

MILAN PROVINCE ECONOMIC INDICATORS Q2 2021



Sources: ISTAT and Moody's.

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

ECONOMY OVERVIEW

Thanks to positive vaccine developments and effective safety measures, the second wave of Covid-19 has come to an end prompting business reopening since the end of April. At a national level, GDP is expected to rebound in the second quarter, following a contraction of 1.4% in the first quarter. Growth should accelerate in the second half of 2021 thanks to recovery of domestic demand and global trade as well as the Next Generation EU funds support. Milan has benefited from a milder drop in employment, as its outside office-based sector, including pivotal financial services, adapted to remote work arrangements. Moreover, service industry will be a key growth driver in the coming months as offices gradually reintroduce their staff and spending on transport, food and other services.

OCCUPIER AND INVESTMENT FOCUS

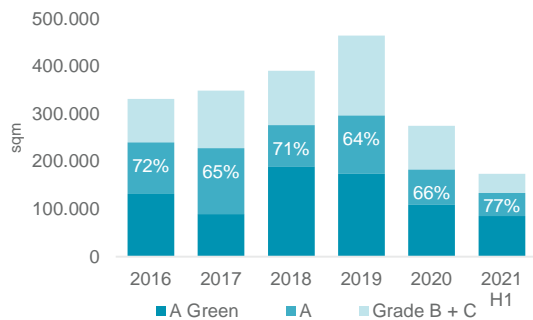
After a weak start of the year, activity increased during the second quarter with recorded take up figures of circa 105,000 sqm (+ 67% on Q2 2020), bringing the total volume absorbed for H1 to 175,000 sqm (+ 9% on H1 2020). Following the trend seen over the last period, in Q2 take up was boosted by two large transactions that accounted for 52% of the quarterly volume, whilst the remaining 48% was for medium-small transactions (spaces under 5,000 sqm). Quality is still one of the key drivers of demand, even more due to the impact of the Covid-19 pandemic. Another important element for occupiers is *location* which has become strongly related to the wellbeing of employees: the ideal location is somewhere not only well connected with the public transport but also with a good levels of services and amenities, a kind of hub that facilitates the balance between work and private life. There are several important projects heading in this direction and new decentralized clusters are being created. Prime rents will remain at high levels, with a potential increase.

On the investment side, Milan retained its appeal attracting 87% of volume invested in the office sector since the beginning of the year, recording a marked increase on H1 2020 but falling 60% on H1 2019 (the best year on record).

OUTLOOK

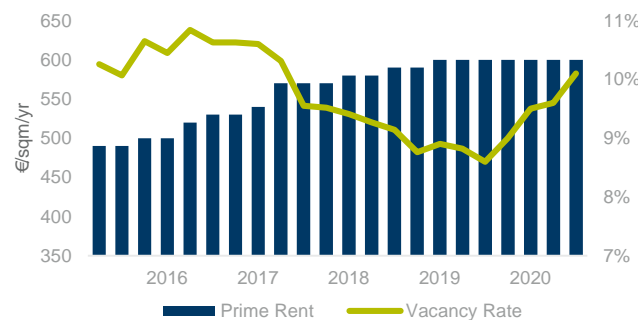
A more dynamic half of the year with stronger take up figures is expected, as occupiers who were looking for large spaces and had previously put their searches on hold, are now back on the market. Prime rental levels are expected to grow slightly, still sustained by incentives. Prime yields are expected to remain stable supported by the even higher interest for core product. Overall, the success of the vaccine campaign will be the most important element for the real recovery of the office market, which is anticipated for the end of the year.

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	5.6 %	51,000	141,000	600	3.00 %
Centre	13.6 %	45,000	51,000	480	3.50 %
Semi Centre	3.6 %	15,000	118,000	390	4.50 %
Periphery	13.7 %	45,000	280,000	280	4.75 %
Hinterland	14.4 %	19,000	108,000	240	5.50 %
<b>TOTALS</b>	<b>10.1 %</b>	<b>175,000</b>	<b>698,000</b>	<b>600</b>	<b>3.00%</b>

## KEY LEASE TRANSACTIONS 2021

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Corso Italia 23	Centre	Consulting	35,000	Pre-Lease
Symbiosis	Periphery	Gas\Energy	19,600	Sale
Piazza San Fedele 1/3	CBD	Fashion	11,000	Pre-Lease
Via Vittor Pisani 22	CBD	Insurance	9,800	Owner Occupier
Energy Park - Vimercate	Hinterland	Manufacturing	5,200	New Lease

## KEY SALES TRANSACTIONS 2021

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Torre Libeskind (50% shares)	Semi-Centre	Generali / ENPAIA	-	160
Torre Velasca	Centre	Unipol / Hines	-	ca. 80
Ceresio 7/9	Semi-Centre	Dsquared2 / Dekka Immobilien	7,000	Conf.
Corso Europa 12	CBD	Private / Macquarie	6,000	63
Largo Treves	Centre	Comune Milano / Stella RE	5,000	52,7

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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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	YoY Chg	12-Mo. Forecast
<b>11.0%</b> Grade A, B & C Vacancy Rate	▲	▲
<b>77,200</b> Take-Up sqm	▼	▼
<b>€490</b> Prime Rent €/sqm/yr	▲	▬

**ROME PROVINCE ECONOMIC INDICATORS Q2 2021**

<b>+15.1%</b> GDP Growth	▲	▲
<b>7.7%</b> Unemployment Rate	▲	▬
<b>2.18M</b> Employment	▼	▲

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

**ECONOMY**

Thanks to positive vaccine developments and effective safety measures, the second wave of Covid-19 has come to an end prompting business reopening since the end of April. At a national level, GDP is expected to rebound in the second quarter and should even accelerate in the second half of 2021 thanks to recovery of domestic demand and global trade as well as the Next Generation EU funds support. The rollout of "Covid passports" has begun, enabling free movement of travellers between certain EU countries and will likely boost the recovery of a city strongly dependent on tourism-related economy, considering it had the third-highest arrivals in Europe after London and Paris, prior to the pandemic. Rome will return to pre-pandemic levels in the first half of 2022, quicker than the entire country, thanks to an effective vaccination campaign and the gradual re-opening of international travels.

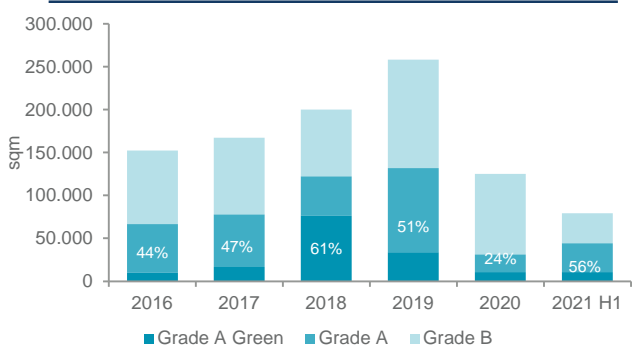
**OCCUPIER AND INVESTMENT FOCUS**

Following a positive first half of the year – boosted by the fulfilment of a large pre-let – performance in the Rome office market was above 2020 figures but still slightly below the 10-year average for Q2. Half year take up figures were just below 80,000 sqm showing a continued market vitality. Although immediate demand continued to be focused on smaller floorplates, larger transactions are expected by end of year as more pre-let agreements are completed. Location and quality continue to be paramount however, as in previous quarters, there is a shortage of quality product available in the medium/short term and the larger the requirement the more critical this aspect becomes. On the investment side, the Rome market accounted for circa 8% of office volume invested during H1 and, although only one transaction was recorded during the second quarter, the mood remains positive as interest from national and foreign investors continues. Prime opportunities are few but sought after and there is an increase in interest for vacant assets to be repositioned.

**OUTLOOK**

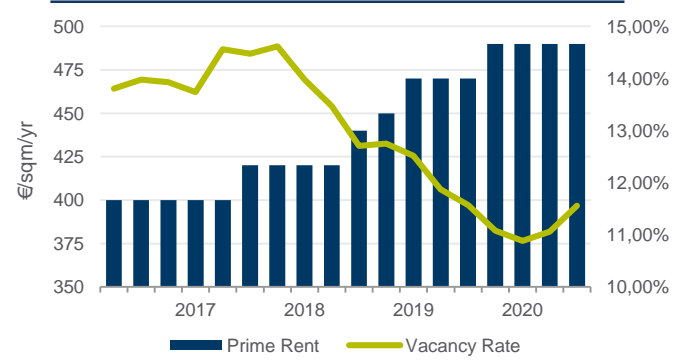
Liquidity in the real estate market is still high and the Rome market could be a valid alternative to Milan on core products thanks to slightly higher yields, which are likely to remain stable for the latter part of the year. We are anticipating a dynamic second part of the year with some ongoing transactions to be closed and some new assets on the market. Rents on the other hand are due to increase in core submarkets. Overall end of year figures are expected to exceed 2020 in both volumes invested and occupier take up.

**TAKE UP BY GRADE**



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**OVERALL VACANCY & PRIME RENT**





## MARKET STATISTICS

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Centre		24,300	0	360	4.25 %
Semi Centre	17.0%	3,800	10,000	300	6.00 %
Greater Eur	9.8%	11,500	12,500	350	4.00 %
Periphery	20.7%	21,500	0	160	8.00 %
<b>TOTAL</b>	<b>11.6%</b>	<b>77,200</b>	<b>22,500</b>		

## KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA (SQM)	TYPE
Via Curtatone 3	CENTRE	Consulting/Business Services	16.600	Pre-let
Via degli Aldobrandeschi 300	PERIPHERY	Gaming	6.400	Expansion
Hi Green – Via Ravà 75	GREATER EUR	Finance	5,100	New Lease
Via Boncompagni 15	CBD	Banking & Finance	4.300	End User
Via Curtatone 3	CENTRE	Banking & Finance	4.000	New Lease
Via di San Basilio 48	CBD	Banking & Finance	3,200	New Lease

## KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA(SQM)	PRICE/€ MLN
Via Boncompagni 15	CBD	Gruppo Marseglia/Banca IBL	4.300	46
Via C. Colombo 70	Greater Eur	Private Italian/Quinta Capital Sgr	8,000	10
Via Donizzetti 12-14	Centre	Kryalos Sgr/ Banca Sistema	2.200	7,2

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