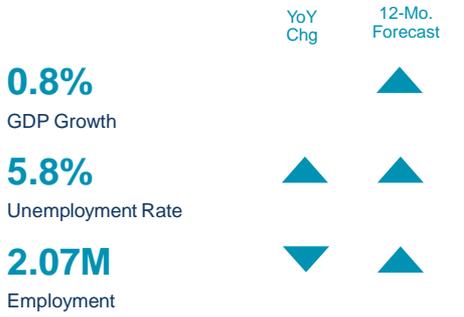




MILAN PROVINCE ECONOMIC INDICATORS Q1 2021



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

ECONOMY

Italy GDP showed a recovery in Q3 2020, but the second pandemic wave caused a drop in Q4. With the recent tightening of containment measures, forecasts for Q1 2021 are still for a contraction of -1,5% with forecast for a rebound in the following quarters. Milan, the country's business and financial core, is anticipating the recovery path and has already a forecast for a mild growth in Q1 2021. While GDP for Italy is projected to go back to pre-pandemic levels in 2023, Milan has this target forecasted for the beginning of 2022. Milan is confirming its leading role in the country's economy and its historical performances.

OCCUPIER AND INVESTMENT FOCUS

The first quarter of 2021 continues to suffer from the effects of the Covid-19 pandemic in terms of absorption figures, even if a physiological reduction was foretold: total transacted volume recorded a 30% decrease compared to the same period last year, totaling approx. 68,000 sqm. However, Milan office market remains dynamic, marking a growing interest for medium-small size spaces. More than 60% of the deals, in fact, involved spaces under 1,000 sqm, share that rises to approx. 80% when considering spaces under 1,500 sqm. As corporates are trying to define the new normal, the hybrid models is emerging as the optimal for most. CBD and Centre were the focus of activity of Q1 2021, taking up over 60% of the total. Spaces available in the medium/short term are increasing slightly all over the market, especially in decentralized areas, while product under construction/refurbishment keeps tenants' and purchasers' appeal. On the investment side, Milan maintained its appeal attracting circa 80% of office volumes invested, though recording a 15% decrease on Q1 2020.

OUTLOOK

Year end take up over the next five years is expected to be lower than the past five, but however in line with the 10-year average. Prime rental levels will remain stable but will continue to be sustained by tenant incentives. Prime yields are expected to remain stable supported by the even higher interest for secure products, 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	5.8 %	37,000	178,000	600	3.00 %
Centre	12.0 %	5,000	25,000	480	3.50 %
Semi Centre	3.4 %	8,000	95,000	390	4.50 %
Periphery	13.6 %	11,000	298,000	280	4.75 %
Hinterland	12.9 %	7,000	108,000	240	5.75 %
TOTALS	9.6 %	68,000	704,000	600	3.00%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Piazza San Fedele 1/3	CBD	Fashion	11,000	Pre-Lease
Via Vittor Pisani 22	CBD	Insurance	9,800	Owner Occupier
Via San Giovanni sul Muro 9	CBD	Banking & Finance	5,200	Pre-Lease
Via Giovanni Bensi 8	Periphery	Manufacturing	4,100	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Torre Velasca	Centre	Unipol / Hines	-	ca. 80
Ceresio 7/9	Semi-Centre	Dsquared2 / Deka Immobilien	7,000	Conf.
Via Valtorta 48	Periphery	Conf	6,000	ca. 50
HQ AC Milan	Semi-Centre	Vittoria Assicurazioni/AC Milan	-	42

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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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