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PRIME MILAN OFFICE RENTS TO REMAIN STABLE IN 2011

Following some slight growth in rental values for prime offices in 2010 for Milan's Central Business District (CBD), from €460 per sq m per year in Q4 2009 to €500 per sq m per year in Q4 2010, Savills expects prime office rents to remain stable throughout 2011. The international real estate advisor predicts in its latest office report that any rental growth will be in the submarkets where demand is more evident.

According to the report, despite a fall in Q4 10 (from 94,360 sq m in Q3 2010 to 64,550 sq m in Q4 2010), the overall take up level for 2010 in the Milanese office market improved by 35% compared with 2009 on a year-on-year basis. Susan Trevor-Briscoe, head of research at Savills Italy, says: "2010 has confirmed some strong market indicators, notably with take up 35% up on 2009, which bodes well for 2011."

In Q4 10 Savills reports that the banking, finance and investment sectors were the most active, making up 20% of overall take-up, followed by the insurance sector, which accounted for 13% of take-up. The close of 2010 also saw stabilisation in unit sizes under demand, which was spread fairly uniformly between size brackets, although the 1,500 – 3,000 sq m unit size continues to be the most active in terms of total take up achieved, making up more than a quarter of the overall take up in Q4 2010.

When assessing development completions, Savills notes that the 295,000 sq m (3.2m sq ft) of new space that came to the market in 2010 helped to satisfy some of the demand for quality premises. However, this increase in new stock may put pressure on the expanding gap between prime and secondary stock moving forward.

In terms of the investment market, Savills research shows that yield levels were fundamentally stable in 2010, showing a modest improvement in Milan's CBD in the first half of the year.

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Press Release



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