



Q2 2019

# OFFICE MARKET OVERVIEW

MILAN AND ROME



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## HIGHLIGHTS

The office market in Milan showed an increase of 17% in take-up during the last 12 months (Q3 2018-Q2 2019) compared to the previous 12-month period (Q3 2017-Q2 2018). 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 H1 2019

**240.000** SQM



Up compared to H1 2018

### PRIME RENT CBD

**575** € SQM/YEAR

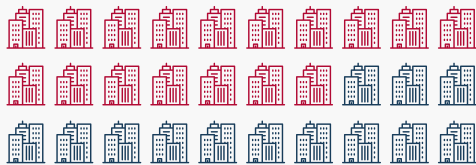


Up compared to the corresponding quarter of 2018, equal to 560 €/sqm/year

## ROME

### TAKE UP H1 2019

**169.000** SQM



Up compared to H1 2018

### PRIME RENT CBD-CENTRE

**430** € SQM/YEAR



Up compared to the corresponding quarter of 2018 (420€/sqm/year).

## SUMMARY REPORT

The **positive trend** in Milan's office market **continued** in the first half of 2019, with **estimated take-up of approximately 240,000 sqm**, up compared to the same period of 2018.

In terms of area let, the most active markets during the first half of 2019 were the Hinterland, with 33% of the total area, and the Periphery, with 31%. The high percentage of area taken up in these two zones is due to 7 major transactions. There was a slight increase in prime rents in the CBD, currently at approximately **575 €/sqm/year**.

Moving on to the **Capital**, the **take-up of office space amounted to approximately 169,000 sqm**. Rents showed a slight increase, with prime rent in the more central zones of the city amounting to **430 €/sqm/year**. The Centre is the preferred macro-zone, accounting for 49% of total take-up, following a major transaction in the public sector.



*Milan, leading market for the segment, shows a 19% increase in take-up of office space compared to the same period in 2018.*

*Rome has recorded one of the best half-years of the last few years as well, with an increase in prime rent in the more central zones of the city, at approximately 430 €/sqm per year*



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General Manager, Agency Division  
Gabetti Group

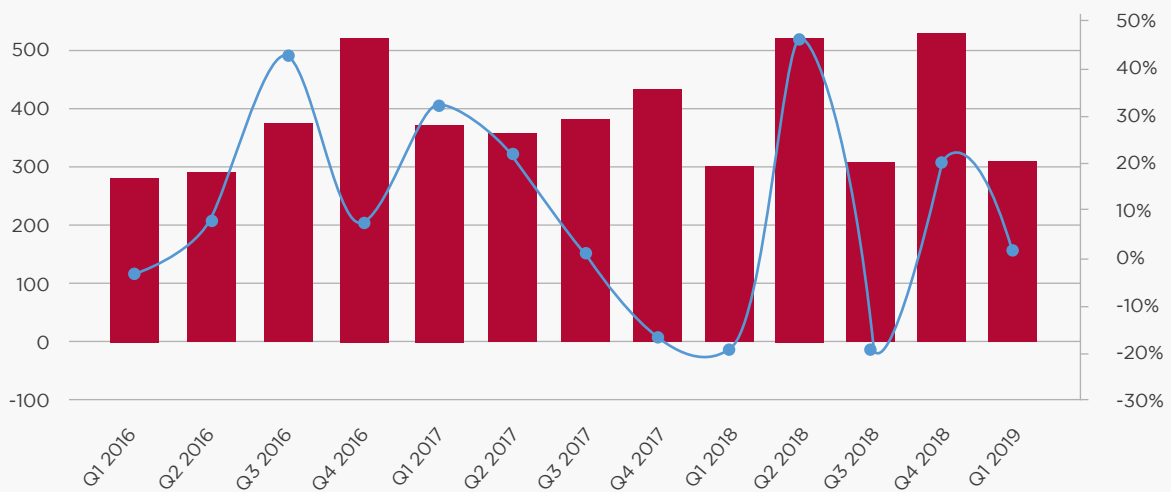


## TREND IN TRANSACTIONS

In **2018**, a total of **1,645 transactions** involving office properties were recorded in Milan and province, **+6.8%** compared to 2017. More specifically, 299 transactions were completed in the first quarter, 516 transactions were completed in Q2 2018 and 305 transactions were completed in Q3 2018, while a total of 525 transactions were recorded in Q4 2018, up by 20.1% compared to the same quarter in 2017.

Moving on to **2019**, the first three months of the year recorded a total of **307 transactions**, **+2.7%** compared to the same period in 2017.


Quarterly trend in the number of transactions and annual variations  
Milan and province, Q1 2016 - Q1 2019



## 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 2019** was **575 €/sqm/year**, higher than the figure recorded in the same quarter of 2018, equal to 560 €/sqm/year. Note that prime rents undergo decreases based on any incentives offered (such as free rent, step-up, etc.).

	RENT €/sqm/yr - Q2 2019	
	AVERAGE RENT	PRIME RENT
<b>CBD</b>	475	575
<b>PN BD</b>	430	490
<b>Centre</b>	400	470
<b>Semicentre</b>	290	380
<b>Periphery</b>	220	280
<b>Hinterland</b>	150	210

## YIELDS

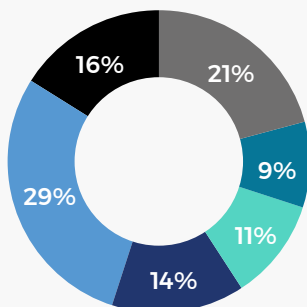
Compared to the prior quarter, gross yields have remained essentially stable, with **Prime Yield** in the centre of **Milan** at around **4.50%**.

	YIELDS (%) Q2 2019
	PRIME
<b>CBD-Centre</b>	4.50%
<b>Semicentre</b>	6.00%
<b>Periphery</b>	7.00%
<b>Hinterland</b>	7.50%

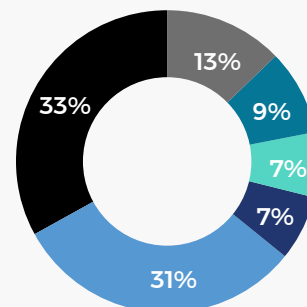
## TAKE UP

Estimated **take-up** during **the first half of 2019** was approximately **240.000 sqm** (considering the leading operators and a fragmented portion of smaller operators), up 19% compared to the same period in 2018. In terms of **number of contracts** stipulated, the majority were recorded in the **Periphery (29%)**, followed by the **CBD (21%)** and the **Hinterland (16%)**. **In terms of area**, the **Hinterland (33%)**, the **Periphery (31%)** and the **CBD (13%)** accounted for the highest portions. The high share of take-up in the first two areas is due to 7 operations of considerable scale, which totalled over 77.000 sqm alone.

DISTRIBUTION OF LEASED UNITS MILAN  
H1 2019



DISTRIBUTION OF LEASED AREA MILAN  
H1 2019

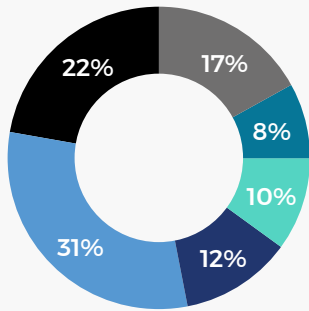


■ Hinterland ■ CBD ■ Porta Nuova B. D. ■ Periphery ■ Semicentre ■ Centre

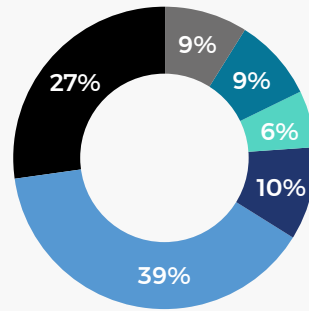
# VACANCY

The estimated **overall vacancy** in the Milanese area as of Q2 2019 is approximately **1.44 million sqm**. With regard to breakdown, the predominance of **vacant space** in terms of area is in the city's **peripheral zone**, with **39%**, followed by the **Hinterland**, which accounts for **27%** of total vacancy.

DISTRIBUTION OF VACANT UNITS  
MILAN H1 2019



DISTRIBUTION OF VACANT AREA  
MILAN H1 2019

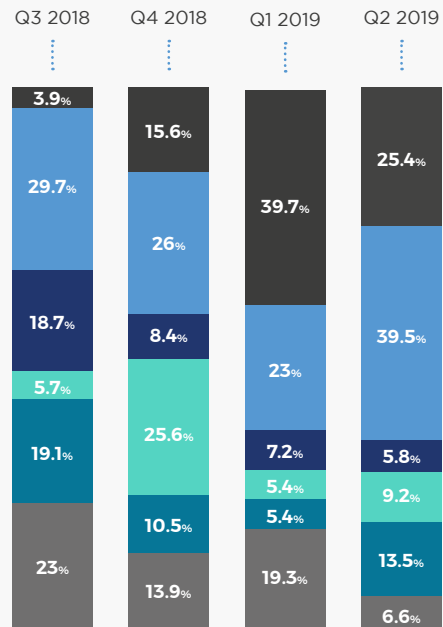


# TAKE UP BY MACROZONE

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 **39.5%** of take-up was recorded in the **Periphery** and **25.4%** in the **Hinterland**, followed by the **Porta Nuova Business District** with **13.5%**, the **Centre** with **9.2%**, the **CBD** with **6.6%** and the **Semicentre** with **5.8%**.

Quarterly distribution of the take up,  
Milan Q3 2018 - Q2 2019



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
<b>CBD</b>	Number of contracts	62
	Leased area (sq.m)	68,306
	Average leased area (sq.m)	1,102
	Average rent (€/sq.m/year)	425
<b>PN BD</b>	Number of contracts	33
	Leased area (sq.m)	52,345
	Average leased area (sq.m)	1,586
	Average rent (€/sq.m/year)	369
<b>Centre</b>	Number of contracts	36
	Leased area (sq.m)	42,444
	Average leased area (sq.m)	1,179
	Average rent (€/sq.m/year)	357
<b>Semicentre</b>	Number of contracts	36
	Leased area (sq.m)	43,546
	Average leased area (sq.m)	1,210
	Average rent (€/sq.m/year)	276
<b>Periphery</b>	Number of contracts	93
	Leased area (sq.m)	127,984
	Average leased area (sq.m)	1,391
	Average rent (€/sq.m/year)	193
<b>Hinterland</b>	Number of contracts	33
	Leased area (sq.m)	94,634
	Average leased area (sq.m)	2,868
	Average rent (€/sq.m/year)	154
<b>Total number of contracts</b>		<b>293</b>
<b>Total leased area (sq.m)</b>		<b>429,259</b>
<b>Average leased area (sq.m)</b>		<b>1,470</b>
<b>Average rent (€/sq.m/year)</b>		<b>281</b>



400 a 600 300 a 399 250 a 299 200 a 249 150 a 199 100 a 149

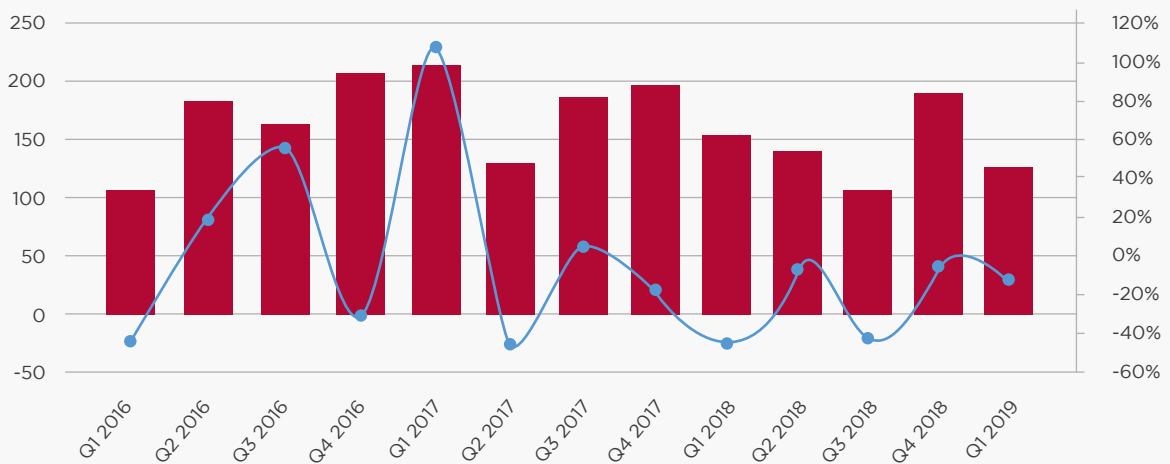


## TREND IN TRANSACTIONS

In **2018**, a total of **583 transactions** were recorded. More specifically, **153 transactions** were completed in the first quarter (lower than Q1 2017), 140 transactions were completed in Q2 2018 (+7.3% compared to Q2 2017) and 103 transactions were completed in Q3 2018, decreasing compared to the same quarter in 2017, while 187 transactions were recorded in Q4, down compared to the same quarter in 2016.

**In the first quarter of 2019**, a total of **126 transactions** were recorded (-17.6% compared to Q1 2018).

Quarterly trend in the number of transactions and annual variations  
Rome and province, Q1 2016 - Q1 2019



## 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 Q2 2019 was **430 €/sqm/year**, up compared to the figure recorded in the same quarter of 2018 (420 €/sqm).



### RENT €/sqm/yr - Q2 2019

	AVERAGE RENT	PRIME RENT
<b>CBD*</b>	380	430
<b>Centre*</b>	275	350
<b>Semicentre</b>	260	310
<b>Eur</b>	260	350
<b>Periphery</b>	135	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.*

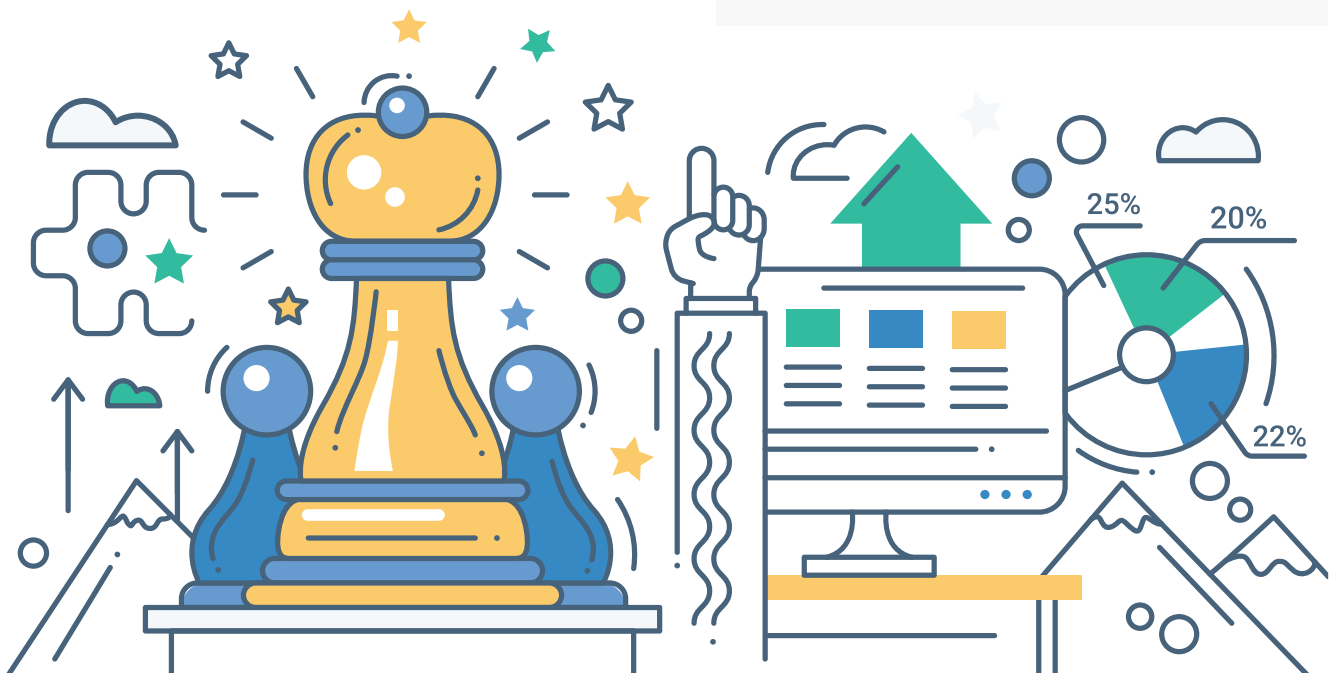
## YIELDS

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 (%) Q2 2019

	PRIME
<b>CBD-Centre</b>	5.00%
<b>Semicentre</b>	6.50%
<b>Eur</b>	6.50%
<b>Periphery</b>	7.80%

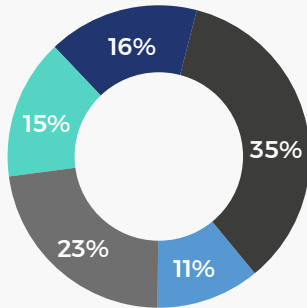


## TAKE UP

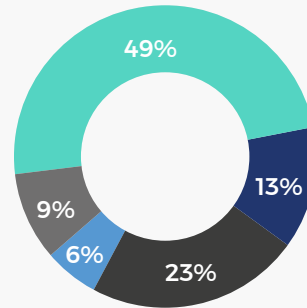
**Estimated take-up in 2019** was approximately **169,000 sqm** (considering the leading operators and a fragmented portion of smaller operators). However, it is necessary to point out that for the city of Rome, the market share attributed to non-institutional operators is higher than in Milan.

In terms of number of contracts stipulated, the highest amount was recorded in the **EUR (35%)**, followed by the **CBD (23%)**, while the **Centre** heads the ranking in terms of area, accounting for **49%** of the total area let, mostly due to an important transaction in the public sector, followed by the **EUR (23%)**.

DISTRIBUTION OF LEASED UNITS  
ROME H1 2019



DISTRIBUTION OF LEASED AREA  
ROME H1 2019

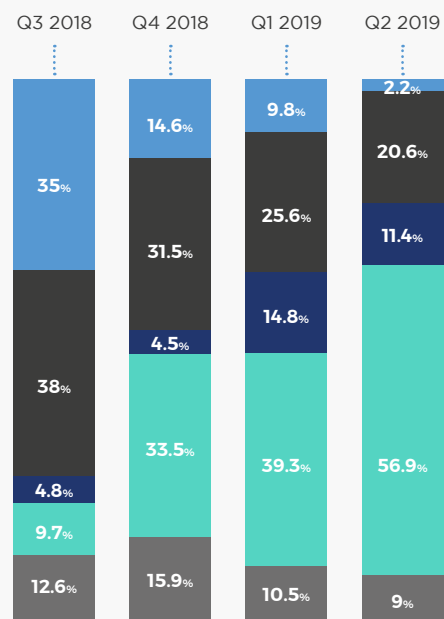


## TAKE UP BY MACROZONE

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 **56.9%** of total take-up, and the **EUR**, with **20.6%**. These were followed by the **Semicentre**, with **11.4%**, the **CBD** with **9%** and lastly, the **Periphery** (which includes the zones of Nuova Fiera di Roma, East Inner Gra and South-East Inner Gra) with **2.2%** of total take-up.

Quarterly distribution of the take up,  
Rome Q3 2018 - Q2 2019



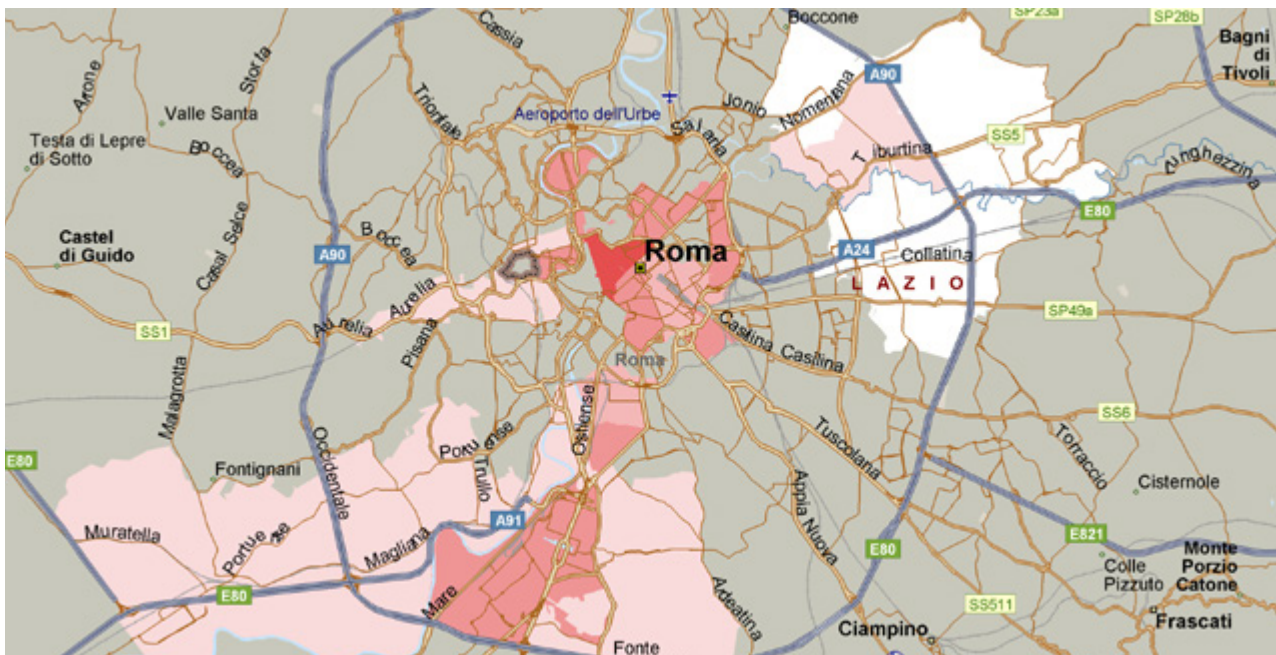
■ Semicentre ■ EUR ■ Periphery ■ CBD ■ Centre

# 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
<b>CBD</b>	Number of contracts	35
	Leased area (sq.m)	31,097
	Average leased area (sq.m)	888
	Average rent (€/sq.m/year)	347
<b>Centre</b>	Number of contracts	29
	Leased area (sq.m)	107,045
	Average leased area (sq.m)	3,691
	Average rent (€/sq.m/year)	259
<b>Semicentre</b>	Number of contracts	18
	Leased area (sq.m)	26,521
	Average leased area (sq.m)	1,473
	Average rent (€/sq.m/year)	245
<b>EUR</b>	Number of contracts	45
	Leased area (sq.m)	72,695
	Average leased area (sq.m)	1,615
	Average rent (€/sq.m/year)	215
<b>Periphery</b>	Number of contracts	13
	Leased area (sq.m)	23,530
	Average leased area (sq.m)	1,810
	Average rent (€/sq.m/year)	160
<b>East Inner Gra</b>	Number of contracts	4
	Leased area (sq.m)	5,602
	Average leased area (sq.m)	1,401
	Average rent (€/sq.m/year)	123
<b>Nuova Fiera di Roma</b>	Number of contracts	2
	Leased area (sq.m)	2,800
	Average leased area (sq.m)	1,400
	Average rent (€/sq.m/year)	180
<b>Total number of contracts</b>		<b>146</b>
<b>Total leased area (sq.m)</b>		<b>269,290</b>
<b>Average leased area (sq.m)</b>		<b>1,844</b>
<b>Average rent (€/sq.m/year)</b>		<b>250</b>

\* 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.



■ 350 a 400 ■ 300 a 349 ■ 250 a 299 ■ 200 a 249 ■ 150 a 199 ■ 80 a 149

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