

9.5%
Grade A,B&C Vacancy Rate

YoY Chg	12-Mo. Forecast
▲	▲

278,000
Take-Up sqm

YoY Chg	12-Mo. Forecast
▼	▼

€600
Prime Rent €/sqm/yr

YoY Chg	12-Mo. Forecast
▬	▬

MILAN PROVINCE ECONOMIC INDICATORS Q4 2020

-7.8%
GDP Growth

YoY Chg	12-Mo. Forecast
▲	▲

5.9%
Unemployment Rate

YoY Chg	12-Mo. Forecast
▲	▲

2.06M
Employment

YoY Chg	12-Mo. Forecast
▼	▲

Sources: ISTAT and Moody's.
Note: Employment data refers to workplace-based employment, individuals who work within the urban area.

ECONOMY

After a sharp recovery in Q3 (15.9% against Q2), the new containment measures lead to a slowdown in economic activity in Q4. GDP for the entire year is expected to decrease by 8.8% in 2020 and to grow by around 5.2% in 2021. A full recovery to pre-Covid levels is expected in late 2022 or beginning of 2023 with a slight delay compared to the EU average. Milan, one of the cities with the highest contagion rate even during the second wave of Covid-19, has experienced a strong contraction both in GDP and employment, after several years of positive performances. However, as it represents the country's business and financial core, and provided its international relevance, Milan is expected to recover before the rest of the country. Indeed, forecasts are for a return to pre-Covid levels at the beginning of 2022.

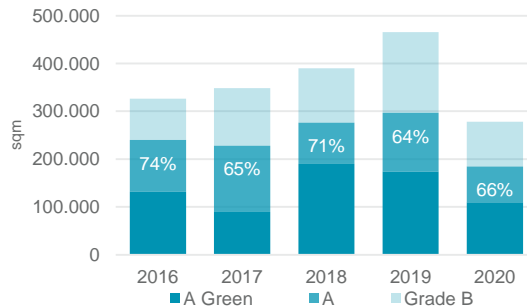
OCCUPIER AND INVESTMENT FOCUS

Following, the record take-up value reached in 2019, circa 465,000 sqm, absorption figures in 2020 fell below the average of the past decade (317,000 sqm), standing at approx. 280,000 sqm. Overall, the Milan office leasing market is experiencing both a circumstantial drop, enhanced by the Covid-19 pandemic, and a structural reduction, as large companies had already started a process of consolidation in single HQs in the last years (e.g. UniCredit in 2010, Generali in 2016 or PwC in 2018). Several operations, which started pre-Covid and paused during the uncertain period of lockdown, are likely to run over the coming quarters. Likewise, tenants' demand will reprise throughout 2021. Pre-let transactions accounted for 38% of the overall volume transacted in 2020 and are expected to keep high levels in the next years. Spaces immediately available are increasing, partially due to - both brand new and refurbished - spaces being delivered on the market, as well as those released by corporate companies who are implementing or introducing WFH (Work From Home) policies. On the investment side, Milan remained the focus of office investment in Italy, accounting for 66% of volume invested with Core and Core + assets the most sought after. Due to general uncertainty that brought foreigners to adopt a more cautious approach, activity from domestic investors has increased from 29% of 2019 to 58% of 2020.

OUTLOOK

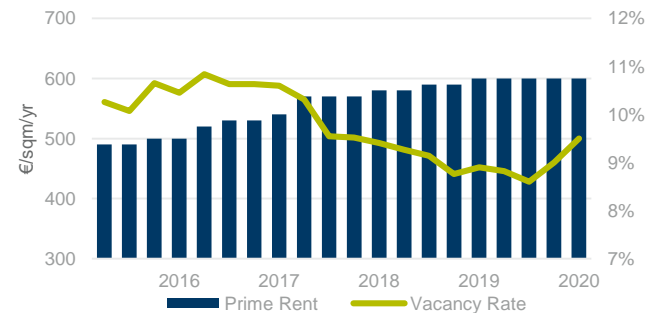
Prime rental levels are likely to be under pressure in the coming quarters, however, will continue to be sustained by tenant incentives. In the next five years, on average, year-end take-up will be lower than the past decade and characterized by a lower transaction size. Prime yields are expected to remain stable, while an increased mismatch between vendors' and buyers' expectation will impact 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	6.1 %	73,000	210,000	600	3.00 %
Centre	10.5 %	14,000	43,000	480	3.50 %
Semi Centre	3.3 %	28,000	95,000	370	4.50 %
Periphery	13.8 %	113,000	322,000	280	4.75 %
Hinterland	12.4 %	50,000	108,000	240	5.75 %
TOTALS	9.5 %	278,000	778,000	600	3.00%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Spark 1 & 2	Periphery	Gas / Energy	41,300	Pre-Lease
Gioia 22	CBD	Banking	24,300	Owner Occupier
Via Sile 8	Periphery	Public sector	18,900	Owner Occupier
Building L Via Milanofiori 6	Hinterland	Manufacturing industries	9,400	New Lease
Nord Business Center	Hinterland	IT/Communications	9,100	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Gioia 22	CBD	UBI Banca / Coima Sgr	33,000	Conf.
UBI Portfolio	-	UBI Banca / Coima Sgr	-	325
Via Cordusio 3	CBD	Kryalos Sgr / Mediobanca	7,200	246,7
Bodio Center	Semi-centre	AXA IM / BNP Paribas Sgr	80,000	223
Il Quinto – San Donato	Hinterland	Kryalos Sgr / Vittoria Assicurazioni & Korean Fund	-	c.a. 200

CLAUDIA BUCCINI

Partner, Research

+39 02 63799210

claudia.buccini@cushwake.com

MARIA CRISTINA MAESTRI

Data Analyst, Research

+39 02 63799214

mariacristina.maestri@cushwake.com

(*) 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.

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.