



Q4 2020

# OFFICE MARKET OVERVIEW

MILAN AND ROME



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# HIGHLIGHTS

Over the last 12 months (Q1 2020-Q4 2020), the office market in Milan and Rome recorded a decline in take-up compared to the previous 12 months (Q1 2019-Q4 2019), predominantly due to the impact of the lockdown, following

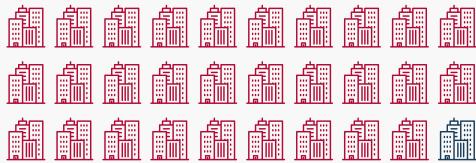
the Covid-19 health emergency.

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 2020

**294,500** SQM



Down compared to 2019

### PRIME RENT CBD

**600** € SQM/YEAR



Stable against the prior quarter

## ROME

### TAKE UP 2020

**120,000** SQM



Down compared to 2019

### PRIME RENT CBD-CENTRE

**440** € SQM/YEAR



Stable against the prior quarter

## SUMMARY REPORT

The office market closed 2020 with take-up of 294,500 sqm in Milan and 120,000 sqm in Rome. A downward trend compared to the same period of the prior year, due to the contingent situation linked to the Covid-19 health emergency.

The second quarter suffered the effects of the lockdown period and, although the market resumed activity from May-June, the take-up of office space in the months from July to September was below quarterly averages.

Positive signs were observed in Q4 2020 in both the Milanese and Roman markets, with a sharp increase in office space compared to the two prior quarters.

In terms of area let, the most active markets in Milan were the Periphery, accounting for 39% of the total area, mainly thanks to a pre-let transaction of approximately 41,000 sqm during the first quarter, followed by the Hinterland with 19%. In the last quarter, a transaction of approximately 19,000 sqm was recorded in the south-east periphery, within the municipality of Milan.

Prime rents in the CBD are stable at approximately **600 €/sqm/year** compared to the prior quarter and up compared to the same period in 2019.

Moving on to the **Capital**, the periphery is the preferred macro-zone, accounting for 34% of total take-up. Rents are stable compared to the prior quarter, with prime rent in the more central zones of the city at **440 €/sqm/year**.



*Despite the pandemic, in-office work will continue. Its future, following the remote-working segment that will likely become normal practice in a large percentage of companies, is moving towards more generous workstations in terms of sqm and flexible gathering areas in order to facilitate sharing and interaction within the office, further diminishing the importance of the fixed workstation.*

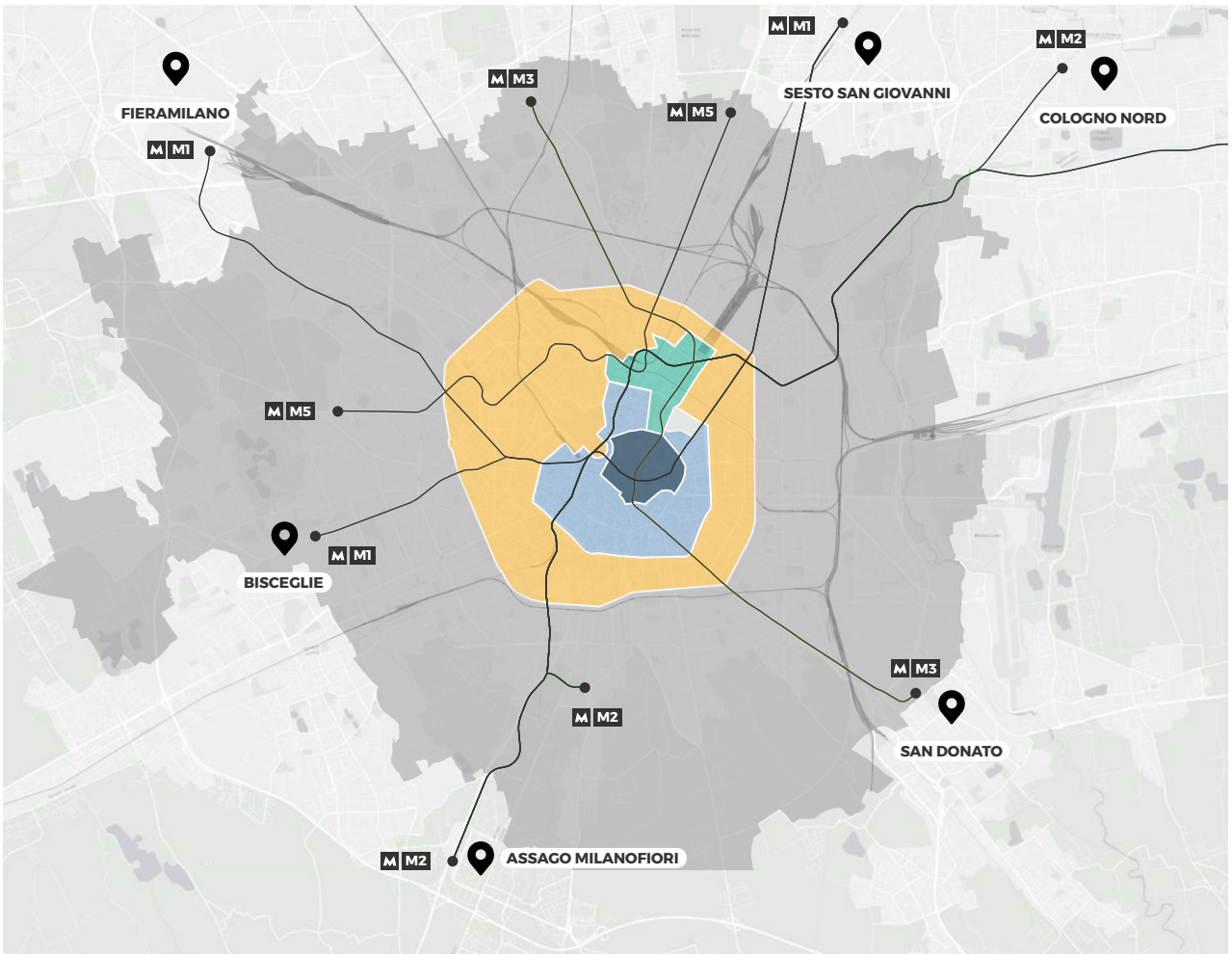
*Milan remains in the lead in terms of office take-up, with prime rent in the CBD at 600 €/sqm/yr.*

*In the last quarter of 2020, Rome recorded growing take-up compared to the three prior quarters, following a major letting deal in the south-east periphery of the Capital”.*



**Luca Blasi Toccacelli**

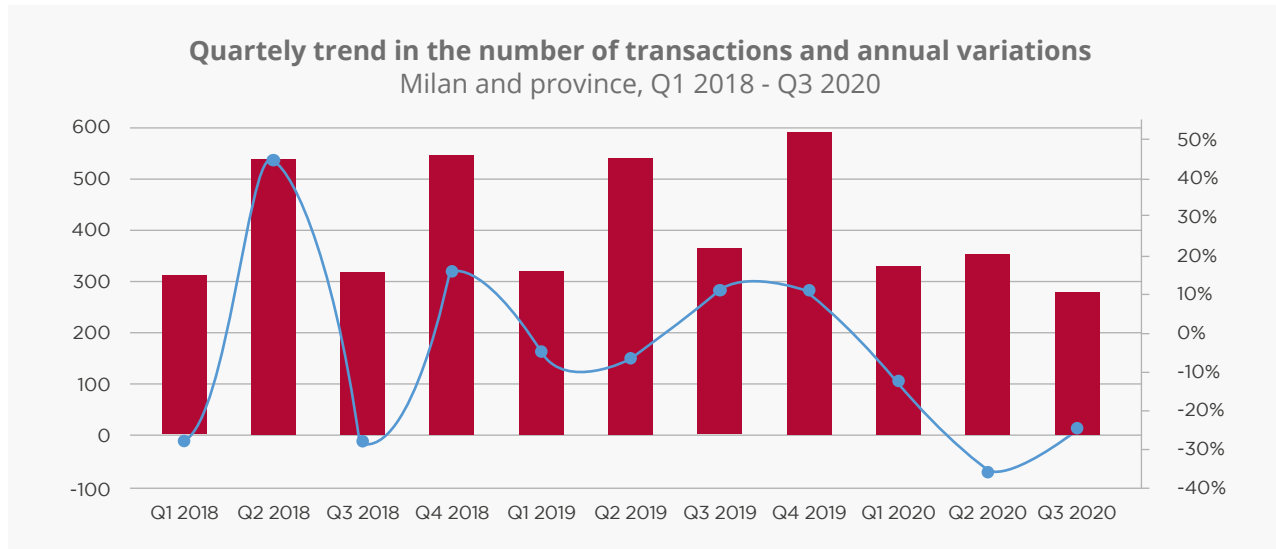
General Manager, Agency Division  
Gabetti Group



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

## TREND IN TRANSACTIONS

A total of **287 transactions** were recorded in Q1 2020, down 6.4% compared to **Q1 2019**; the total in **Q2 2020** was **339**, -34.8% compared to Q2 2019, while transactions in **Q3 2020** amounted to **266** (-24.4% compared to Q3 2019). Conversely, the 2019 trend in NTN showed positive changes in all quarters compared to 2018. More specifically, 307 transactions were recorded in the first quarter (+2.7%), 520 in the second (+0.5%), 352 in the third (+15.3%) and 606 transactions in the fourth quarter (+15.5%). In 2018, a total of 1,647 transactions were recorded, +6.9% over the same period in 2017.



## 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 2020 was **600 €/sqm/year**, stable with respect to the figure recorded in the prior quarter.

Note that prime rents undergo decreases based on any incentives offered (such as free rent, step-up, etc.).



### RENT €/sqm/year - Q4 2020

|                   | AVERAGE RENT | PRIME RENT |
|-------------------|--------------|------------|
| <b>CBD</b>        | 490          | 600        |
| <b>PN BD</b>      | 460          | 520        |
| <b>Centre</b>     | 405          | 480        |
| <b>Semicentre</b> | 330          | 430        |
| <b>Periphery</b>  | 220          | 300        |
| <b>Hinterland</b> | 160          | 220        |

## YIELDS

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

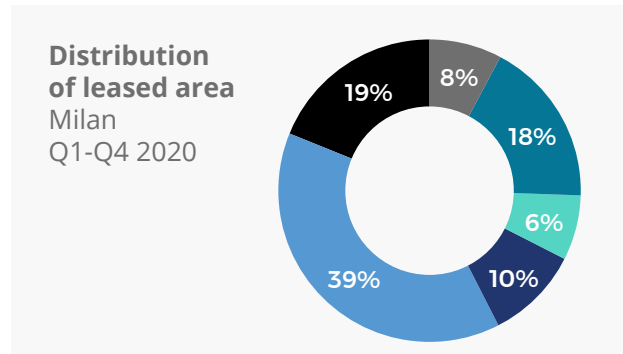
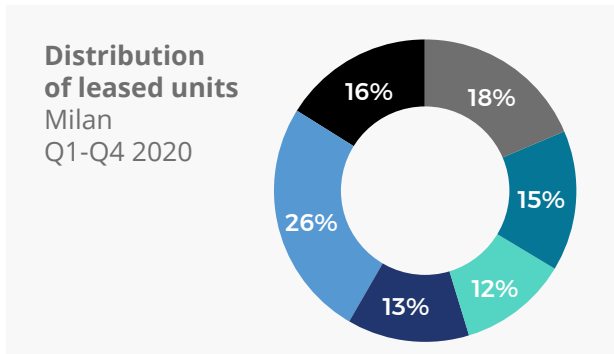


### YIELDS (%) Q4 2020

|                   | PRIME |
|-------------------|-------|
| <b>CBD-Centre</b> | 4.50% |
| <b>Semicentre</b> | 6.00% |
| <b>Periphery</b>  | 7.00% |
| <b>Hinterland</b> | 7.50% |

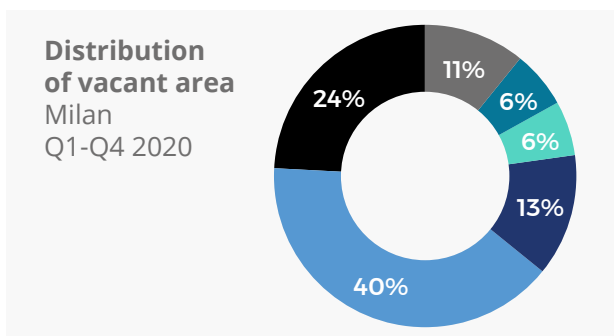
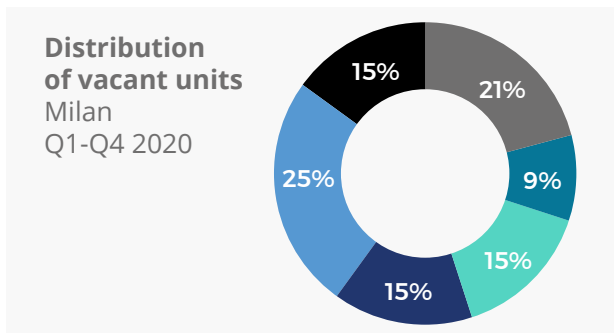
# TAKE UP

Estimated **take up** in **Q1-Q4 2020** was approximately **294,500 sqm** (considering the leading operators and a fragmented portion of smaller operators), down compared to 2019. In terms of number of contracts stipulated, the majority were recorded in the Periphery (26%), followed by the Hinterland (16%) and the Porta Nuova Business District (15%). In terms of area let, the **Periphery** accounts for **the largest amount (39%)**, again followed by the Hinterland with 19%.



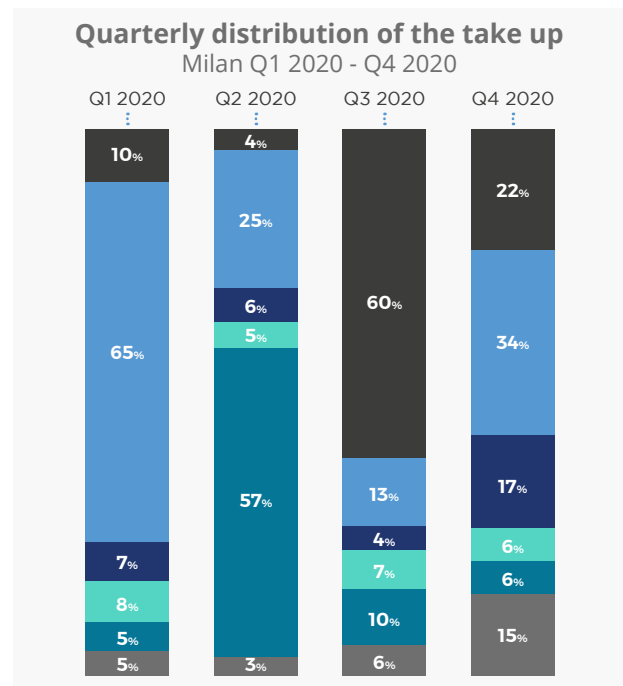
# VACANCY

The estimated **overall vacancy** in the Milanese area in **Q4 2020** was approximately **1.5 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 24% of total vacancy.



# TAKE-UP BY MACROZON

The graph shows the historical series for the last 12 months with regard to take-up by macrozone. During the **last quarter** under analysis, **34%** of take up was recorded in the **Periphery** and **22%** in the **Hinterland**.



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



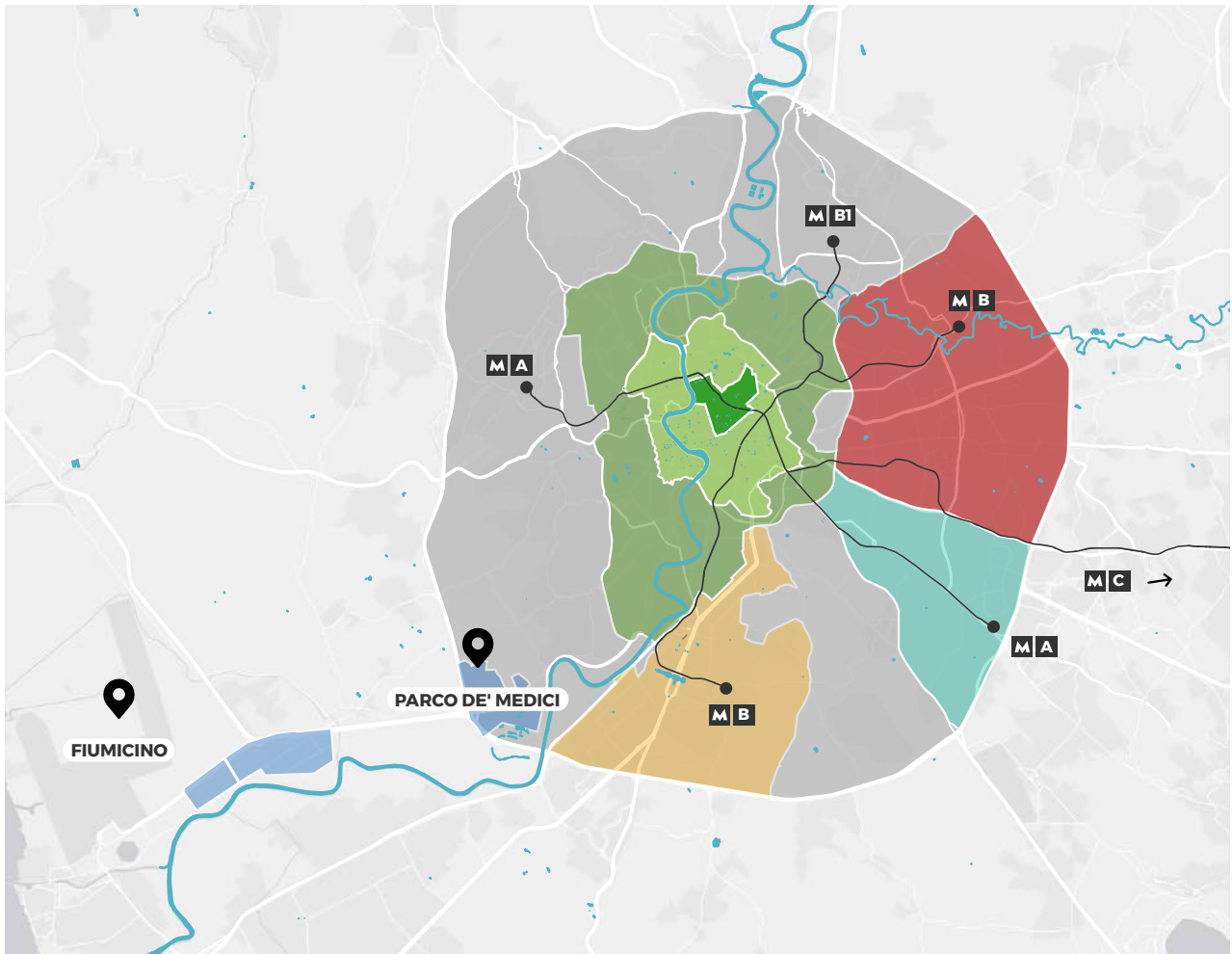
# MAP OF PROPERTIES LET

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        | 38             |
|                                   | Leased area (sq.m)         | 22,900         |
|                                   | Average leased area (sq.m) | 603            |
|                                   | Average rent (€/sq.m/year) | 434            |
| <b>PN BD</b>                      | Number of contracts        | 30             |
|                                   | Leased area (sq.m)         | 52,478         |
|                                   | Average leased area (sq.m) | 1,749          |
|                                   | Average rent (€/sq.m/year) | 357            |
| <b>Centre</b>                     | Number of contracts        | 24             |
|                                   | Leased area (sq.m)         | 19,215         |
|                                   | Average leased area (sq.m) | 801            |
|                                   | Average rent (€/sq.m/year) | 380            |
| <b>Semicentre</b>                 | Number of contracts        | 26             |
|                                   | Leased area (sq.m)         | 28,551         |
|                                   | Average leased area (sq.m) | 1,098          |
|                                   | Average rent (€/sq.m/year) | 278            |
| <b>Periphery</b>                  | Number of contracts        | 53             |
|                                   | Leased area (sq.m)         | 116,198        |
|                                   | Average leased area (sq.m) | 2,192          |
|                                   | Average rent (€/sq.m/year) | 184            |
| <b>Hinterland</b>                 | Number of contracts        | 32             |
|                                   | Leased area (sq.m)         | 55,165         |
|                                   | Average leased area (sq.m) | 1,724          |
|                                   | Average rent (€/sq.m/year) | 159            |
| <b>Total number of contracts</b>  |                            | <b>203</b>     |
| <b>Total leased area (sq.m)</b>   |                            | <b>294,507</b> |
| <b>Average leased area (sq.m)</b> |                            | <b>1,451</b>   |
| <b>Average rent (€/sq.m/year)</b> |                            | <b>285</b>     |



450 a 600 300 a 449 250 a 299 200 a 249 150 a 199 100 a 149

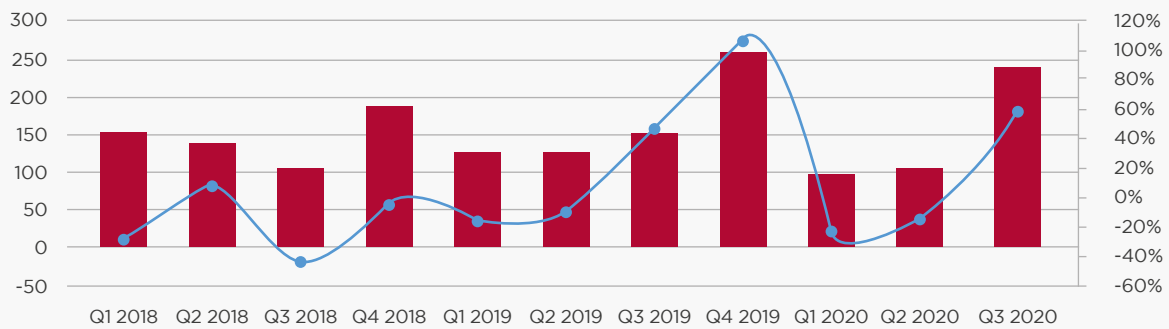


- EUR
- Periphery (inclusive
- East e
- South-East Inner G.R.A.
- Asse Roma-Fiumicino)
- CBD
- Semicentre
- Centre

## TREND IN TRANSACTIONS

In **Q1 2020, 95 transactions** were recorded, down compared to the same period in 2019 (-24.7%). The total in **Q2 2020** was **105 transactions** (-16.9%), while in **Q3 2020** total transactions amounted to 238 (+55.4% compared to Q3 2019). Overall, during the **first nine months of 2020**, an **increase of 8.0%** was recorded compared to the same period in 2019. In 2019, 666 transactions were recorded (+13.8% compared to 2018). Specifically, a total of 126 transactions were carried out in the first and second quarters, down compared to the same period in 2018. However, significant growth was recorded in the third and fourth quarters, respectively recording 153 and 261 transactions. A total of 585 transactions were recorded in 2018.

Quartely trend in the number of transactions and annual variations  
Rome and province, Q1 2018 - Q3 2020



## 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, South-East Inner Gra and the Fiumicino corridor).

**Prime rent** for properties let in Q4 2020 was **440 €/sqm/year**, stable compared to the same figure of the prior quarter.



RENT €/sqm/year - Q4 2020

|                   | AVERAGE RENT | PRIME RENT |
|-------------------|--------------|------------|
| <b>CBD*</b>       | 350          | 440        |
| <b>Centre*</b>    | 290          | 370        |
| <b>Semicentre</b> | 260          | 300        |
| <b>Eur</b>        | 270          | 350        |
| <b>Periphery</b>  | 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 stable, with prime yield in the centre of Rome at around **5.00%**.



YIELDS (%) Q4 2020

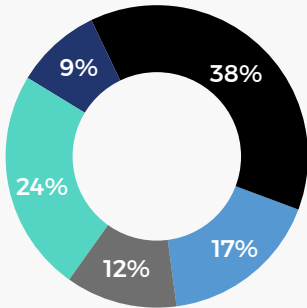
|                   | PRIME |
|-------------------|-------|
| <b>CBD-Centre</b> | 5.00% |
| <b>Semicentre</b> | 6.50% |
| <b>Eur</b>        | 6.50% |
| <b>Periphery</b>  | 7.80% |

# TAKE UP

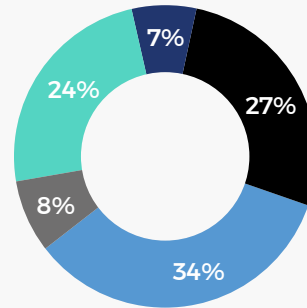
**Take-up in Q1-Q4 2020** was approximately **120,000 sqm** (considering the leading operators and a fragmented portion of smaller operators), down compared to the same period in 2019. However, we should point out that for the city of Rome, the market share attributed to non-institutional operators is higher than in Milan.

In terms of **number of contracts** stipulated, the highest amount was recorded in the **EUR zone (38%)**, followed by the **Centre (24%)**. In terms of area, the **Periphery** heads the ranking, accounting for **34%** of the total area let, followed by the **EUR** with **27%**.

**DISTRIBUTION OF LEASED UNITS  
ROME Q1-Q4 2020**



**DISTRIBUTION OF LEASED AREA  
ROME Q1-Q4 2020**

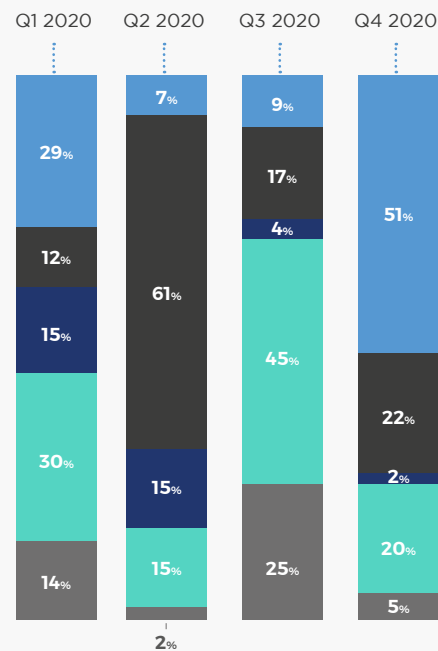


## TAKE-UP BY MACROZONE

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 **Periphery** was the preferred macro-zone, accounting for **51%** of total take-up, followed by the **EUR** with **22%** and the **Centre** with **20%**.

**Quarterly distribution of the take up  
Rome Q1 2020 - Q4 2020**



■ Semicentre ■ EUR ■ Periphery ■ CBD ■ Centre

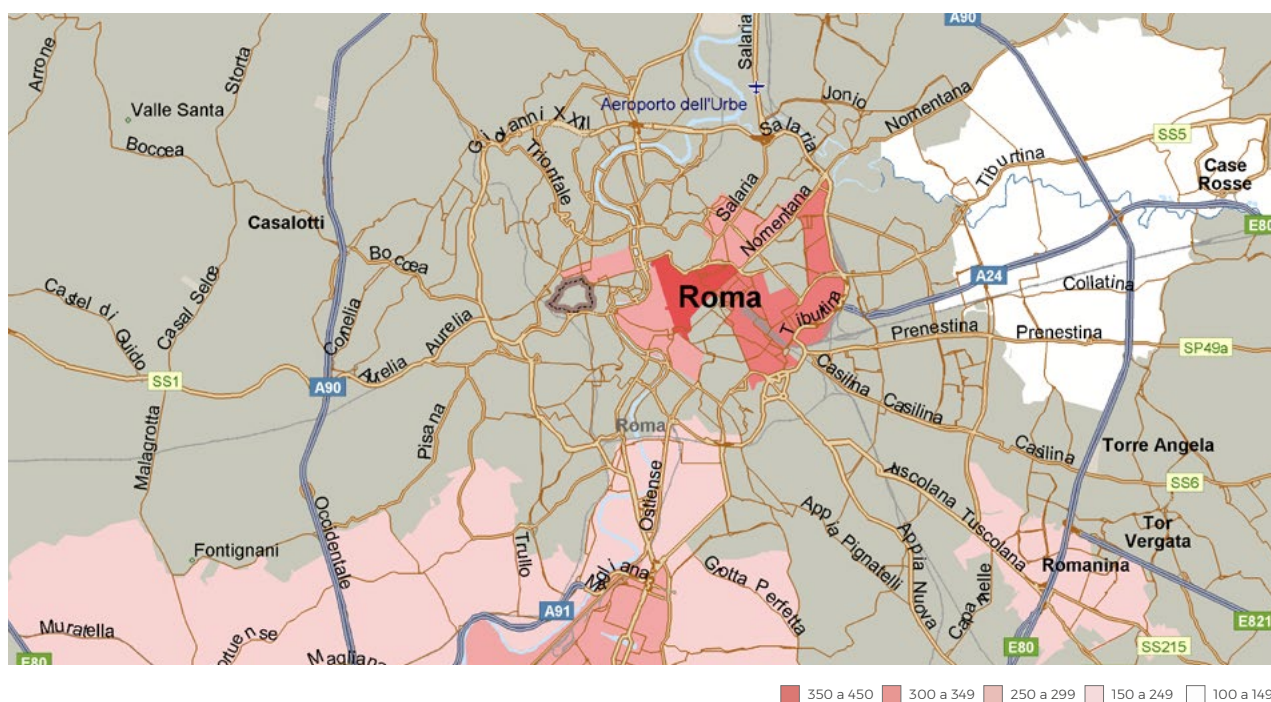
# MAP OF PROPERTIES LET

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.

| ZONA                              | DATI                       | TOTALE         |
|-----------------------------------|----------------------------|----------------|
| <b>CBD</b>                        | Number of contracts        | 11             |
|                                   | Leased area (sq.m)         | 10,195         |
|                                   | Average leased area (sq.m) | 927            |
|                                   | Average rent (€/sq.m/year) | 351            |
| <b>Centre</b>                     | Number of contracts        | 23             |
|                                   | Leased area (sq.m)         | 28,506         |
|                                   | Average leased area (sq.m) | 1,239          |
|                                   | Average rent (€/sq.m/year) | 304            |
| <b>Semicentre</b>                 | Number of contracts        | 8              |
|                                   | Leased area (sq.m)         | 8,350          |
|                                   | Average leased area (sq.m) | 1,044          |
|                                   | Average rent (€/sq.m/year) | 245            |
| <b>EUR</b>                        | Number of contracts        | 36             |
|                                   | Leased area (sq.m)         | 32,033         |
|                                   | Average leased area (sq.m) | 890            |
|                                   | Average rent (€/sq.m/year) | 237            |
| <b>Periphery</b>                  | Number of contracts        | 6              |
|                                   | Leased area (sq.m)         | 32,281         |
|                                   | Average leased area (sq.m) | 5,380          |
|                                   | Average rent (€/sq.m/year) | 153            |
| <b>East Inner Gra</b>             | Number of contracts        | 8              |
|                                   | Leased area (sq.m)         | 7,445          |
|                                   | Average leased area (sq.m) | 931            |
|                                   | Average rent (€/sq.m/year) | 128            |
| <b>Nuova Fiera di Roma</b>        | Number of contracts        | 2              |
|                                   | Leased area (sq.m)         | 1,131          |
|                                   | Average leased area (sq.m) | 566            |
|                                   | Average rent (€/sq.m/year) | 190            |
| <b>Total number of contracts</b>  |                            | <b>94</b>      |
| <b>Total leased area (sq.m)</b>   |                            | <b>119,941</b> |
| <b>Average leased area (sq.m)</b> |                            | <b>1,276</b>   |
| <b>Average rent (€/sq.m/year)</b> |                            | <b>248</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.



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