



Q4 2018

OFFICE MARKET OVERVIEW

MILAN AND ROME



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HIGHLIGHTS

The office market in Milan showed an increase of 7.3% in take-up during the last 12 months (Q1 2018-Q4 2018) compared to the previous 12-month period (Q1 2017-Q4 2017), while Rome recorded a decline in take-up during

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

MILAN

TAKE UP IN 2018

390.280 SQM



Up compared to 2017

PRIME RENT CBD

570 € SQM YEAR



Up compared to the corresponding quarter of 2017, equal to 530 €/sqm/year

ROME

TAKE UP IN 2018

185.105 SQM



Down compared to 2017

PRIME RENT CBD-CENTRE

420 € SQM YEAR



Up compared to the corresponding quarter of 2017 (400 €/sqm/year)

THE REPORT IN SUMMARY

The **positive trend** in Milan's office market **continued in fourth quarter 2018**, with estimated **take-up of approximately 390,280 sqm**, up compared to the same period of 2017.

In terms of area let, the most active markets for the year 2018 were the Periphery, accounting for 30% of the total, and the Semicentre, at 20%. Stability in prime rents was recorded in the CBD, reaching approximately **570 €/sqm/year**.

Moving on to the **Capital**, the **take-up of office space amounted to 185,105 sqm**. Rents were essentially stable, with prime rent in the more central zones of the city equal to approximately **420 €/sqm/year**. The EUR was the preferred macrozone, accounting for 34% of total take-up.



*As leading market in the segment,
Milan continues its growth trend.*

*The most attractive zones included EUR
and the Rome-Fiumicino Airport route which,
following the new initiatives underway,
aims to become the new office destination of the Capital.*



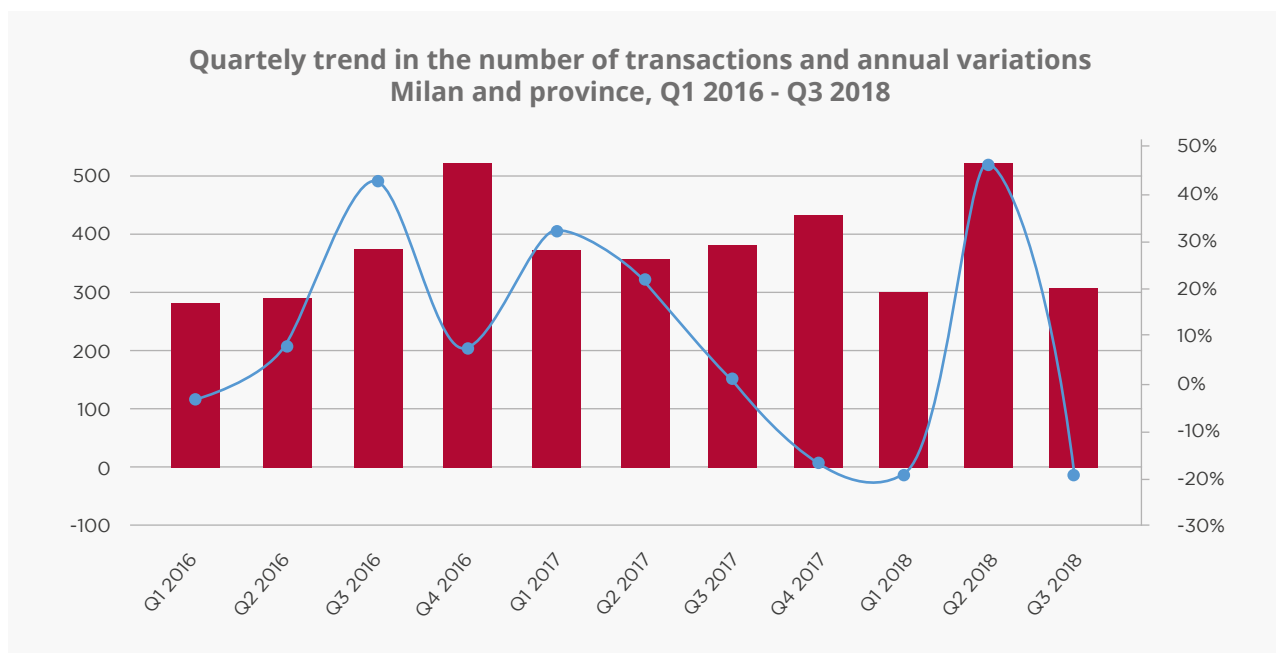
Luca Blasi Toccacelli
General Manager, Agency Division
Gabetti Group



TREND IN TRANSACTIONS

In 2017, a total of 1,535 transactions involving office properties were recorded in Milan and province, +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 nine months of the year recorded a total of **1,120 transactions**, +1.6% compared to the same period in 2017. In detail, 299 transactions were completed in the first quarter, 516 transactions in Q2 2018 and 305 in Q3 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 **Q4 2018** was **570 €/sqm/year**, higher than the figure recorded in the same quarter of 2017, equal to 530 €/sqm/year. Note that prime rents undergo decreases based on any incentives offered (such as free rent, step-up, etc.).

	RENT €/sqm/year - Q4 2018	
	AVERAGE RENT	PRIME RENT
CBD	460	570
PN BD	420	490
Centre	400	470
Semicentre	280	370
Periphery	220	280
Hinterland	160	210

YIELDS

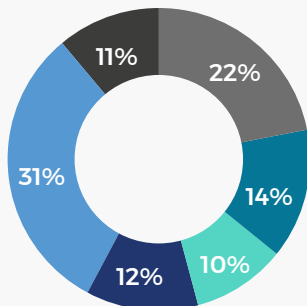
Compared to the prior quarter, gross yields have remained essentially **stable**, with **Prime Yield** in the centre of **Milan** at around **4.50%**.

	YIELDS (%) Q4 2018
	PRIME
CBD-Centre	4.50%
Semicentre	6.00%
Periphery	7.00%
Hinterland	7.50%

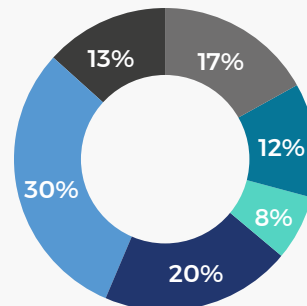
TAKE UP

Estimated **take-up in 2018** was approximately 390,280 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 (31%)**, followed by the **CBD (22%)** and the **Porta Nuova Business District (14%)**. In terms of area, the **Periphery (30%)** and **Semicentre (20%)** accounted for the highest portions.

DISTRIBUTION OF LEASED UNITS
MILAN Q1-Q4 2018



DISTRIBUTION OF LEASED AREA
MILAN Q1-Q4 2018

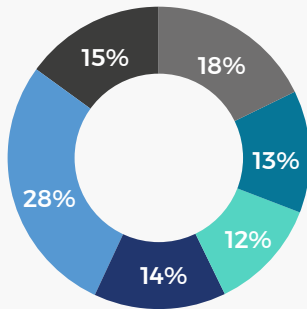


■ Hinterland ■ CBD ■ Porta Nuova B. D. ■ Periphery ■ Semicentre ■ Centre

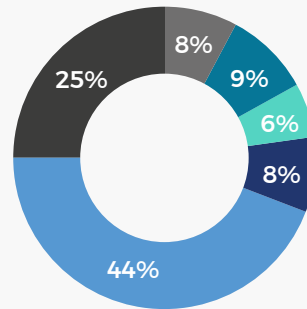
VACANCY

The estimated **overall vacancy** in the Milanese area as of Q4 2018 is approximately **1.61 million sqm**. With regard to breakdown, the **predominance of vacant space** in terms of area is in the city's **peripheral zone**, with **44%**, followed by the **hinterland**, which accounts for **25%** of total vacancy.

DISTRIBUTION OF VACANT UNITS
MILAN Q4 2018



DISTRIBUTION OF VACANT AREA
MILAN Q4 2018

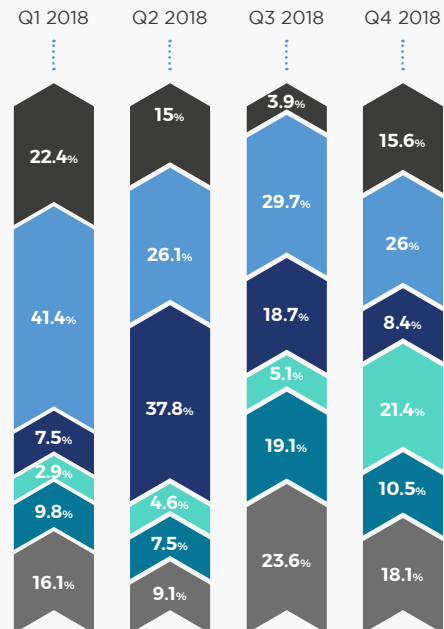


TAKE-UP BY MACROZONE

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 **26%** of take-up was recorded in the **Periphery** and **21.4%** in the **Centre**, followed by the CBD with 18.1%, the Hinterland with 15.6%, the Porta Nuova Business District with 10.5% and the Semicentre with 8.4%.

Quarterly distribution of the take up, Milan Q1 2018 - Q4 2018

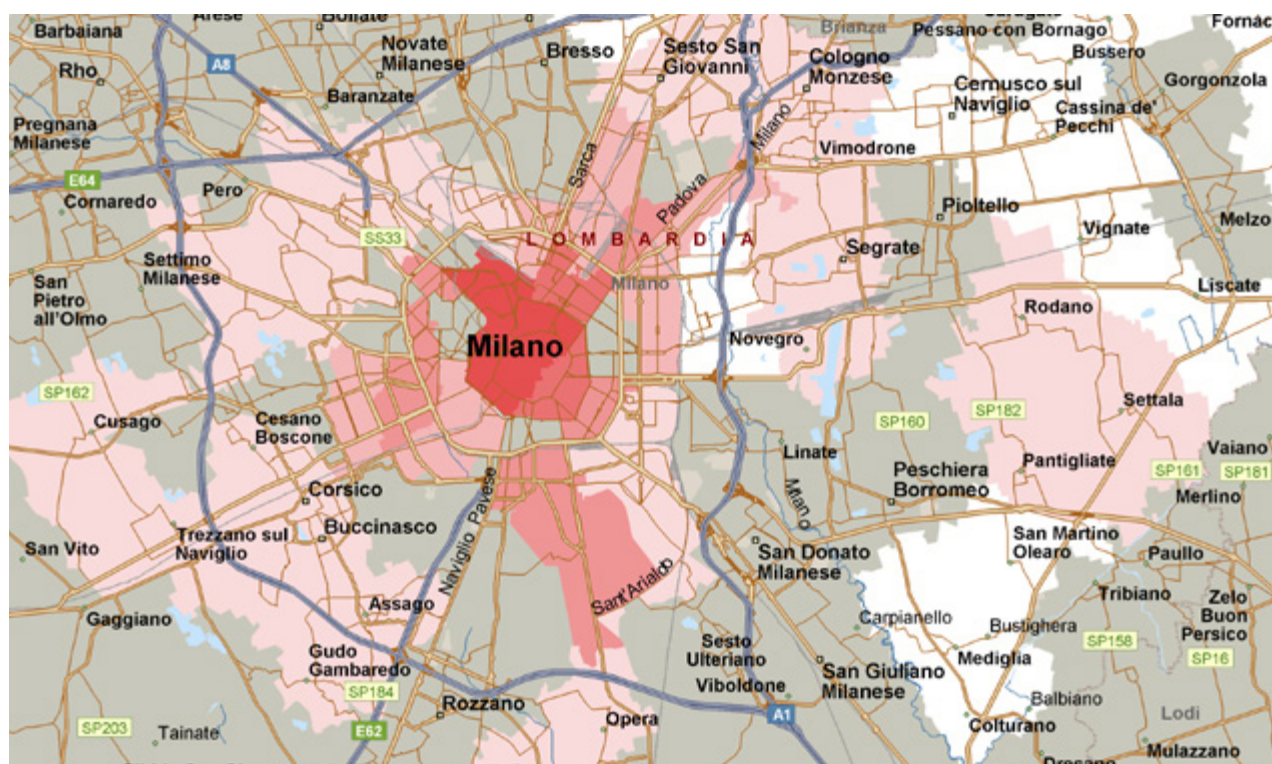


Hinterland
 CBD
 Porta Nuova B. D.
 Periphery
 Semicentre
 Centre

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	64
	Leased area (sq.m)	64,660
	Average leased area (sq.m)	1,010
	Average rent (€/sq.m/year)	403
PN BD	Number of contracts	42
	Leased area (sq.m)	46,871
	Average leased area (sq.m)	1,116
	Average rent (€/sq.m/year)	353
Centre	Number of contracts	29
	Leased area (sq.m)	29,122
	Average leased area (sq.m)	1,004
	Average rent (€/sq.m/year)	322
Semicentre	Number of contracts	35
	Leased area (sq.m)	78,731
	Average leased area (sq.m)	2,249
	Average rent (€/sq.m/year)	259
Periphery	Number of contracts	90
	Leased area (sq.m)	118,684
	Average leased area (sq.m)	1,334
	Average rent (€/sq.m/year)	197
Hinterland	Number of contracts	33
	Leased area (sq.m)	52,212
	Average leased area (sq.m)	1,582
	Average rent (€/sq.m/year)	154
Total number of contracts		293
Total leased area (sq.m)		390.280
Average leased area (sq.m)		1.337
Average rent (€/sq.m/year)		283



350 a 500 300 a 349 250 a 299 200 a 249 150 a 199 100 a 149

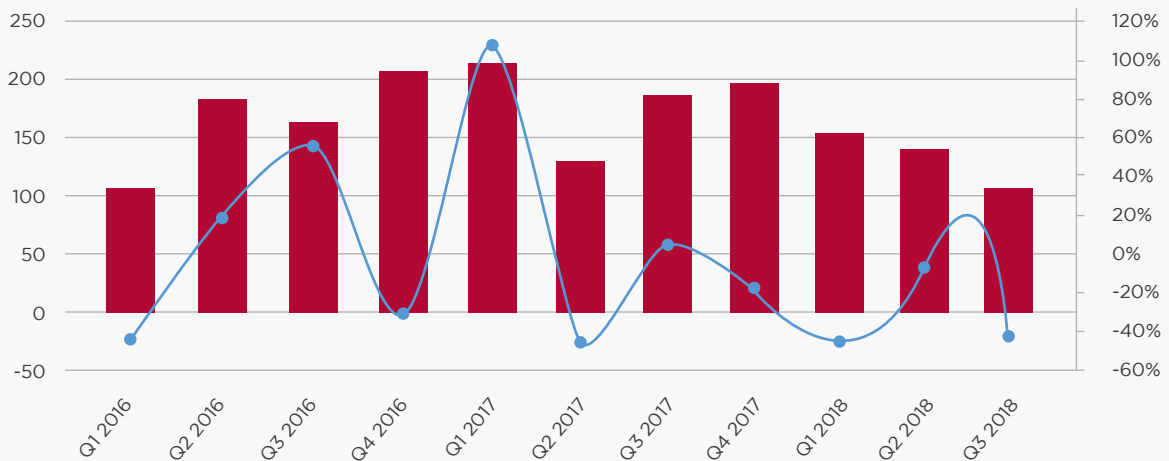


TREND IN TRANSACTIONS

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.

Moving on to the first nine months of **2018**, a total of **396 transactions were recorded**: 153 transactions in the first quarter, down compared to Q1 2017, followed by 140 transactions in the second quarter (+7.3% compared to the same quarter in 2017) and 103 transactions in the third quarter, down compared to the same quarter in 2017.

Quarterly trend in the number of transactions and annual variations, Rome and province, Q1 2016 - Q3 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 lettings in Q4 2018 was **420 €/sqm/year**, up compared to the figure recorded in the same quarter of 2017 (400 €/sqm).



RENT €/sqm/year - Q4 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, with prime yield in the centre of Rome at around **5.00%**.



YIELDS (%) Q4 2018

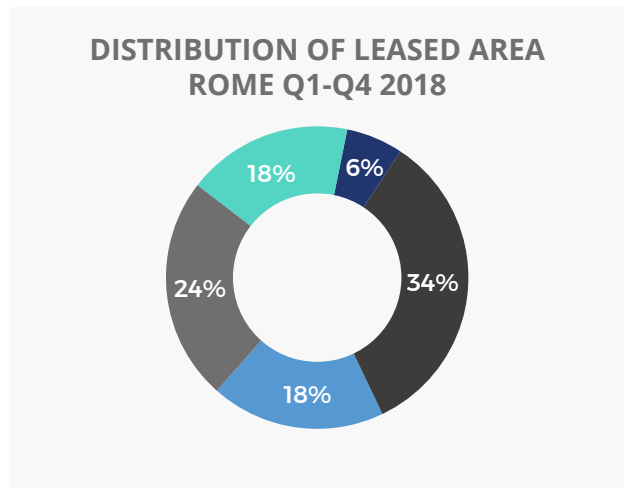
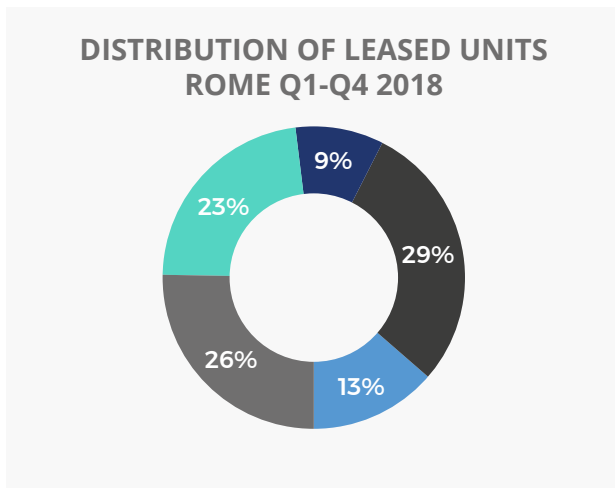
	PRIME
CBD-Centre	5.00%
Semicentre	6.50%
Eur	6.50%
Periphery	7.80%



TAKE UP

Estimated **take-up in 2018** was approximately **185,105 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.

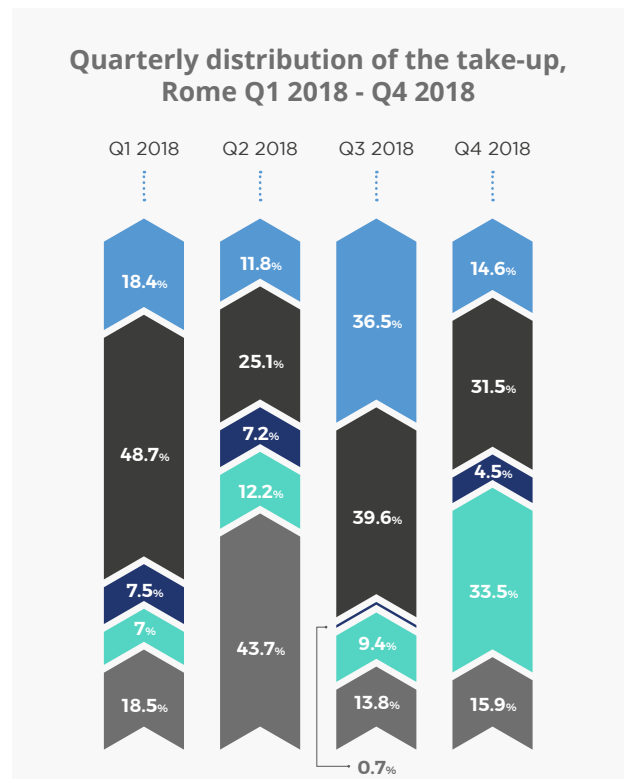
In terms of **number of contracts** stipulated, the highest amount was recorded in the **EUR (29%)**, followed by the **CBD (26%)**, while the **EUR** also heads the ranking in **terms of area**, accounting for **34%** of the total area let, followed by the **CBD (24%)**.



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 Centre, with **33.5%** of total take-up, and the **EUR**, with **31.5%**. These were followed by the **CBD**, with 15.9%, the Periphery (which includes the zones of Nuova Fiera di Roma, East Inner Gra and South-East Inner Gra) with 14.6% and the Semicentre, with 4.5% of total take-up.



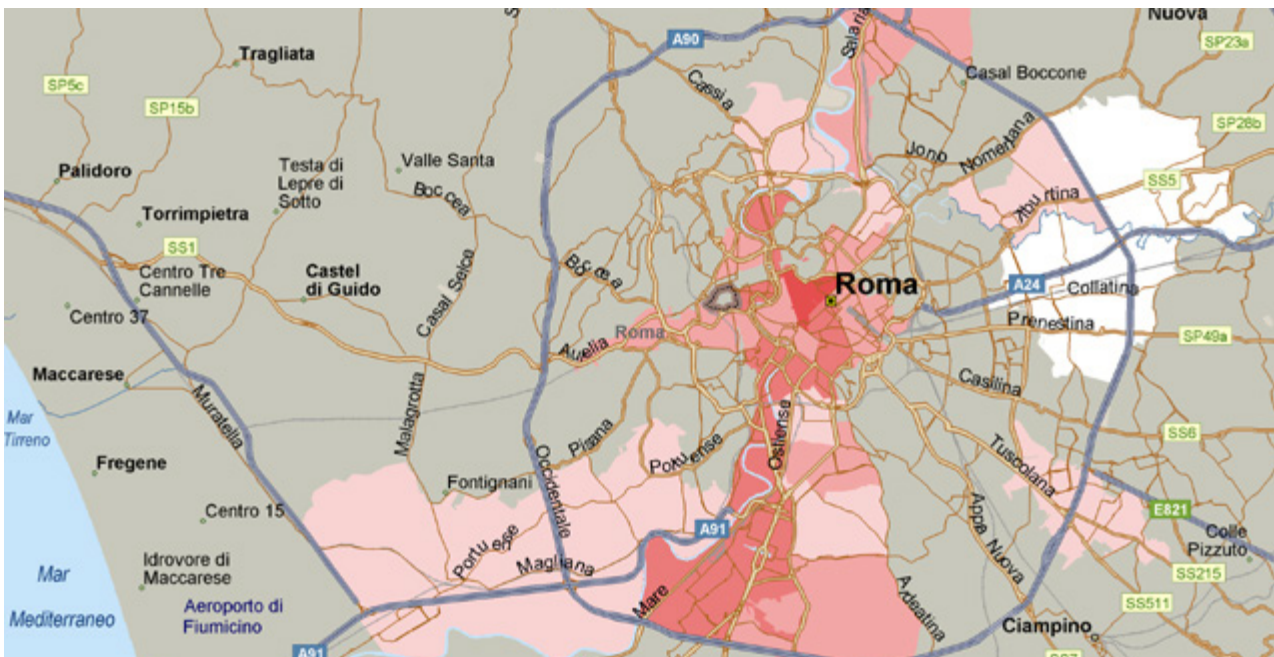
■ Semicentre ■ EUR ■ Periphery ■ CBD ■ Centre

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	38
	Leased area (sq.m)	44,221
	Average leased area (sq.m)	1,164
	Average rent (€/sq.m/year)	317
Centre	Number of contracts	34
	Leased area (sq.m)	33,191
	Average leased area (sq.m)	976
	Average rent (€/sq.m/year)	260
Semicentre	Number of contracts	14
	Leased area (sq.m)	11,019
	Average leased area (sq.m)	787
	Average rent (€/sq.m/year)	236
EUR	Number of contracts	43
	Leased area (sq.m)	62,402
	Average leased area (sq.m)	1,451
	Average rent (€/sq.m/year)	215
Periphery	Number of contracts	12
	Leased area (sq.m)	21,376
	Average leased area (sq.m)	1,781
	Average rent (€/sq.m/year)	163
East Inner Cra	Number of contracts	5
	Leased area (sq.m)	7,346
	Average leased area (sq.m)	1,469
	Average rent (€/sq.m/year)	133
Nuova Fiera di Roma	Number of contracts	3
	Leased area (sq.m)	5,550
	Average leased area (sq.m)	1,850
	Average rent (€/sq.m/year)	193
Total number of contracts		149
Total leased area (sq.m)		185.105
Average leased area (sq.m)		1.242
Average rent (€/sq.m/year)		244

* 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

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Leasehold Market



The Prestigious Homes Market



Investment Overview



Office Market Overview



Office Quality Focus



Hotels



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