

The Savills logo, consisting of the word "savills" in a lowercase, sans-serif font, is positioned within a solid yellow rectangular box. The background of the entire page is a photograph of a modern office interior at night. On the left, a glass-walled room is illuminated with a cool blue light. The main area features a warm, golden-yellow ambient light from recessed ceiling fixtures. A large, leafy green plant sits in a dark pot against a textured wall. In the foreground, two sleek, dark chairs with chrome legs are tucked under a round glass table. The floor is dark and reflective.

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SHAPE OF OFFICE

OFFICE - ITALY - 2026

RESEARCH

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SHAPING THE ITALIAN OFFICE MARKET



MARCO MONTOSI
HEAD OF INVESTMENT

The Italian office investment market is undergoing a significant structural transformation:

the focus is no longer solely on overall volumes, but increasingly on how capital is allocated across different locations and asset types. The gap between prime and secondary assets and modern and outdated buildings is emerging as a defining feature. Investors who can manage this fragmented landscape are likely to benefit from stronger and more resilient returns in the medium-term future.



EROS CHIODONI
HEAD OF OFFICE LEASING

A combination of sustained demand, rising rents, and a shortage of high-quality space in prime districts continues to fuel market momentum, strengthening its appeal for occupiers.

At the same time, the growing polarization between central and peripheral locations confirms the strong attractiveness of the most established districts, further reinforcing Milan's position among Europe's most competitive office markets.



DEMOGRAPHIC & ECONOMIC CONTEXT

Evolving demographics and technology: shaping the future of economy and work

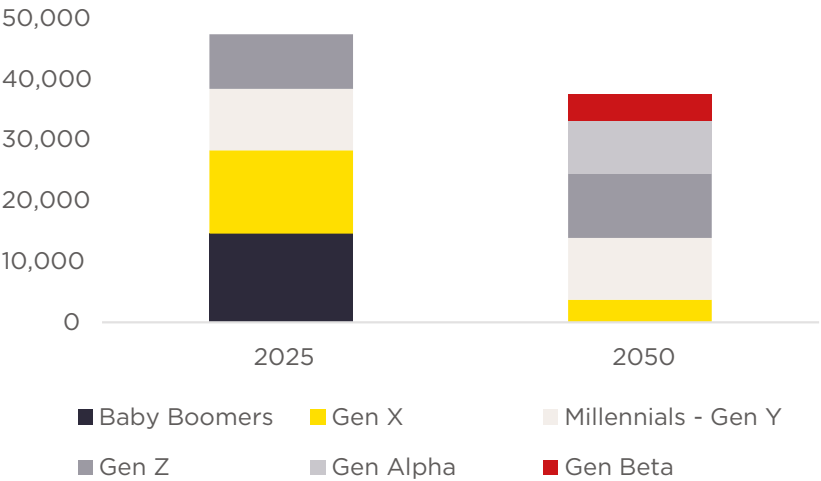
The global labour market is undergoing profound transformation, driven by technological advances, demographic shifts, geo-economic tensions, and persistent economic pressures. The labour market continues to shift towards services, where around seven in ten workers are employed.

Employment grew in areas such as “accommodation and food services”, “administrative and support activities”, “professional, scientific and technical activities”, “human health and social work”. As a result, employment patterns are evolving, with growing demand for professionals equipped with new and diverse skill sets.

The progressive shift of the economic structure toward a more service-oriented model, alongside the downsizing of the agricultural and industrial sectors, is a defining feature of major EU economies, largely driven by technological advancements. Demand for highly educated workers is increasing, reflecting the growing importance of advanced skills. At the same time, the green and digital transitions offer significant opportunities for growth and job creation. However, this transformation must be carefully managed to mitigate risks for the most vulnerable groups, particularly older and low-skilled workers.

In this context, the small size of Italian firms can represent a structural disadvantage. Skill shortages, particularly among highly qualified professionals, disproportionately affect smaller companies, which often struggle to attract and retain talent. Furthermore, the rapid acceleration of technological progress in recent years requires increasing levels of investment, posing additional challenges for SMEs that may lack the resources to keep the pace. In Italy, the number of companies decreased by around 100k in the last 10 years, while workers increased by more than 2.5 million. The decrease in companies does not result in a decrease in employment, but most likely in a shift of workers to larger companies.

POPULATION IN THE 15-79 AGE RANGE BY GENERATION (THOUS.)*



Source: Savills Research on Oxford Economics data
* Generations age brackets were defined as follows: 1946-1964 Boomers, 1965-1980 Gen X, 1981-1996 Millennials, 1997-2012 Gen Z, 2013-2024 Gen Alpha, 2025-2038 Gen Beta

Companies

2025 **5.0 mln**
-2% vs 2015

Companies Average Size

2024 **150 employees**
+15 vs 2014

Startup

Q1 2026 **11,739**
+5,797 vs 2016

Employed

2025 **26.8 mln**
+10% vs 2015

Main working Age group

2025 **50-64 age range**
(38% of total)
2015 **35-49 age range**
(45% of total)

R&D Investment

2025 **€ 31 bn**
+39% vs 2015

Fortune 500 Europe

2025 **26 Italian companies**
+1 vs 2024

Companies Office Aggregate - Average Size

2024 **191 employees**
+14 vs 2014

Startup Office Aggregate

Q1 2026 **9,614**
+5,169 vs 2016

Employed Office Aggregate

2025 **5.1**
+16% vs 2015



Source: ISTAT, Infocamere, Oxford Economics

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In developed countries, higher levels of prosperity tend to coincide with declining fertility rates and increasing longevity, creating significant demographic pressures. In the 20-year period between 2005 and 2025, the share of employed people in the age group 50-64 years increased by 18 pps, while that in the 15-34 age range decreased by 11 pps. Looking ahead, for the first time in 2030, 5 different generations will be simultaneously active in the labour market, forcing companies to rethink traditional labour models. By 2050, the population in the 15-79 age group will decrease by 12%, a total of more than 5 million fewer people.

Cities and countries that are able to attract people will also see growth in terms of employment, benefitting from a larger workforce and a population with a higher level of education. Overall, the impact on job quality and performance is not inherently negative. While demographic decline poses a significant challenge for advanced economies, affecting labour markets and growth prospects, it also offers an opportunity to enhance the quality of work and boost productivity. A smaller workforce may encourage firms to improve working conditions, foster innovation, and invest more heavily in skills development.

In this context, continuous learning, more flexible working models, and stronger diversity and inclusion policies will play a crucial role in shaping more resilient and dynamic labour markets.

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As demographics and technology redefine work, Italy's competitiveness will hinge on its ability to invest in innovation, R&D, and universities: key levers to attract and retain skilled talent, drive productivity, and build a more dynamic and resilient economy.



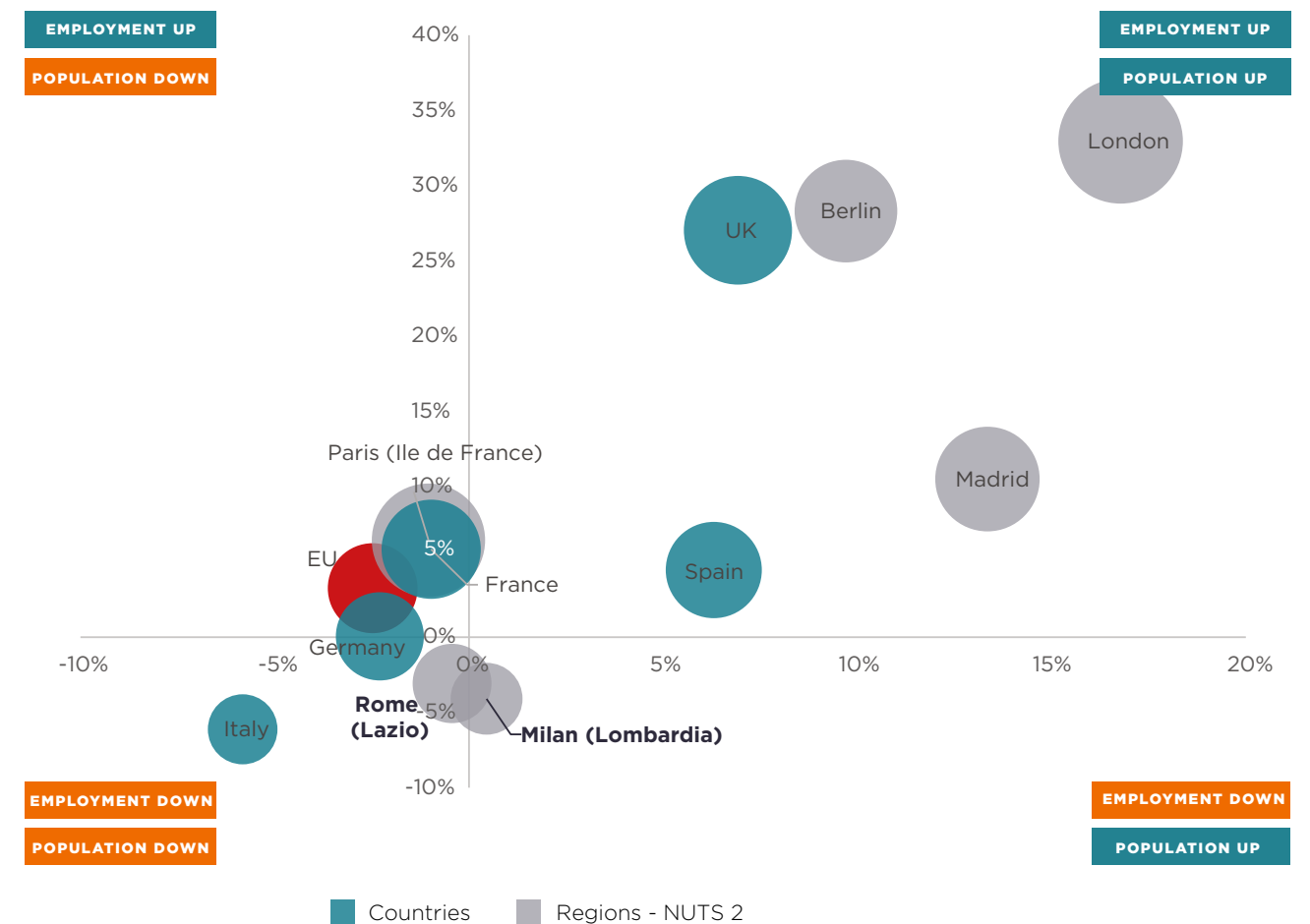
Source: Savills Research on Oxford Economics data

* Includes: Information & communication activities; Financial & insurance activities; Real estate activities; Professional, scientific & technical activities; Administrative & support activities

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COUNTRIES AND REGIONS (NUTS 2) COMPARISON

EMPLOYMENT OFFICE AGGREGATE* (2050 VS 2025; VERTICAL AXIS), POPULATION TREND (2050 VS 2025; HORIZONTAL AXIS), POPULATION WITH A TERTIARY EDUCATION (2025; BUBBLE SIZE)



Source: Savills Research on Oxford Economics data

* Includes: Information & communication activities; Financial & insurance activities; Real estate activities; Professional, scientific & technical activities; Administrative & support activities



THE GLOBAL OFFICE MARKET LANDSCAPE



CHARLOTTE RUSHTON
WORLD RESEARCH ANALYST

GLOBAL INVESTMENT TRENDS

Global office markets are showing signs of stable recovery as sentiment improves quicker than anticipated. Investment activity in key markets has begun to recover, supported by continued price discovery, a gradual return of institutional capital, and improving clarity on income prospects.

In the US, office investment rose sharply, underpinned by stronger leasing demand and an increase in large transactions. While distress had been weighing on sentiment, it's now increasingly facilitating deal activity.

Across Europe and Asia Pacific, capital is returning selectively to prime assets with secure income, as major transactions in cities such as Barcelona and Tokyo have highlighted renewed conviction. Some core European markets have recorded weaker performance, in contrast to stronger momentum in higher-growth locations.

Liquidity remains constrained and highly bifurcated, however, with prime assets continuing to outperform. At the same time, a tight development pipeline globally is supporting rental growth and improving medium-term fundamentals, reinforcing investor focus on quality and income resilience.



PAUL TOSTEVIN
DIRECTOR OF WORLD RESEARCH

GLOBAL OCCUPIER MARKET TRENDS

Flight to quality is the defining theme of global occupier markets, with best-in-class buildings seeing strongest demand and cost growth as occupiers prioritise talent attraction and ESG credentials. Prime office occupier costs rose by 5% globally in the last 12 months to Q1 2026, rising sharpest in Tokyo, New York Midtown and Dublin. Limited supply pipeline is driving up prime rents, while secondary stock sees limited demand and rising pressure to retrofit or repurpose.

The US led leasing momentum, with Q1 2026 marking the strongest quarter since 2019. Demand is concentrated in trophy and modernised Grade A space, as tighter availability in top-tier buildings supports rental growth and a rolling back of landlord concessions. Across Europe and Asia Pacific, occupiers remain active but more selective, with decision-making often taking longer amidst global volatility. As a result, flexibility is becoming an increasingly important part of real estate strategy; corporates accounted for 47% of flexible office space occupiers globally last year, up from just 13% in 2020.

OFFICE INVESTMENT MARKET

The interest from investors remains high but selective, reflecting an increasing polarisation

Over the past decade, the office sector has been the leading sector of the Italian real estate market, collecting approx. €33 bn. However, the role played by the sector has shifted over the years. Between 2016 and 2020, offices accounted for 42% of total investment volumes, attracting twice as much capital as retail and more than three times the amount invested in logistics and hospitality. In the past five years, the office asset class has seen its market share reduced to 23%, whilst logistics, hospitality and retail expanded.

In Milan, over the past decade offices have remained the most sought-after product, maintaining a substantial market share (approx. 70% until 2023), although this share has declined over the past two years, averaging 33% in the 2024-2025 period.

In Rome, offices represent the leading asset class as well, accounting for half of investment volumes over the last ten years. In recent times, however, an increasing interest has been noted for hospitality and living sectors, which saw their influence intensify.

Since 2016, other geographies collected 16% of total investment volumes; Torino, Bologna, Bergamo, Firenze and Napoli represent the top destinations, collecting around €800 mln.

Considering the different submarkets, investors' interest is moving from hinterland and peripheral areas towards more central locations. As a result, CBDs have accounted for an average of 66% of activity since 2023, up from an average of 41% during the 2016-2022 period.



“

Investors' interest remains strong, but it has evolved over the years. Greater selectivity and a shortage of high-quality opportunities are influencing players' decisions, polarising the market and suggesting that yields could compress in the coming quarters.

KPIs

INVESTMENT VOLUMES	
2025	Q1 2026
2.0 mln	€ 400 mln
-11% YoY	-35% YoY

TOP MARKET

2025	Q1 2026
Milan	Rome
70%	52%

TOP SUB-MARKET

(Milan and Rome, portfolios excluded)

2025	Q1 2026
CBDs	CBDs
58%	78%

INTERNATIONAL CAPITAL

2025	Q1 2026
34%	39%

N° OF DEALS

2025	Q1 2026
70	11
+16 YoY	-9 YoY

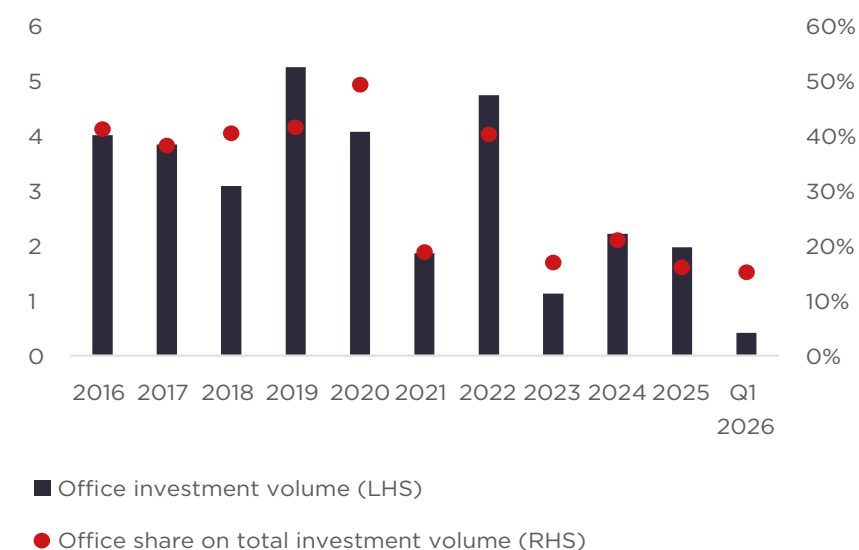
MILAN PRIME NET YIELD

2025	Q1 2026
4.25%	4.25%
Stable YoY	Stable YoY

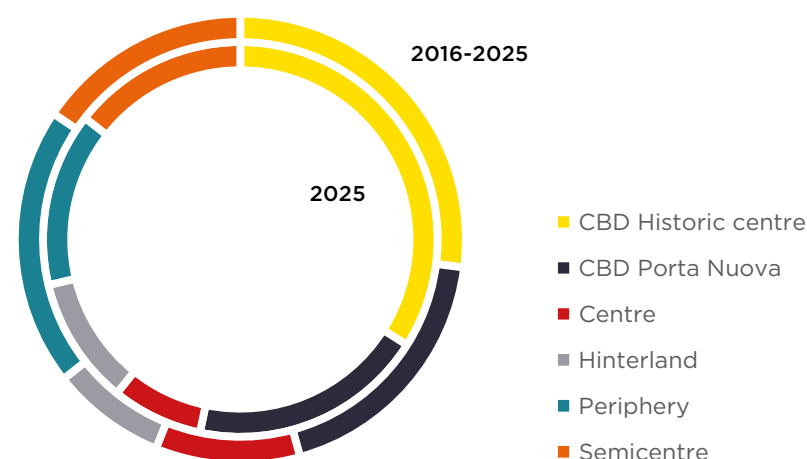


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OFFICE INVESTMENT VOLUME (€ BN)



MILAN OFFICE INVESTMENT VOLUME BY SUB-MARKET (%; MIXED PORTFOLIOS EXCLUDED)



Since 2022, there has been a gradual increase in the volume allocated to the conversion of assets from office to other uses, amounting to €1.5 bn. Future destinations of use are mainly split between hospitality (56%) and living (40%). Milan and Rome gathered most of these volumes: in Rome, hospitality is the main intended use, while in Milan living use prevails.

The sector has seen both international and domestic capital over the last 10 years, with foreign investors coming mainly from Europe (France, Germany and UK in particular).

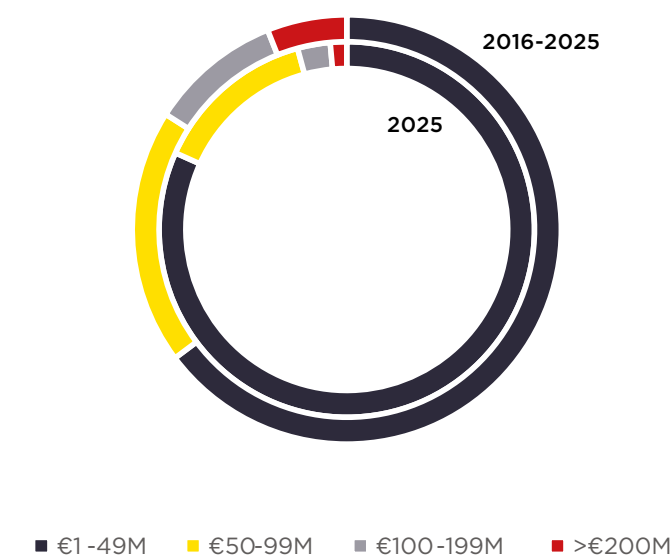
The increase in financing costs in recent years caused a reduction of the risk premium, which is reflected in a decline in the average transaction size, falling from €69 mln during the 2016-2020 period to €46 mln over the past five years.

The number of deals however decreased by only seven units, indicating that buyers' interest in the sector remains high, but has evolved, being more selective and targeting also smaller size opportunities.

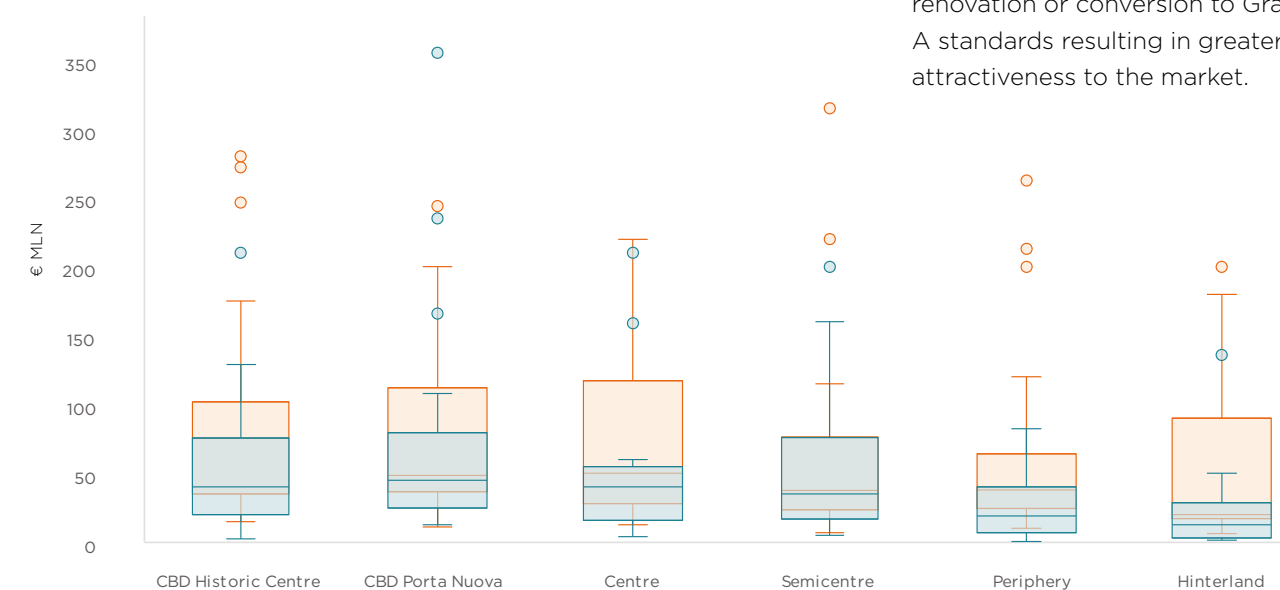
Centre, periphery and hinterland have experienced the sharpest reduction in deal size, while the semicentre appears to be the submarket that has changed the least.

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OFFICE INVESTMENT VOLUME BY DEAL SIZE (over the total number of deals)

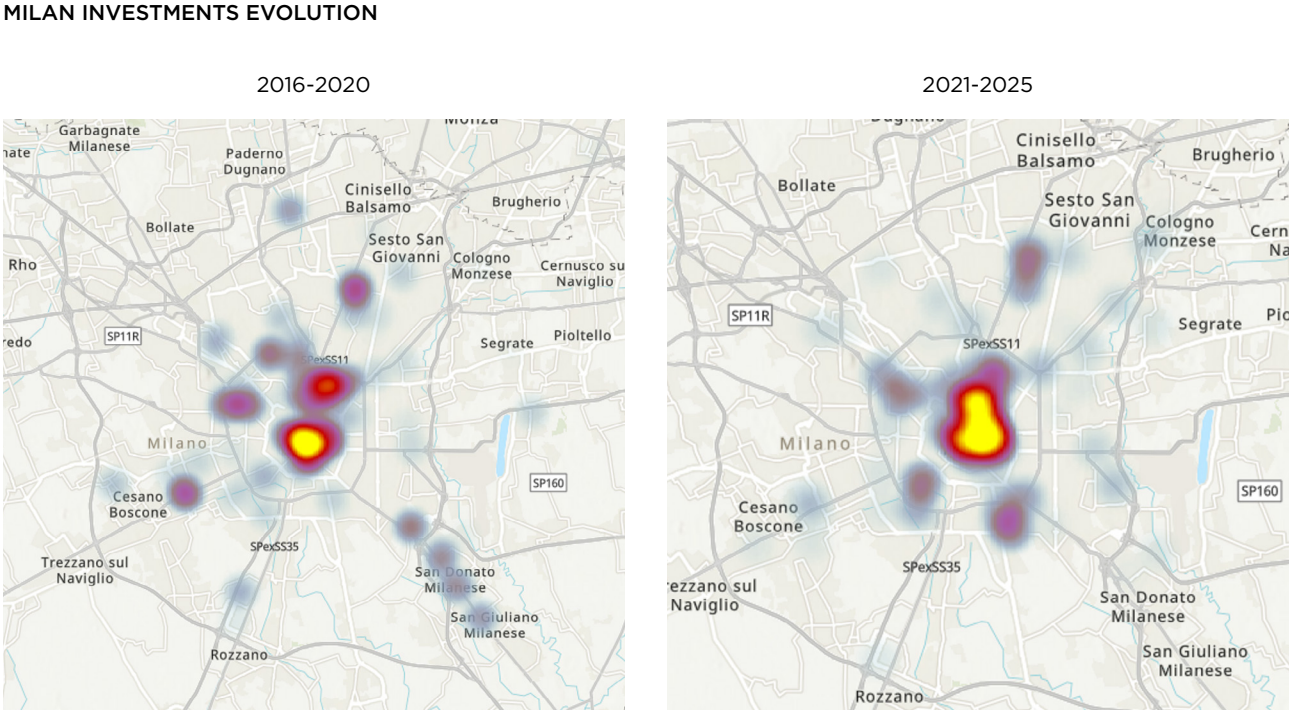
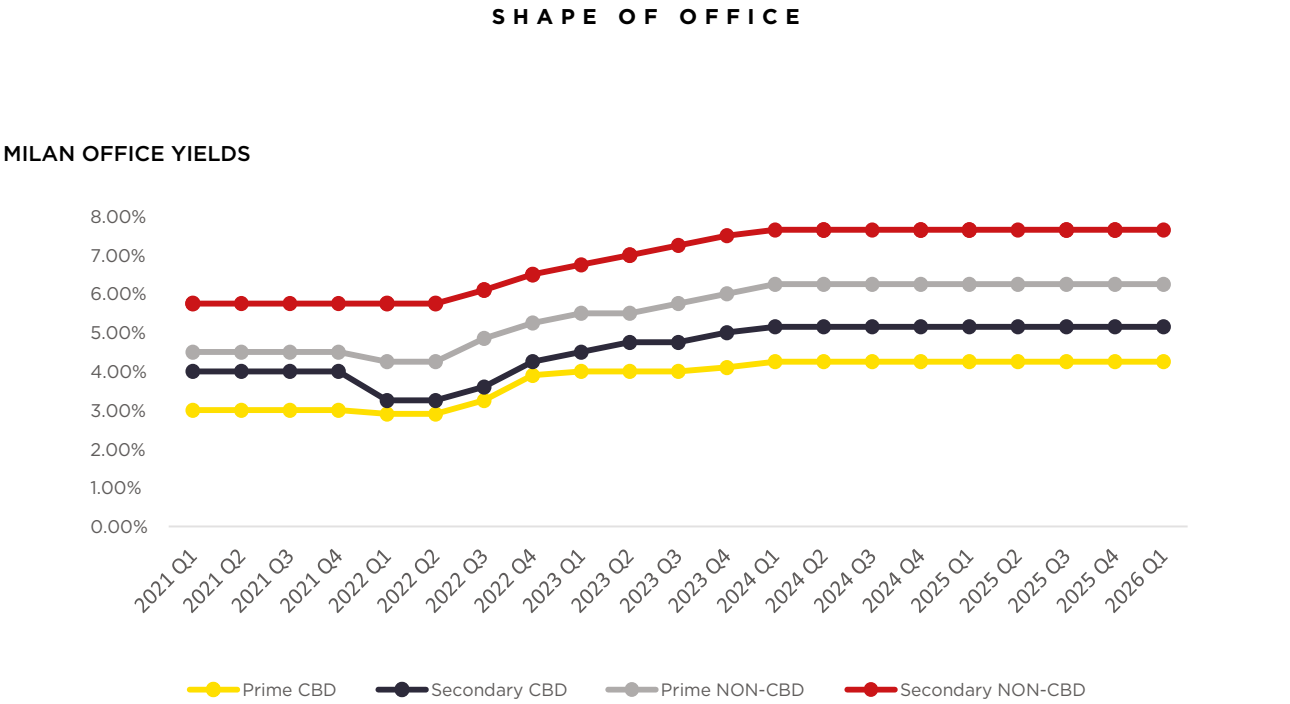


INVESTMENTS DEAL SIZE EVOLUTION, 2016-2020 VS 2021-2025



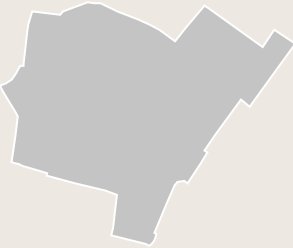
Both CBDs have also recorded a downward shift in deals' size, despite registering several large transactions over the past five years. Prime net yields remained stable in both Milan and Rome over the last 9 quarters, currently standing at 4.25% and 4.75%, respectively. The yield gap with secondary non-CBD assets increased over the last 2 years, reaching 340 bps in Q1 2026: this spread is set to increase in the coming quarters, as prime CBD yields are expected to remain stable or slightly compress in the coming quarters. Secondary non-CBD assets will continue to lag behind, affected by price corrections and contributing to deepen the polarisation between prime and secondary offices. On the other hand, secondary assets in CBDs present opportunities for renovation or conversion to Grade A standards resulting in greater attractiveness to the market.





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THE CBD DIVIDE



	CBD HISTORIC CENTRE	CBD PORTA NUOVA
RENT	800 €/SQM/YEAR	700 €/SQM/YEAR
YIELD (Q1 2026)	4.25%	4.25%
AVG TAKE-UP (10Y)	53,000 SQM	66,000 SQM
AVG TAKE-UP SIZE	905 SQM	1,520 SQM
AVG INVESTMENT TICKET (10Y)	€72 MLN	€74 MLN
VACANCY RATE	4.2%	3.8%
GRADE A VACANCY RATE	1.1%	0.7%
STOCK	1.4 MLN SQM	2.6 MLN SQM
STOCK GROWTH (5Y)	STABLE	+1.8%
PREFERRED BY OCCUPIERS	BANKING & FINANCE	IT & TELCO
PREFERRED BY INVESTORS (5Y)	FUND MANAGERS CORE PROFILE	FUND MANAGERS CORE PROFILE





OFFICE LEASING MARKET

The office leasing market landscape is undergoing profound restructuring following an expansionary period: what will come next?

Milan's office leasing market has continued to demonstrate strong structural momentum over recent years, supported by rising occupier activity, growing rental values and increasingly polarised market dynamics.

Although the pace of overall take-up growth has recently started to moderate following the post-pandemic rebound, the number of leasing transactions has continued to increase, while the average deal size has steadily declined, reflecting more fragmented demand patterns.

At the same time, vacancy has continued to compress across prime central locations, particularly within CBD Historic Centre and CBD Porta Nuova, where Grade A and ESG-certified availability is now close to zero, while peripheral and decentralised submarkets are experiencing rising vacancy and weaker absorption dynamics. Against this backdrop, 2025 ranked as the fourth strongest year of the last decade in terms of take-up, exceeding the 10-year average by 4%, while also recording the highest number of leasing transactions of the period (+26% versus the 10-year average) and the second-lowest average deal size.

Within Milan's prime districts, CBD Historic Centre recorded the second-highest number of transactions of the decade, while CBD Porta Nuova achieved its strongest year on record. Although transaction volumes in CBD Historic Centre remain structurally higher than in Porta Nuova, leased volumes are typically larger in the latter due to significantly bigger average deal sizes.

NOW
&
THEN

% CHANGE
2025 VS 2016

TAKE-UP		
2025	404,000 sqm	+13%
Q1 2026	64,000 sqm	
TRANSACTIONS		
2025	358 transactions	+73%
Q1 2026	86 transactions	
PRIME RENT		
2025	780 €/sqm/y	+47%
Q1 2026	800 €/sqm/y	
AVERAGE SIZE		
2025	1,130 sqm	-34%
Q1 2026	740 sqm	
VACANCY RATE		
2025	9.1%	-50 bps
Q1 2026	9.2%	

RENTAL GROWTH, DISPERSION AND MARKET POLARISATION ACROSS THE CITY

The comparison between the 2016 and 2025 rental distributions provides a clear representation of how Milan's office leasing market has evolved over the last decade across the main urban submarkets. More importantly, when put into the context described earlier, with vacancy rates close to zero in prime geographies, rental growth showing no signs of a slowdown, and transactions becoming increasingly smaller on average, this comparison of distributions highlights not only the overall upward repricing of the market, but also the increasing divergence between prime and non-prime locations, both in terms of rental levels and market depth. The first thing that is noticeable in the 10Y comparison is a broad-based increase in office rental levels across all analysed submarkets, accompanied by a wider dispersion of values, particularly within core and prime locations.

The 2025 distribution in CBD Historic Centre shows a clear upward shift in median rents compared to 2016, alongside a significantly wider spread. This indicates increasing market polarisation and a stronger concentration of high-end assets. The higher number and magnitude of outliers further reflects the expansion of the premium segment. CBD Porta Nuova records one of the strongest rental growth trajectories within Milan. The entire distribution shifts upward materially in the 10 years span, while also becoming more dispersed. Compared to 2016, the 2025 market appears more heterogeneous, with elevated rental levels extending across a broader portion of the stock.

The Centre submarket also shows a marked increase in both median rents and interquartile range: relative to 2016, the 2025 distribution is wider and less concentrated, suggesting greater variability in pricing dynamics and a progressive extension of higher rental thresholds beyond the most established prime areas.

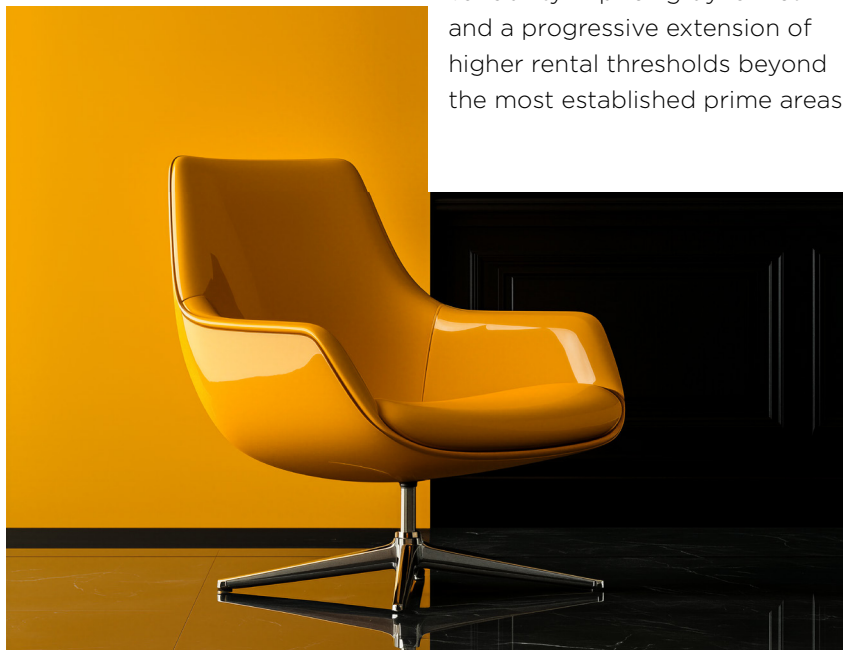
Semicentre exhibits solid rental growth, although with a more contained increase in dispersion compared to core CBD locations. Rental growth appears relatively broad-based and homogeneous, pointing to a gradual revaluation of semi-central areas without significant internal polarisation.

Periphery demonstrates moderate rental growth combined with a limited widening of the distribution. The 2025 data show the emergence of higher-value observations compared to 2016, suggesting a gradual outward transmission of rental pressure.

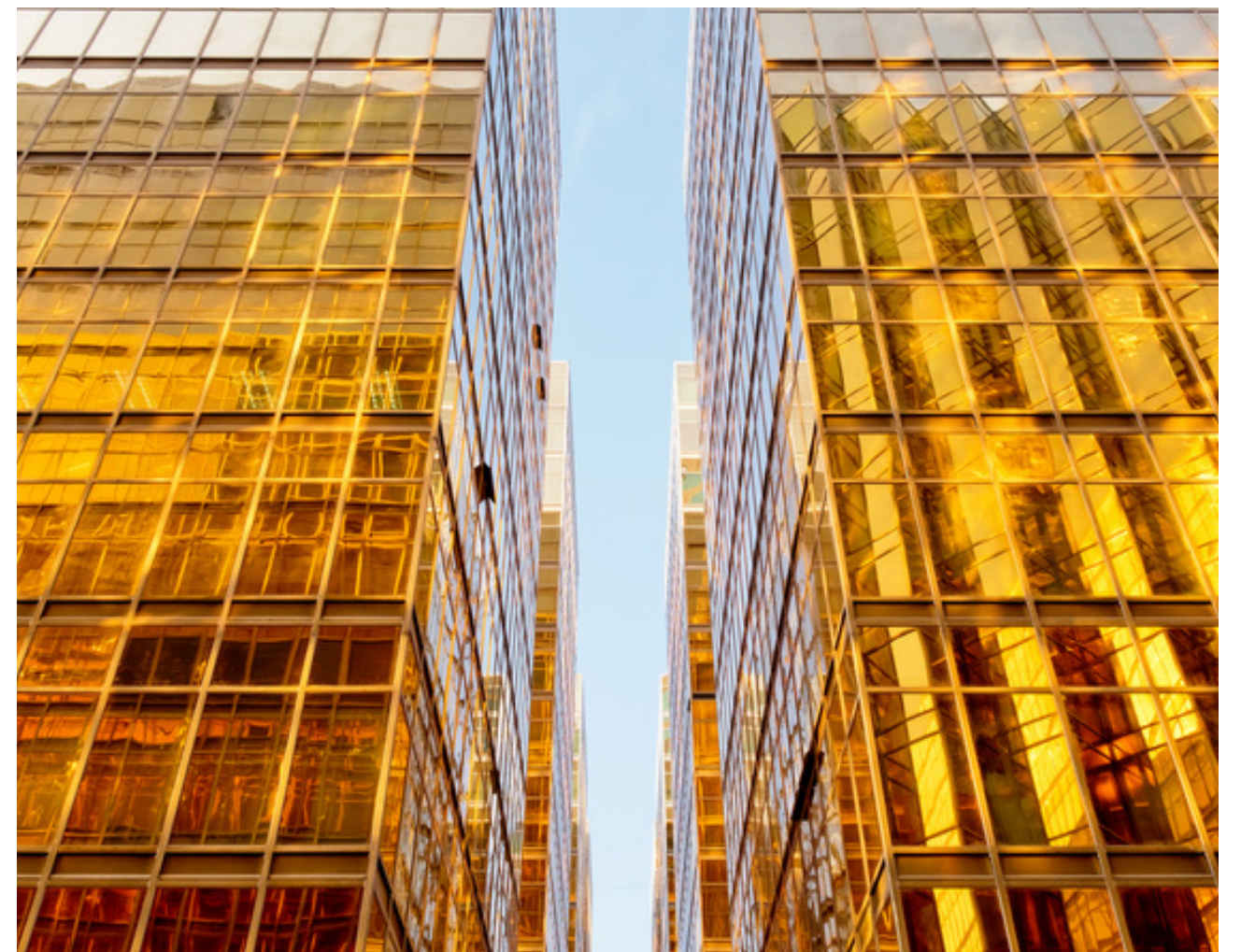
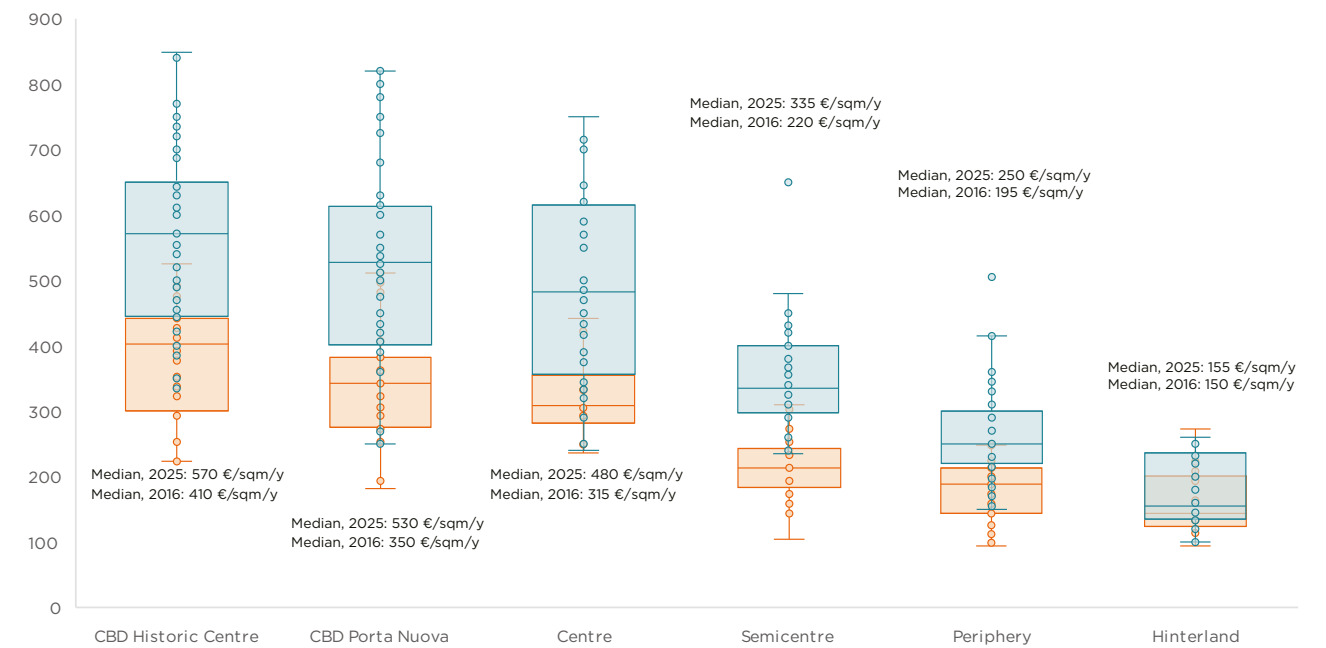
Hinterland remains the most affordable submarket, with median rents and overall value ranges both increasing unremarkably over the period. Growth remains extremely limited compared to core locations, confirming the persistence of a substantial pricing differential versus the consolidated city market.

Overall, the 2016–2025 comparison highlights three key structural trends:

- generalised rental growth across all submarkets;
- increasing dispersion of rents in core and semi-prime locations;
- stronger market polarisation, matched by an outward transmission of rental pressure due to transactions spill-over.



RENTAL VALUES EVOLUTION BY MARKET - CLOSED DEALS, 2016 VS 2025





EME COMPARISON

THE UNEXPECTED LEADER: MILAN VS EUROPEAN PEERS

To better understand Milan's current positioning and evolution within the European office landscape, we compared the city's two main CBD office submarkets (CBD Historic Centre and CBD Porta Nuova) with selected peer districts across Europe's most prominent office markets.

The comparison aims to contextualise Milan's recent performance against more mature gateway cities, assessing how the market has evolved over the last decade in terms of leasing activity, rental growth, vacancy dynamics and market expansion. By analysing both demand-side indicators (take-up growth) and pricing dynamics (rental growth), the framework helps identify whether Milan behaves more like a high-growth expanding market or a mature and stabilised office hub.

The analysis highlights three distinct market clusters across the European sample. The first group includes growth-

driven markets, characterised by strong leasing momentum, rental growth and tightening vacancy. Milan CBD Historic Centre, Milan CBD Porta Nuova and Madrid Prime clearly belong to this category. Within this cluster, Milan CBD Historic Centre stands out as the strongest performer in terms of take-up growth across the entire sample, while also recording one of the most significant rental increases over the decade, with vacancy sharply compressing despite continued market expansion.

Milan CBD Porta Nuova follows a similar trajectory, combining strong rental growth with robust leasing activity and stable vacancy levels despite significant stock expansion, confirming its role as Milan's most dynamic and institutional-grade office market.

A second and third set of markets includes mature but still highly performing gateway locations such as London City, Paris CBD and Madrid CBD, alongside more established and

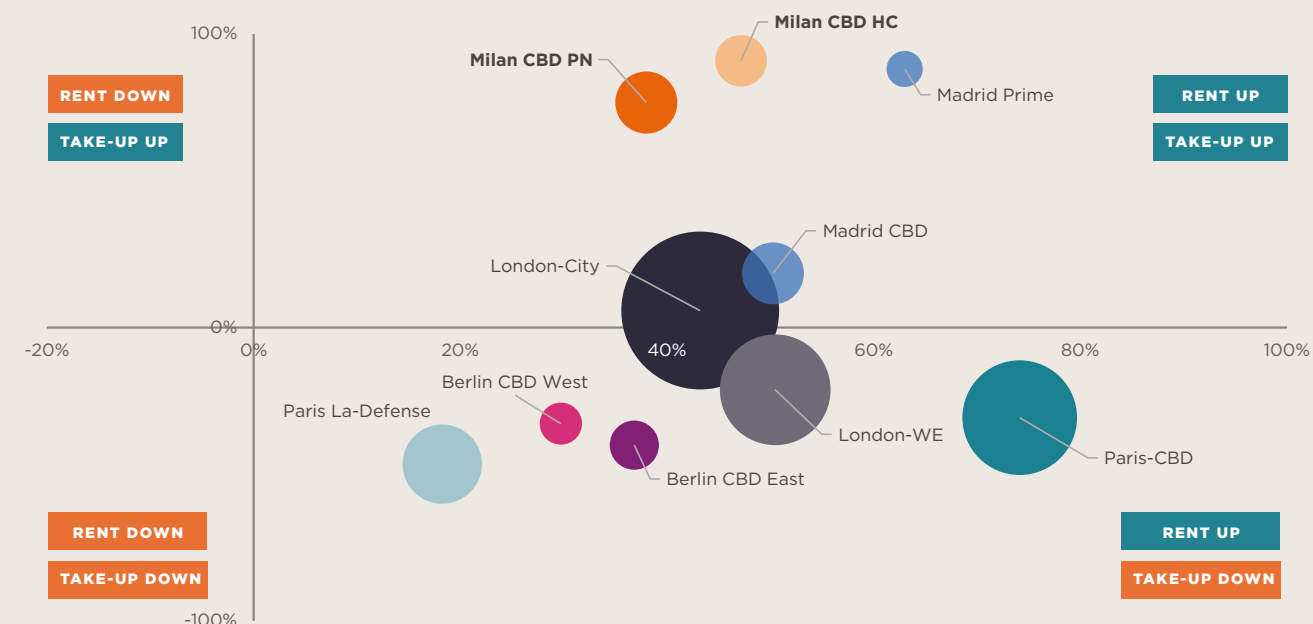
slower-moving districts such as London West End, Paris La Défense and both Berlin CBD submarkets. While the former continue to benefit from solid rental growth and large market scale, leasing momentum is more moderate and vacancy dynamics less supportive than in Milan's leading districts. The latter group shows weaker take-up trends and rising vacancy, pointing to softer occupier demand and increasing polarisation between prime and non-prime assets and geographies.

Overall, the comparison reinforces Milan's increasingly competitive positioning within Europe. Unlike several mature European markets, Milan's CBDs continue to combine strong leasing growth, rising rents and constrained vacancy, suggesting that the city remains in a more expansionary phase of the office market cycle, particularly within its prime office districts.



MAIN OFFICE MARKET COMPARISON - 2016-2025

Take-up trend (vertical axis), rental growth (horizontal axis), market weight (bubble size)





FROM SPACE EFFICIENCY TO WORKPLACE EXPERIENCE

The future workplace is evolving beyond traditional office space, prioritising experience, flexibility and high-performance environments



YETTA REARDON SMITH
SENIOR WORKPLACE STRATEGIST

WORKPLACE & DESIGN

The workplace today is not defined by density or desk provision alone. It must offer an experience that cannot be replicated at home, encouraging attendance in a way that supports business performance. Critically, it needs to provide the right environment for connection, coaching and culture to thrive. In a hybrid context, occupancy is central to delivering a high-quality experience. Workplaces perform best at between 50% and 75% occupancy, with overcrowding or empty floors

undermining effectiveness. Tenants are increasingly prioritising high-quality space in well connected buildings with strong access to amenities and transport. In larger buildings, landlords are providing shared amenity spaces such as town halls, larger meeting rooms and wellness facilities, reducing the need for these within tenant demises. Space quality remains critical, with emphasis on daylight, access to external areas, clear sightlines and generous

floor to ceiling heights. AI is already reshaping day to day work, exposing long standing issues including longer online meetings, rising background noise, data privacy risks and a shortage of small, private spaces for calls and focused work. Workplaces that respond by reducing friction, through more phone booths and small rooms, clearer zoning, data led space optimisation and better managed acoustics and environmental controls, will set the benchmark for high performance offices.

MAIN OUTCOMES

DEMOGRAPHICS

Demographic decline and technological acceleration are reshaping labour markets and redefining growth models. Competitiveness will increasingly depend on investments in innovation, research, and human capital. Improving job quality and productivity is possible but requires continuous upskilling and adaptive business strategies. Managing the transition effectively will be key to unlocking productivity gains while minimising disruption.

INVESTMENT

Over the past decade, the office sector has been a key driver of the Italian real estate market, but since 2020 its share has declined significantly. Milan and Rome remain the main destinations, though other sectors and conversion of office assets are gaining ground. Investors are shifting toward central submarkets, with CBDs sharply increasing their weight. Deal sizes have shrunk, yields are stable and polarisation between prime and secondary assets is widening, confirming that investors are becoming more selective.

OFFICE LEASING

Leasing market dynamics confirm that Milan's office sector remains in an expansionary phase, supported by record transaction activity, resilient take-up and continued rental growth across the city's prime districts. At the same time, declining average deal sizes, near-zero availability of Grade A ESG-compliant space within CBD Historic Centre and Porta Nuova, and rising vacancy across peripheral locations are accelerating market polarisation, further strengthening the competitive advantage of high-quality, experience-driven and well-connected office assets.

SHAPE OF FUTURE OFFICE

Workplace strategies are increasingly shifting from pure space efficiency towards experience-driven environments designed to support collaboration, culture and employee engagement within hybrid working models. As occupiers prioritise high-quality, amenity-rich and technologically advanced buildings, demand is concentrating on flexible and high-performing workplaces capable of enhancing productivity, wellbeing and operational efficiency, while obsolete layouts and lower-quality offices struggle to keep pace with evolving occupier demands.

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