

	YoY Chg	12-Mo. Forecast
<b>11.1%</b> Grade A,B&C Vacancy Rate	▲	▲
<b>356,000</b> Take-Up sqm	▲	▲
<b>€620</b> Prime Rent €/sqm/yr	▲	▲

### MILAN PROVINCE ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
<b>7.2%</b> GDP Growth		▲
<b>5.3%</b> Unemployment Rate	▼	▼
<b>2.12M</b> Employment	▲	▲

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

### ECONOMY OVERVIEW

GDP increased by 7.2% in the last quarter and is forecast to grow by 7.2% again for the full year, higher than the national data. Also, Milan's GDP had already reached pre-covid levels during summer, while Italy should reach the target in the next two quarters. Even compared to other European cities, the economic rebound has been strong. Milan was successful in the vaccination campaign favoring mobility of its citizens that was a key component for a boost in consumer spending to pre-pandemic levels. Employment increased in Q4 despite the lifting of layoff prohibitions in most sectors. In the medium term, the winter Olympic of 2026 will bring investment and activity to the city, that is expected to confirm its growth in the future.

### OCCUPIER AND INVESTMENT FOCUS

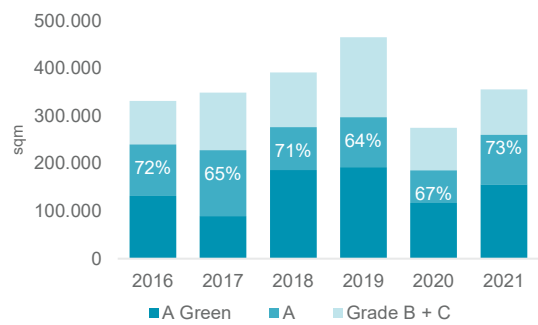
The Milan office market reacted positively during the year: companies have been feeling and increased sense of confidence which is reflected in the annual absorption which has returned to healthy pre-pandemic levels (360,000sqm, + 29% compared to 2020). The focus on Environmental, Social and Governance (ESG) elements and sustainability is now consolidated and perceived as necessary. In this context, the focus is on prime, Grade A products with Green certifications, located in business hubs with dedicated services, with the aim to encourage a return to working in the office more regularly. CBD Historic and Porta Nuova and consolidated business hubs in the Periphery were the most appealing areas, accounting for 60% of take up. However, in this time of uncertainty, the process needed to decide on moving remains long especially for large companies (> 10,000sqm), with only 4 transactions closed in the year; instead, the market has been characterized by small to medium sized spaces (< 4,000 sqm) which represents 95% of deals.

Also on the investment side, ESG criteria are considered essential and are causing an increase in the gap between prime and secondary market: the focus is on prime products that are more resilient and respond to sustainability requirements reducing future risks. With 75% of volume invested in the office sector since the beginning of the year (€2.1bln), Milan is the most attractive city.

### OUTLOOK

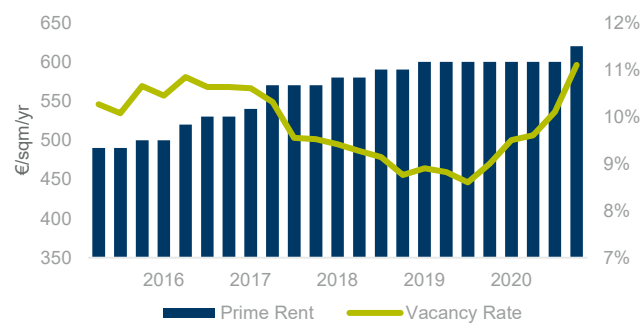
The impact of the Omicron variant on the recovery is still unknown, but companies are re-thinking their workspace and reviewing their real estate strategies to embrace employees' wellbeing, providing more flexibility. Prime rental levels in central locations are expected to grow throughout the year. Prime yields are expected to compress further, with an increasing interest and focus on the Central areas (CBD Historic and Porta Nuova) and redeveloping semi-central areas .

### 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 %	101,000	167,000	620	3.00 %
Centre	12.9 %	53,000	43,000	480	3.50 %
Semi Centre	5.5 %	51,000	121,000	400	4.25 %
Periphery	14.3 %	104,000	283,000	290	4.50 %
Hinterland	15.6 %	47,000	108,000	240	5.25 %
<b>TOTALS</b>	<b>11.1 %</b>	<b>356,000</b>	<b>722,000</b>	<b>620</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
The Sign - Building D	Periphery	Manufacturing	12,500	Pre-Lease
Piazza San Fedele 1/3	CBD	Fashion	11,000	Pre-Lease
Via Vittor Pisani 22	CBD	Insurance	9,800	Owner Occupier

## KEY SALES TRANSACTIONS 2021

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Torre Libeskind (50% shares)	Semi-Centre	Generali / ENPAIA	-	160
The 16 – Broletto 16	CBD	Invesco / Davy Global Fund Management OBO Deko Immobilien	12,000	c.a.120
Viale Sarca 235	Periphery	COIMA RES / Amundi	31,000	82,5
Torre Velasca	Centre	Unipol / Hines	-	ca. 80
Ceresio 7/9	Semi-Centre	Dsqared2 / Deko Immobilien	7,000	Conf.

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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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