of Milan in particular, Milan office leasing market is experiencing a period of uncertainty.

After a strong first quarter, absorption figures fell far below the 10 year average, mostly characterized by small-medium transactions in grade A buildings. The uncertainty caused by the pandemic reflects on tenant's behavior, which has either slowed down the decision process for new spaces, in order to better understand their new needs in terms of footage and number of work stations.

The development market continues to be active and characterized by strong interest on pre-let spaces for building in prime location.

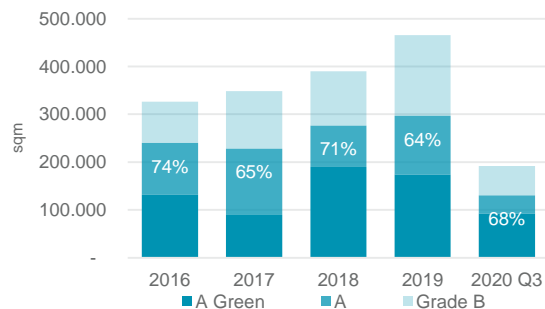
Prime rents are stable, while tenants ask for bigger incentives package due to the economic environment.

On the investment side, on the contrary, the market has experienced an increase of 7% compared to the same period of 2019, totaling approx. 1,90 € Billion year-to-date. Overall 80% of the total volume transacted from the beginning of the year was characterized by transactions over 100 € Mln, mostly on core opportunities.

OUTLOOK

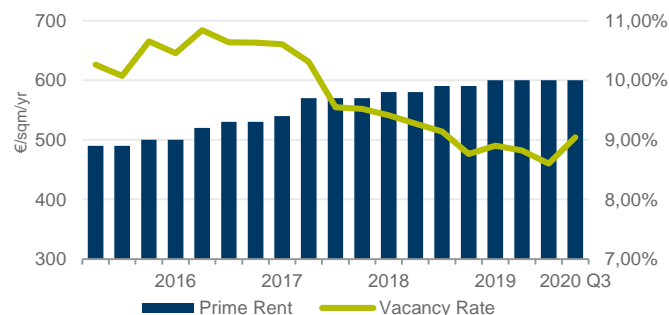
Prime rents are likely to remain stable, over the next quarters, sustained always by tenant incentives, while availability - for grade A buildings and lower quality spaces - could increase following both partial or total early surrenders. Year-end take-up will reach lower levels than previous years, as many deals will run over 2021 due to Covid-19 pandemic. Prime yield is likely to remain stable in the short term while a discount on non-core opportunities is expected and this is going to increase further the spread between prime and secondary assets.

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	4.8 %	55,000	215,000	600	3.25 %
Centre	8.6 %	9,000	43,000	480	4.00 %
Semi Centre	2.3 %	12,000	107,000	370	4.50 %
Periphery	12.9 %	80,000	347,000	280	4.75 %
Hinterland	13.8 %	35,000	108,000	240	5.75 %
TOTALS	9.0 %	192,000	815,000	600	3.25%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Spark 1 & 2 Via Bonfadini	Periphery	Gas / Energy	41,300	Pre Lease
Via Melchiorre Gioia 22	CBD	Banking	24,300	Owner Occupier
Nord Business Center Via Massimo Gorki 30	Periphery	IT/Communications	9,100	New Lease
Via Rimini 34	Periphery	Public Sector	7,200	Owner Occupier
The EDGE Via Alessio di Tocqueville	CBD	IT/Communications	6,100	Pre Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Gioia 22	CBD	COIMA SGR / UBI Banca	33,000	Confidential
Portfolio UBI	-	UBI Banca / COIMA SGR	-	Confidential
Bodio Center	Semi-centre	AXA IM / BNP Paribas Sgr	80,000	223
Il Quinto – San Donato	Hinterland	Kryalos Sgr / Vittoria Assicurazioni (51%) & Korean Fund (49%)	-	c.a. 200
Via Armorari 4	CBD	Crédit Agricole / Kryalos Sgr	10,800	140

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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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