



Q2 2018

OFFICE MARKET OVERVIEW

MILAN AND ROME

INDEX

HIGHLIGHT	4
THE REPORT IN SUMMARY	5
MILAN	6
TREND IN TRANSACTIONS	6
RENTS	7
YIELDS	7
TAKE UP	7
VACANCY	8
TAKE-UP BY MACROZONE	8
MAP OF PROPERTIES LET	9
ROME	10
TREND IN TRANSACTIONS	10
RENTS	11
YIELDS	11
TAKE UP	12
TAKE-UP BY MACROZONE	12
MAP OF PROPERTIES LET	13

HIGHLIGHTS

The office market in Milan and Rome has shown an increase in take-up during the last 12 months (Q3 2017-Q2 2018) compared to the prior 12 months (Q3 2016-Q2 2017). A focus

on the two main Italian markets is provided below, with regard to NTN (Normalised Number of Transactions), rents, yields, take-up and stock.

MILAN

TAKE UP H1 2018

202.300 SQM



Stable compared to the corresponding period of 2017.

PRIME RENT CBD-CENTRE

560 € SQM ANNO



Higher than the figure recorded in the same quarter of 2017, equal to 520 €/sqm/year.

ROME

TAKE UP H1 2018

84.455 SQM



Higher compared to the corresponding period of 2017.

PRIME RENT CBD-CENTRE

420 € SQM ANNO



Higher than the figure recorded in the same quarter of 2017, equal to 400 €/sqm/year.

THE REPORT IN SUMMARY

The positive trend for the office market in Milan and Rome continued in the second quarter of 2018. Estimated take-up in Milan during the first half of 2018 was approximately 202,300 sqm, stable compared to the corresponding period of 2017, while a 16.6% increase was recorded at the quarterly level compared to second quarter 2017.

In terms of area let, the most active markets were the Periphery, accounting for 32% of the total, and the Semicentre, at 25%. A further increase in prime rents in the CBD to approximately 560 €/sqm per year was also noted.

Moving on to the Capital, the market was active during the half-year, with 84,455 sqm taken up, an increase of 18.3% compared to the first half of 2017. The CBD continues to be the preferred macrozone, accounting for 35% of total take-up and prime rent increasing to 420 €/sqm per year, followed by the EUR with 34%.



Milan, primary market in the segment, continues to grow, with prime rents showing a further increase in the CBD to approximately 560 €/sqm per year.

Rome has also observed an increase in prime rent within the more central zones of the city, to approximately 420 €/sqm per year.

Moreover, the Capital also recorded an increase in the weight of the CBD over the total transacted, accounting for a percentage slightly higher than the EUR during the half-year



Raimondo Massimo Cogotti

Manager Office Italia

Gabetti Group



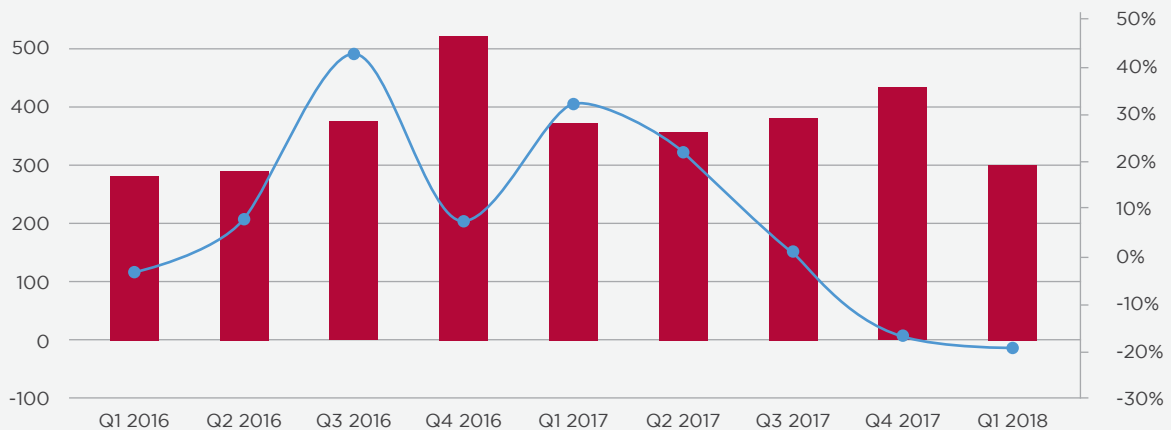
TREND IN TRANSACTIONS

In 2016, a total of 1,463 transactions involving office properties were recorded in Milan and province. After a total of 280 transactions in the first quarter and a stable 292 in the second, the third and fourth quarters recorded an increase in the number of transactions, reaching 516 in Q4 2016.

In **2017**, a total of **1,535 transactions** were recorded, **+4.9%** compared to 2016. More specifically, 370 transactions were completed in the first quarter (+31.9% compared to first quarter 2016), 355 transactions were completed in Q2 2017 (+21.4% compared to Q2 2016) and 378 transactions were completed in Q3 2017, in line with the figure recorded in Q3 2016 (+0.9%), while a total of 432 transactions were recorded in Q4 2017, down by 16.3% compared to the same quarter in 2016.

Moving on to 2018, the first three months of the year recorded a total of 299 transactions.

Quarterly trend in the number of transactions and annual variations - Milan and province, Q1 2016 - Q1 2018



RENTS

An analysis of lease agreements and the experience acquired by Gabetti agents provides some significant data with regard to average and prime rents, subdivided by zone.

Prime rent recorded in **Q2 2018** was **560 €/sqm/year**, higher than the figure recorded in the same quarter of 2017, equal to 520 €/sqm/year. Note that prime rents undergo decreases based on any incentives offered (such as free rent, step-up, etc.).

	RENT €/sqm/year - Q2 2018	
	AVERAGE RENT	PRIME RENT
CBD	450	560
PN BD	405	480
Centre	400	465
Semicentre	280	360
Periphery	200	260
Hinterland	150	210

YIELDS

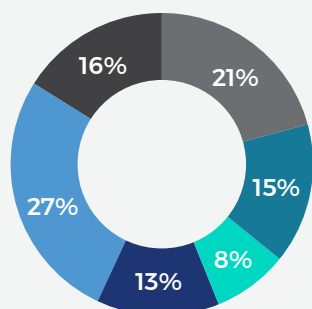
Compared to the prior quarter, gross yields have remained essentially **stable**, with **Prime Yield** in the centre of **Milan** at around **4.50%**.

	PRIME
	CBD-Centre
Semicentre	6.00%
Periphery	7.00%
Hinterland	7.50%

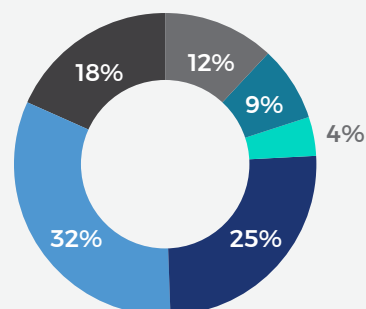
TAKE UP

Estimated **take-up** during the **first half of 2018** was approximately **202,300 sqm** (considering the leading operators and a fragmented portion of smaller operators). In terms of **number of contracts** stipulated, the majority were recorded in the **Periphery (27%)**, followed by the **CBD (21%)** and **Hinterland (16%)**. **In terms of area**, the **Periphery (32%)** and **Semicentre (25%)** accounted for the highest portions.

DISTRIBUTION OF LEASED UNITS
MILAN Q1-Q2 2018



DISTRIBUTION OF LEASED AREA
MILAN Q1-Q2 2018

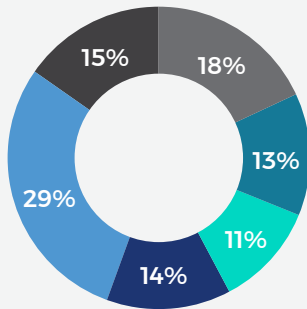


■ Hinterland ■ CBD ■ Porta Nuova B. D. ■ Periphery ■ Semicentre ■ Centre

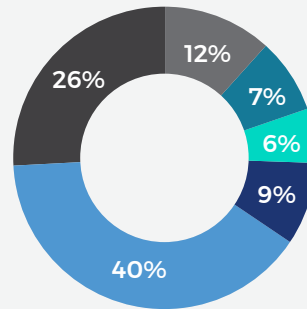
VACANCY

The estimated **overall vacancy** in the Milanese area is approximately **1.46 million sqm**. With regard to breakdown, the **predominance of vacant space** in terms of area is in the city's **peripheral zone**, with **40%**, followed by the **hinterland**, which accounts for **26%** of total vacancy.

DISTRIBUTION OF VACANT UNITS
MILAN Q2 2018



DISTRIBUTION OF VACANT AREA
MILAN Q2 2018

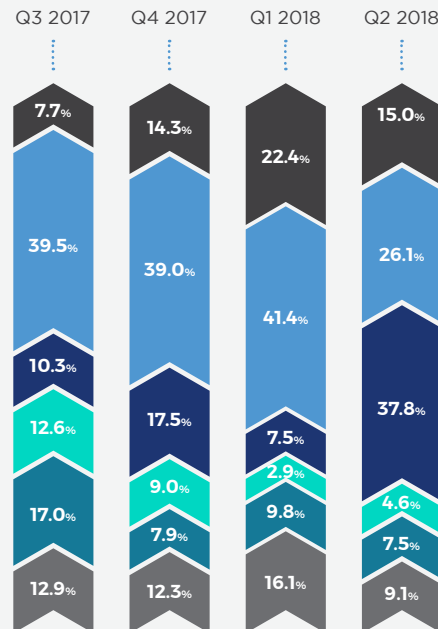


TAKE-UP BY MACROZONE

The graph shows the historical series for the last 12 months with regard to take-up by macrozone.

During the **last quarter** under analysis, some **37.8%** of take-up was recorded in the **Semi-centre** and **26.1%** in the **Periphery**, followed by the Hinterland with 15%, the CBD with 9.1%, the Porta Nuova Business District with 7.5% and the Centre with 4.6%.

Quarterly distribution of the take-up,
Milan Q3 2017 - Q2 2018

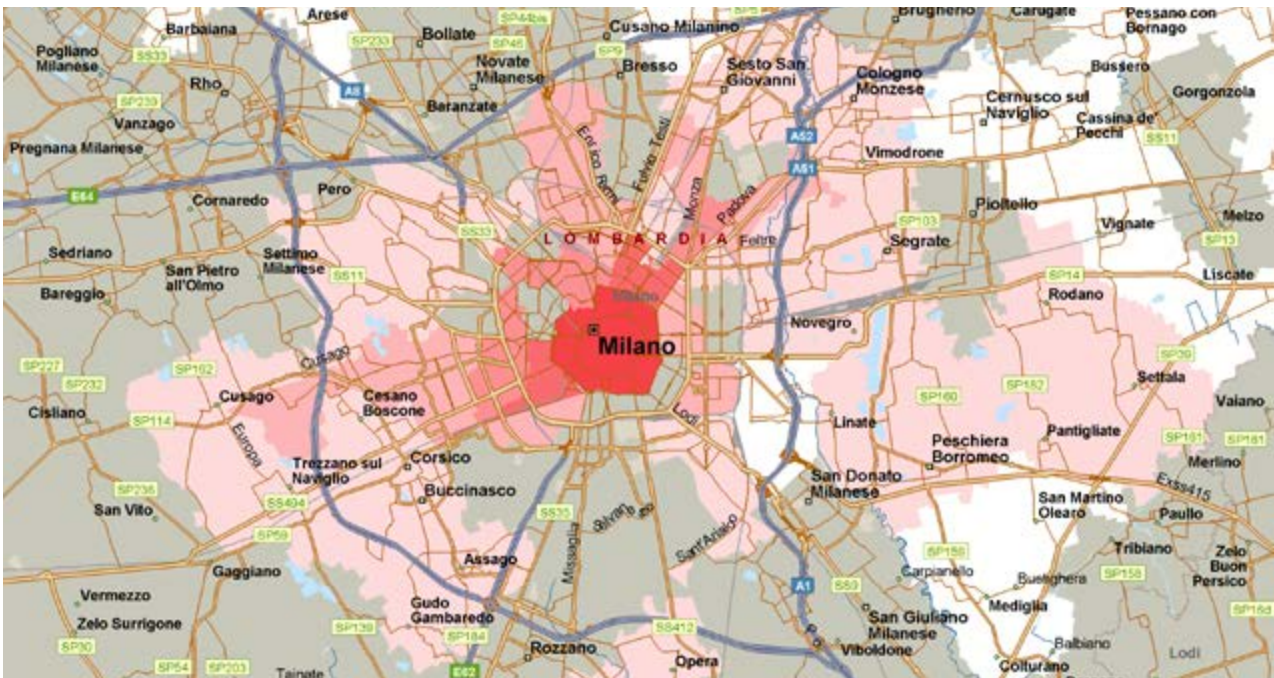


Hinterland
 CBD
 Porta Nuova B. D.
 Periphery
 Semicentre
 Centre

MAP OF PROPERTIES LET

This thematic map was created based on some of the main lease agreements stipulated over the last 12 months in the city of Milan and towns in the hinterland. The map distinguishes the zones based on average rent.

ZONE	DATA	TOTAL
CBD	Number of contracts	57
	Leased area (sq.m)	44.402
	Average leased area (sq.m)	779
	Average rent (€/sq.m/year)	403
PN BD	Number of contracts	43
	Leased area (sq.m)	35.350
	Average leased area (sq.m)	822
	Average rent (€/sq.m/year)	326
Centre	Number of contracts	19
	Leased area (sq.m)	24.498
	Average leased area (sq.m)	1.289
	Average rent (€/sq.m/year)	323
Semicentre	Number of contracts	40
	Leased area (sq.m)	74.787
	Average leased area (sq.m)	1.870
	Average rent (€/sq.m/year)	239
Periphery	Number of contracts	74
	Leased area (sq.m)	128.568
	Average leased area (sq.m)	1.737
	Average rent (€/sq.m/year)	199
Hinterland	Number of contracts	44
	Leased area (sq.m)	55.504
	Average leased area (sq.m)	1.261
	Average rent (€/sq.m/year)	160
Total number of contracts		277
Total leased area (sq.m)		363.109
Average leased area (sq.m)		1.311
Average rent (€/sq.m/year)		263



350 a 420
 300 a 349
 250 a 299
 200 a 249
 150 a 199
 100 a 149

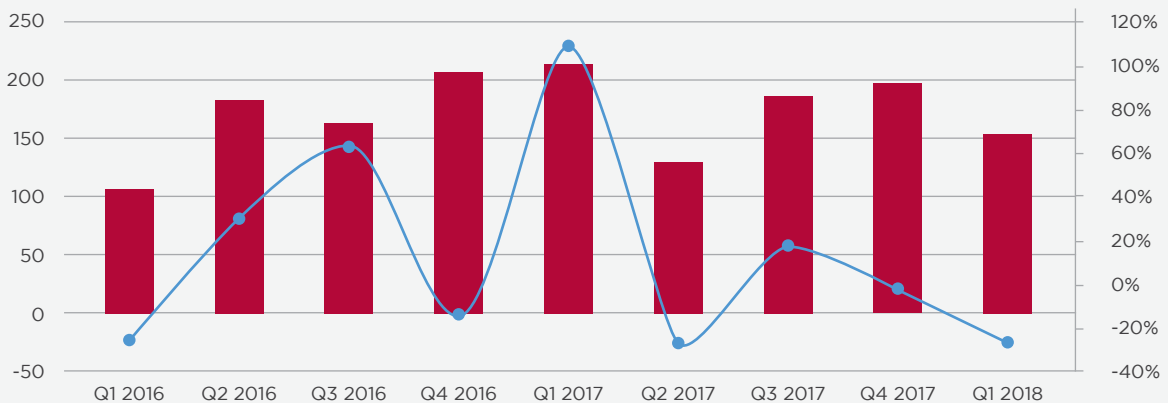


TREND IN TRANSACTIONS

In 2016, a total of 653 transactions involving office properties were recorded in Rome and province. After recording 103 transactions in Q1 2016 and 182 transactions in Q2 2016, transactions declined slightly to 161 in Q3 and then rose again in the fourth quarter to 207.

In **2017**, a total of **729 transactions were recorded, +11.6% compared to 2016**. More specifically, 213 transactions were completed in the first quarter (more than double compared to first quarter 2016), 131 transactions were completed in Q2 2017 (-28.3% compared to Q2 2016) and 187 transactions were completed in Q3 2017, +15.9% compared to the same quarter in 2016, while 198 transactions were recorded in Q4, down by 4.4% compared to the same quarter in 2016. A total of 153 transactions were recorded in Q1 2018.

Quarterly trend in the number of transactions and annual variations
Rome and province, Q1 2016 - Q1 2018



RENTS

An analysis of lease agreements and the experience acquired by Gabetti agents provides some significant data with regard to average and prime rents, subdivided by zone. In particular, given the distribution of office properties in the city of Rome, 4 macro-areas were identified - the centre, semicentre, EUR and periphery, which also includes the sub-markets of Nuova Fiera di Roma, East Inner Gra and South-East Inner Gra.

Prime rent for transactions completed in Q2 2018 was **420 €/sqm/year**, in line with the figure recorded in the same quarter of 2017 (400 €/sqm).



RENT €/sqm/year - Q2 2018

	AVERAGE RENT	PRIME RENT
CBD*	370	420
Centre*	275	350
Semicentre	270	340
Eur	260	350
Periphery	140	210

*Note that prime rents undergo decreases based on any incentives offered (such as free rent, step-up, etc.).
Also note a redefinition of the zones CBD and Centre, with a consequent impact on the average and prime figures of the two zones.

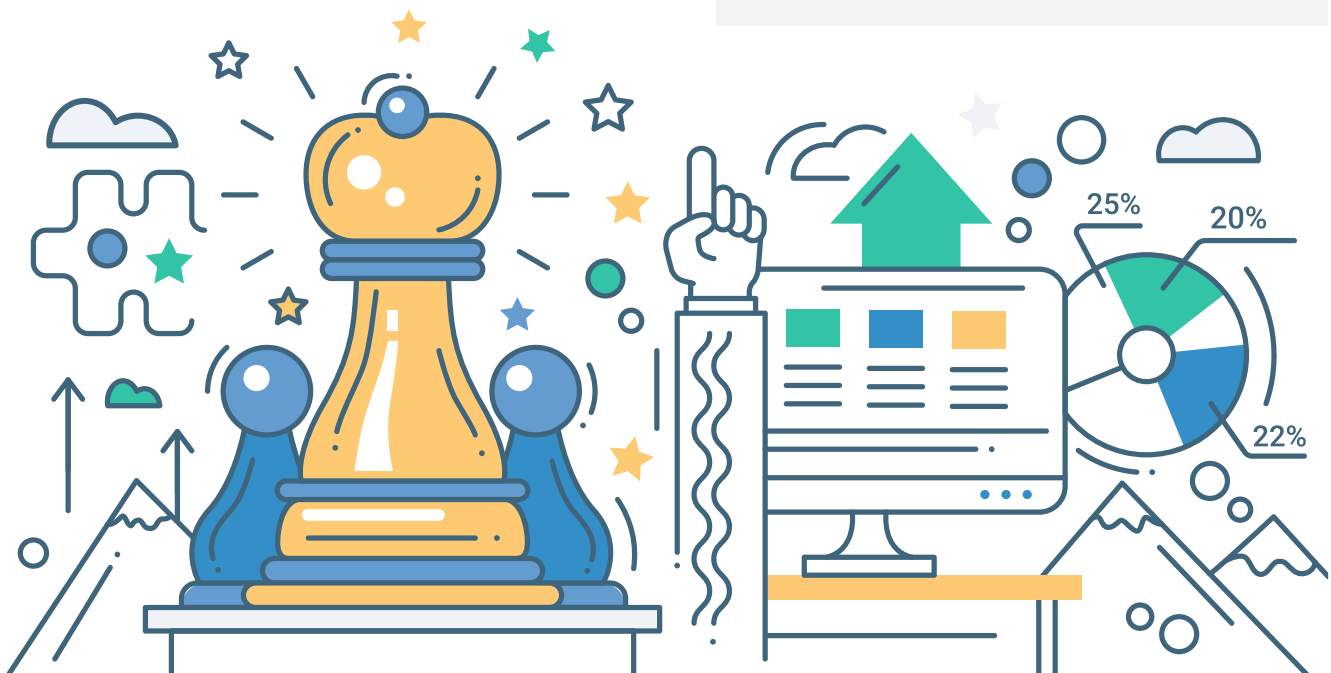
YIELDS

Prime yield values (gross) compared to the prior quarter are essentially stable and down only in Rome's central zone, at around **5.15%**.



YIELDS (%) Q2 2018

	PRIME
CBD-Centre	5.15%
Semicentre	6.50%
Eur	6.50%
Periphery	7.80%

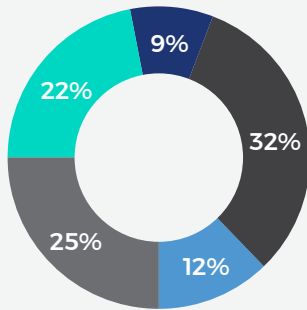


TAKE UP

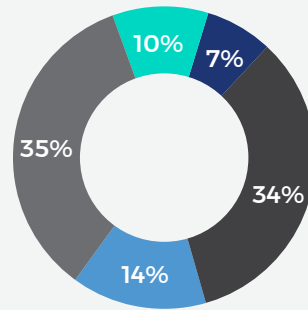
Estimated **take-up** during the **first half of 2018** was approximately **84,455 sqm** (considering the leading operators and a fragmented portion of smaller operators). However, it is necessary to point out that for the city of Rome, the market share attributed to non-institutional operators is higher than in Milan.

In terms of **number of contracts** stipulated, the highest amount was recorded in the **EUR zone (32%)**, followed by the **CBD (25%)**, while the **CBD** heads the ranking in **terms of area, accounting for 35%** of the total area let, followed by the **EUR (34%)**.

**DISTRIBUTION OF LEASED UNITS
ROME Q1-Q2 2018**



**DISTRIBUTION OF LEASED AREA
ROME Q1-Q2 2018**

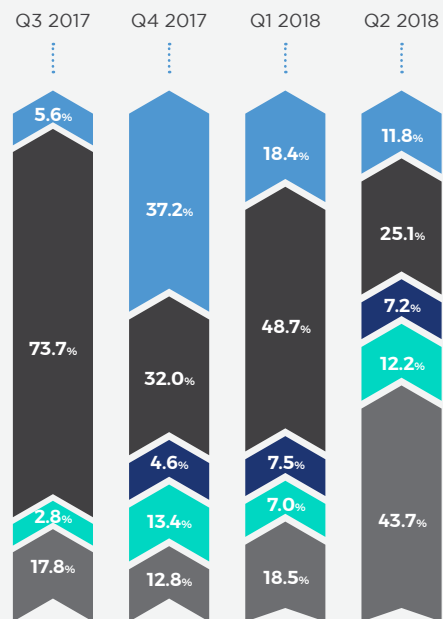


TAKE-UP BY MACROZONE

The figure shows the historical series for the last 12 months with regard to take-up by macrozone.

During the **last quarter** under analysis, the preferred macrozones were the **CBD**, with **43.7%** of total take-up, and the **EUR**, with **25.1%**. These were followed by the Centre, with 12.2%, the Periphery (which includes the zones of Nuova Fiera di Roma, East Inner Gra and South-East Inner Gra) with 11.8% and the Semicentre, with 7.2% of total take-up.

**Quarterly distribution of the take-up,
Rome Q3 2017 - Q2 2018**



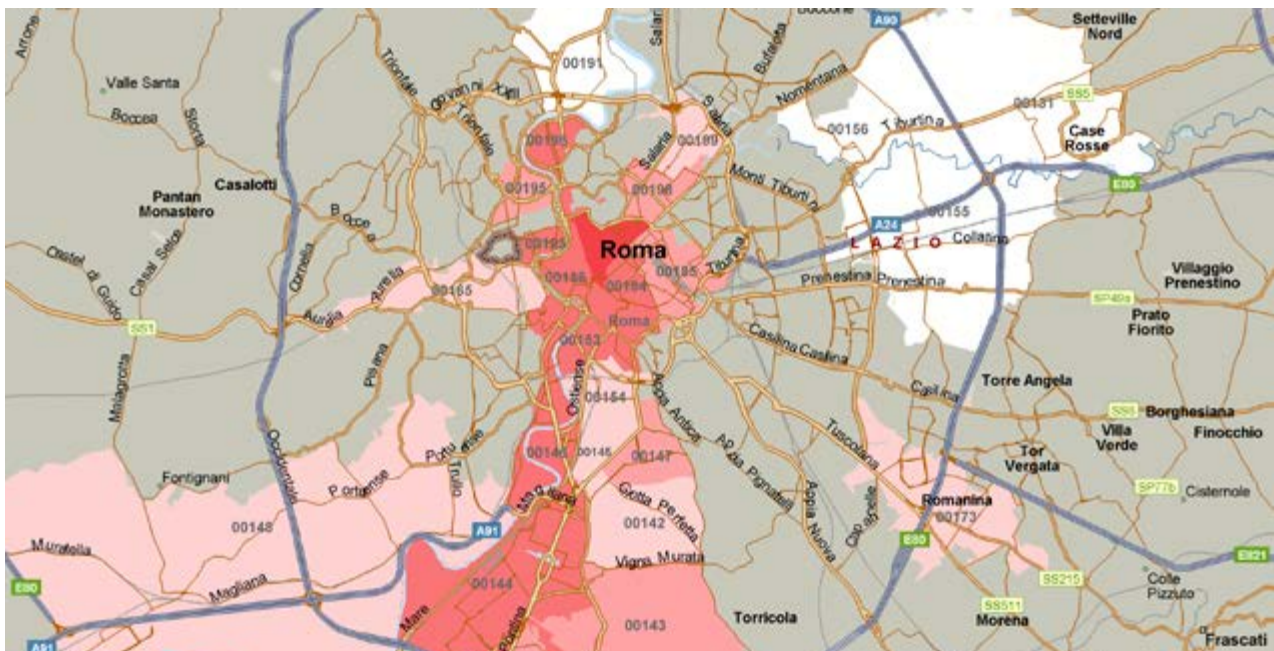
■ Semicentre ■ EUR ■ Periphery ■ CBD ■ Centre

MAP OF PROPERTIES LET

This thematic map was created based on some of the main lease agreements stipulated over the last 12 months in the city of Rome. The map distinguishes the zones based on average rent.

ZONE	DATA	TOTAL
CBD	Number of contracts	43
	Leased area (sq.m)	53.699
	Average leased area (sq.m)	1.249
	Average rent (€/sq.m/year)	313
Centre	Number of contracts	31
	Leased area (sq.m)	17.620
	Average leased area (sq.m)	568
	Average rent (€/sq.m/year)	256
Semicentre	Number of contracts	9
	Leased area (sq.m)	8.201
	Average leased area (sq.m)	911
	Average rent (€/sq.m/year)	277
EUR	Number of contracts	50
	Leased area (sq.m)	120.078
	Average leased area (sq.m)	2.402
	Average rent (€/sq.m/year)	231
Periphery	Number of contracts	10
	Leased area (sq.m)	13.148
	Average leased area (sq.m)	1.315
	Average rent (€/sq.m/year)	155
East Inner Cra	Number of contracts	6
	Leased area (sq.m)	9.020
	Average leased area (sq.m)	1.503
	Average rent (€/sq.m/year)	139
Nuova Fiera di Roma	Number of contracts	7
	Leased area (sq.m)	12.275
	Average leased area (sq.m)	1.754
	Average rent (€/sq.m/year)	186
Total number of contracts		156
Total leased area (sq.m)		234.041
Average leased area (sq.m)		1.500
Average rent (€/sq.m/year)		246

* Note that the average rents shown in the table above solely refer to the contracts analysed and do not necessarily represent the average rents of the zone.
N.B.: Quarterly take-up may undergo slight fluctuations during the course of the quarters and up to year-end, due to assignment of the transactions to the various quarters.



300 a 350 250 a 299 200 a 249 150 a 199 80 a 149

ALL OUR REPORTS:



Residential Overview



Leases



Market of Exclusive Residences



Investment Overview



Office Market Overview



Office Focus Quality



Hotels



Find all our reports on [gabettigroup.com](https://www.gabettigroup.com) in the Studies department



Stay updated on upcoming releases by following our [page linkedin](#)

This report must not constitute the basis for negotiations or transactions without specific and qualified professional assistance. Although we have examined the facts and data contained in this report, Gabetti Property Solutions S.p.A. does not in any way guarantee their accuracy and truthfulness and declines any and all responsibility with regard to any damage, direct or indirect, of any nature, suffered by third parties in relation to the contents of this report. The information and data contained in the report may be published, provided that the source is stated. Apart from the above, they may not be reproduced, wholly or partially, nor may any reference be made to them without prior authorisation by Gabetti Property Solutions S.p.A. - © Gabetti Property Solutions S.p.A. 2018



Research Department

Francesca Fantuzzi

Supervisor

ffantuzzi@gabetti.it



Luca Blasi Toccacelli

General Manager

Raimondo Massimo Cogotti

Manager Office Italia

rcogotti@gabetti.it

+39 02 775 5208

Marco Fusari

Director sede Roma

mfusari@gabetti.it

+39 06 85 191

