



MILAN PROVINCE ECONOMIC INDICATORS Q1 2022



Sources: ISTAT and Moody's.

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

ECONOMY OVERVIEW

While Italy's GDP is close, but still below pre-pandemic level; Milan has already reached the target in summer and in recent quarter the city confirms to grow at higher rates. Milan's' growth has also been strong among European comparable cities in the last quarters and even in the next future its GDP is forecasted to continue to grow faster. The dynamic labor market has been absorbing new or returning workers, and the unemployment rate declined to 5%, one of the lowest compared to its peers. A faster recovery from Covid-19 impacts and above-average disposable incomes and should support the coming expansion and provide some protection against a high energy-driven inflation rate. In the medium term, the winter Olympic of 2026 will provide a new source of income and investment and it is expected to support city's growth in the future.

OCCUPIER AND INVESTMENT FOCUS

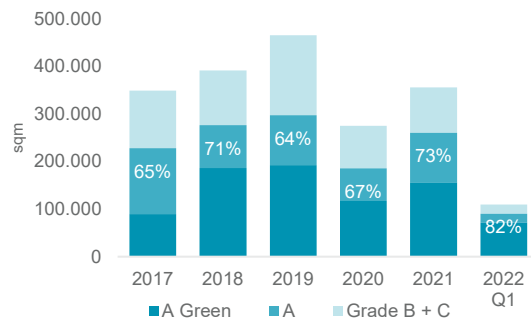
In the wake of last year, the newfound confidence in the occupier market continues as reflected by the high absorption in Milan: 110,000 sqm, well above the quarterly average. Key aspects behind this restored confidence are undoubtedly the prospect of the end of the pandemic emergency and a greater certainty about the new way of working which sees a hybrid model where WFH and office work will be integrated. CBD Historic and CBD Porta Nuova are confirmed as the most attractive sub-markets, but there is also a strong focus on new urban developments and regeneration projects that aim to represent a new urban centrality, as demonstrated by the pre-let transaction of the new 29,000sqm office tower within Milanosesto development. During the quarter, prime rents have grown further and stand at €640/sqm/yr (+3% vs Q4 2021), supported by the strong demand for high quality spaces with high sustainability standards, in line with ESG criteria.

Also on the investment side, Offices are again the primary target for investors thanks to the renewed confidence in the occupational market. Milan was confirmed as the target city, reaching a quarterly volume of nearly €1 Billion, a result achieved also thanks to the sale of an important mixed-use portfolio that contributed significantly to the result.

OUTLOOK

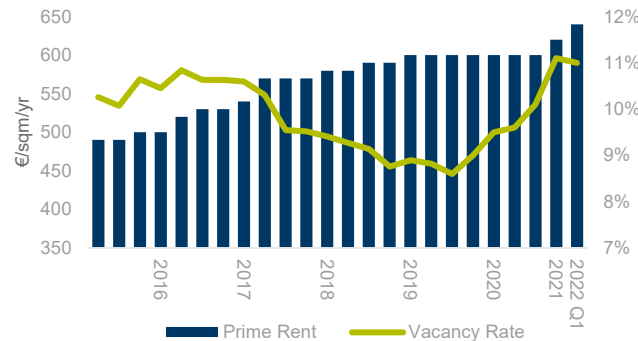
Given the number of ongoing negotiations, we expect a positive second part of the year in terms of occupiers' activity. Given the fundamentals of the occupier market and the increasing demand for spaces in line with ESG requirements, the interest in value-added risk profile products will be increasingly strong; on the other hand, interest in core and core+ products will continue, with prospective effect on prime yields' compression. The threat should be considered is the uncertainty related to the war in Ukraine, the rising inflation and the higher cost of raw material that could have an impact on the market.

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	6.5 %	28,000	167,000	640	3.00 %
Centre	12.3 %	10,000	40,000	480	3.50 %
Semi Centre	5.1 %	16,000	205,000	420	4.25 %
Periphery	14.5 %	20,000	272,000	290	4.50 %
Hinterland	15.2 %	36,000	86,000	240	5.25 %
TOTALS	11.0 %	110,000	770,000	640	3.00%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Milano Sesto	Hinterland	Bank	29.000	Pre-lease
Via della Spiga 26	CBD	Fashion	7.000	Pre-lease
Via Varesina 204	Periphery	Manufacturing Industries	6.330	Pre-lease
Porta Nuova Varesine Bld 1	CBD	Banking	6.260	New Lease
Bassi Business Park Bld 2	Semi Centre	IT	6.090	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
3 Asset Portfolio	CBD, Periphery	A2A / Henderson Park	26,000 + 36,000(buildable area)	Over 200 €Mn
HQ 2 – Viale Piero e Alberto Pirelli 25	Periphery	Savills IM / Antirion Sgr	31,000	c.a. 70€Mn
Pirelli 32	CBD	Generali Real Estate Sgr / COIMA RES	7,500	58,2
Santa Maria Segreta 5	CBD	ITAS Assicurazioni / Castello Sgr	4,000	49
Ripamonti 89	Periphery SE	RealStep SICAF / Patrizia AG	11,000	45,5

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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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