

Quarterly data bulletin

Milan office market

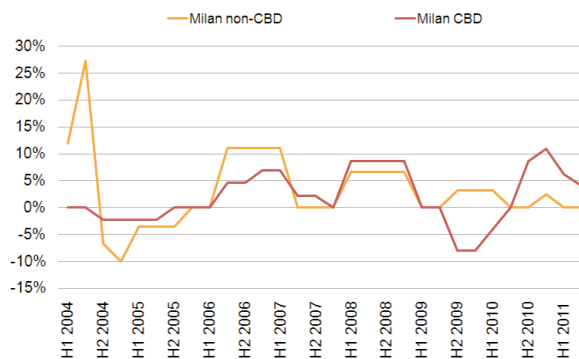
Q3 2011

Economic background and forecast



Source: Oxford economics, Focus Economics

Annual rental growth



Source: Savills Research

“Despite the weaker leasing activity in the third quarter of the year, there is sustained occupier demand for office space which, combined with low levels of new space delivery, maintains the rental stability in the market.”



Susan Trevor-Briscoe - Italy Research

- The third quarter of 2011 saw an ongoing growth in the gap between prime CBD rents and those in Milan’s other submarkets. The prime CBD rent grew to €520 per sqm pa, after half a year of stability at €510, whereas prime rents in the remaining submarkets were fundamentally stable, as per the first two quarters of the year. Competition in non-CBD locations is greater, with new development completions keeping rental levels stable.
- Yields also remain constant in the city’s semi-central, periphery and out-of-town locations. In the city centre, however, after a slight contraction, prime yield levels moved back up to the higher levels seen in the first quarter of 2011.
- The level of take-up for Q3 2011 was down on the previous quarter (circa 26% less with respect to Q2 2011). Whilst on the one hand take-up in sqm has fallen, on the other the number of transactions concluded remains constant on Q2 2011. This is because of a fall in the average size per transaction, from over 2,000 in Q2 2011, to just over 1,500 sqm in Q3 2011. Whereas take-up fell notably in the out of town markets in Q3 2011, in Milan’s periphery it totalled around 30,000 sqm, representing a significant increase.
- The third quarter of 2011 saw the completion of just one office building within the Milanese marketplace, and the total office stock stands at around 12,720 million sqm. However, a significant rise in development completions in the final few months of 2011 is expected.

Savills
Research

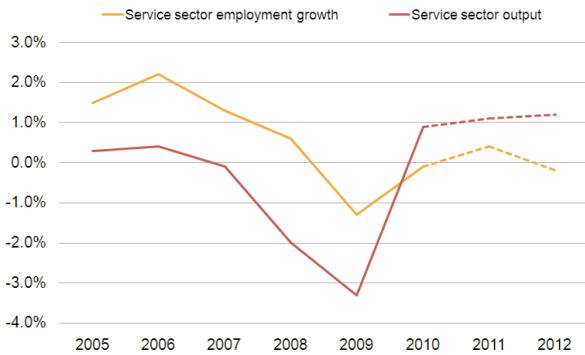
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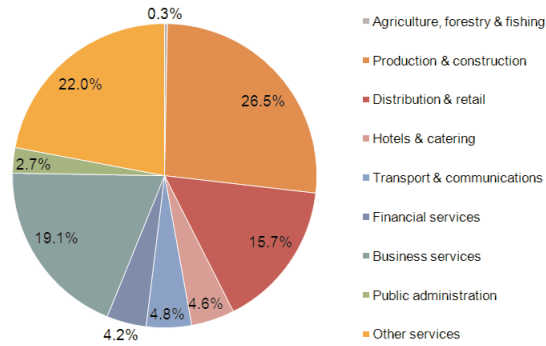
Milan office market

Milan region service sector indicators



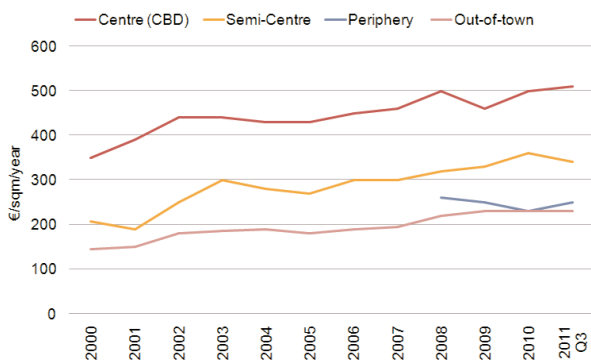
Source: Oxford Economics

Milan region employment by sector



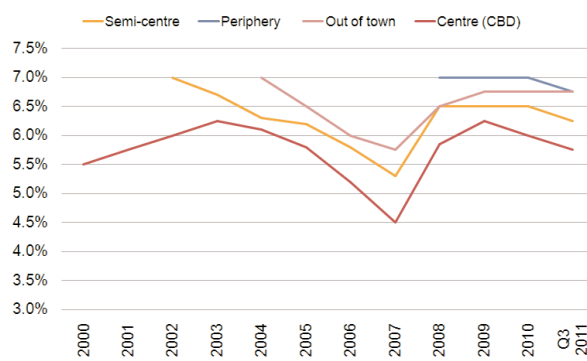
Source: Oxford Economics

Milan prime rents



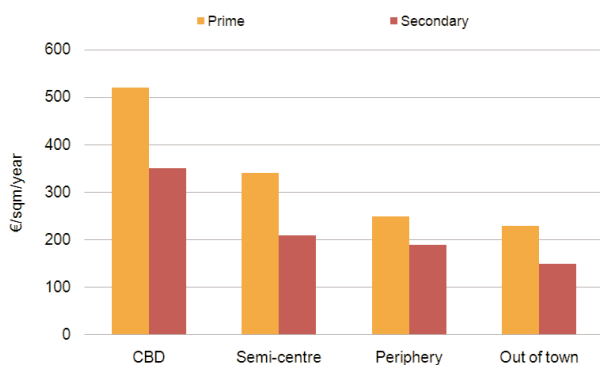
Source: Savills Research

Milan prime yields



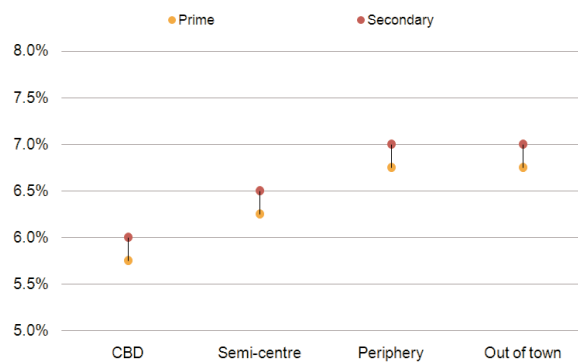
Source: Savills Research

Rental values per submarket



Source: Savills Research

Yields per submarket

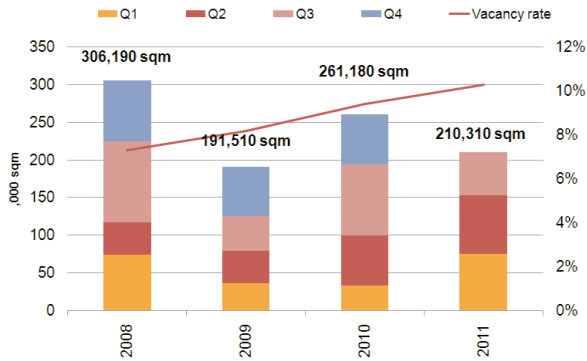


Source: Savills Research

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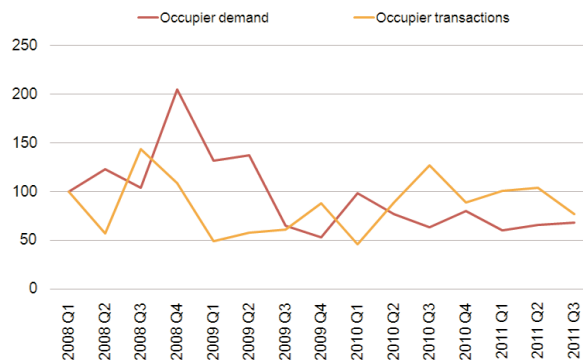
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Milan take-up and vacancy rate



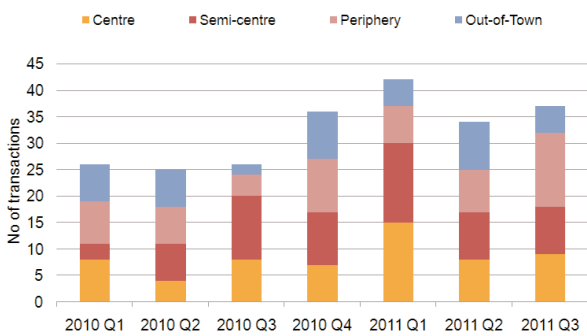
Source: Savills Research

Trend in Occupier Activity (sqm) – Index*



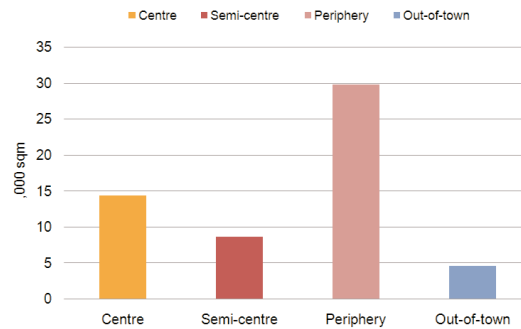
Source: Savills Research

Take-up by submarket (Transactions)



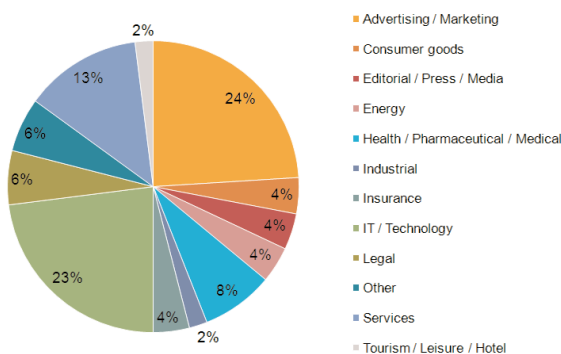
Source: Savills Research

Take-up by submarket Q3 2011 (Volume)



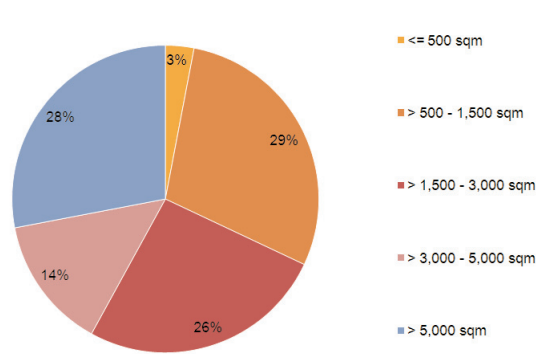
Source: Savills Research

Take-up by sector of activity



Source: Savills Research

Take-up by size segment



Source: Savills Research

*The graph indicates the variation in activity within the occupational market, in terms of floor areas. Data relating to demand (area requested by occupiers) and to transactions (area of closed letting and owner occupier transactions) is represented in a relative index, taking Q1 2008 as "year zero" (index equal to 100).

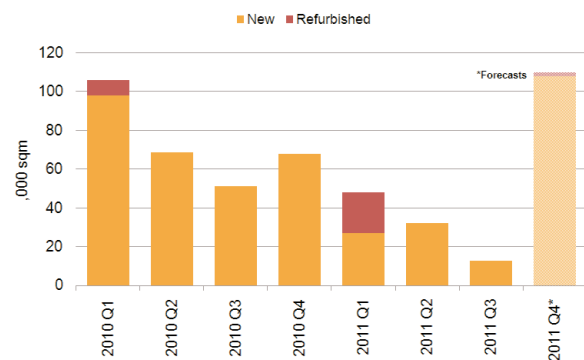
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Major development completions Q3 2011

Building	Address	Submarket	Area (sqm)
Bovisa Tech	Via Durando - Milan	Periphery	13,700

Development completions and pipeline



Totals per annum

Year	Total (sqm)*
2010	293,600 sqm
2011*	Q1-Q3: 93,500 sqm End of 2011: 203,700 sqm *
2012*	239,400 sqm *

*Please note that, as the market moves forward, forecasts may be reviewed and we also reserve the right to amend historic data as more may become available. Total development completions and pipeline include new buildings and refurbishments.

Source: Savills Research

For further information please contact



Eros Chiodoni
Head of Office agency
+39 02 3656 9300
echiodoni@savills.it



Susan Trevor-Briscoe
Research Italy
+39 02 3656 9300
stbriscoe@savills.it



Eri Mitsostergiou
Research Europe
+31(0) 20 301 2087
emitso@savills.com

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