

Italian Office Market



2024 brings the sector back on the podium

Highlights

Office takes back its place as one of the most sought-after asset classes in 2024

Milan and Rome drove the volumes, accounting for more than 70% of transactions

During the year, we registered a growth in deal size and the consolidation of foreign investors' appetite

Leasing activity recorded a slight contraction compared to 2023 (-11% YoY), while transaction number is the highest ever recorded

Continued tightness in availability for prime assets in central geographies sustained further rental growth

2024 KPI



INVESTMENT VOLUME
2.2 bn €
+109% YoY



NUMBER OF DEALS
54
+7 YoY



PRIME NET YIELD MILAN OFFICE
4.25%
+15 bps YoY



PRIME RENTS MILAN OFFICE
730 €/sqm/y
+4% YoY



MILAN TAKE-UP
380,000 sqm
-11% YoY



PIPELINE by 2027 MILAN
550,000 sqm
49 projects

Office Investment Market

In 2024, office sector rose back on the top asset class podium in terms of investments, reaching a total of €2.2 bln, reaffirming its centrality in the Italian market, despite investors being more selective than in the past.

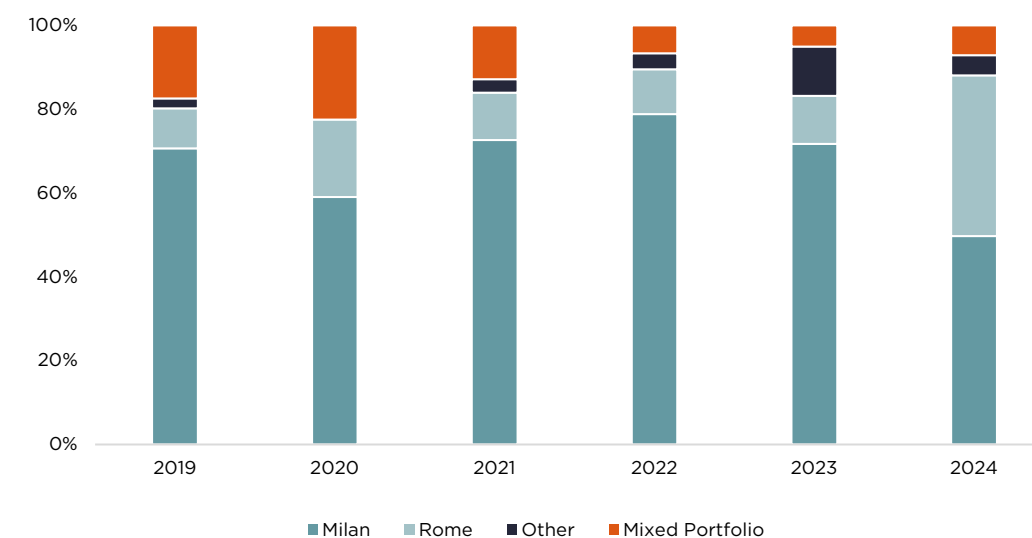
Milan was still the strongest location, making up to half of both investment volumes and transactions in 2024, for a total of €1.1 bn over 26 deals. The main, but not sole, contributor to this result was the office portion of the via Montenapoleone deal by Kering. On the other hand, Rome continues to attract investors and increased its market share throughout the year, reaching €850 mln thanks to the closing of three large deals above €100 mln.

The calling card of 2024 was an increase in average deal size to €41 mln (almost doubled compared to 2023), accompanied by a resilient share of international investors, which accounted for 48% of volumes.

Prime net yields remained stable both in Milan and Rome over the year and currently stand at 4.25% and 4.75%, respectively. As the ECB continues to further reverse its monetary policy and with the sector's good fundamentals, the expectation of a slight compression in prime office yields throughout 2025 is gaining ground.

“The office sector reaffirmed its status as a key asset class for investors in 2024, with activity concentrated on selected, prime assets. However, the shortage of high-quality supply continues to push rental growth, reinforcing the sector's strength amid evolving financial conditions.”

Investment volume by geography (%)



Milan Office Letting Market

With 380,000 sqm of take-up, 2024 in Milan has been the third best performing year in the past five, although -11% lower than 2023. While take-up values are slowing down compared to previous post pandemic rebound years, the number of deals continues its climb, growing by 6% compared to 2023 and marking 2024 as the year with the highest number of transactions so far, confirming the trend in tenants' preference for smaller spaces.

This is also supported by the constant decrease in average size, -16% down compared to 2023 and -26% on the 5-years average. More than two in three transactions were in fact performed on assets below 1,000 sqm, with deals above 2,500 sqm reduced to some 9%, half of what they used to be in 2019. Among the business sectors, services & consulting guided the leasing activity, while fashion/luxury players and pharma tenants increased their activity the most.

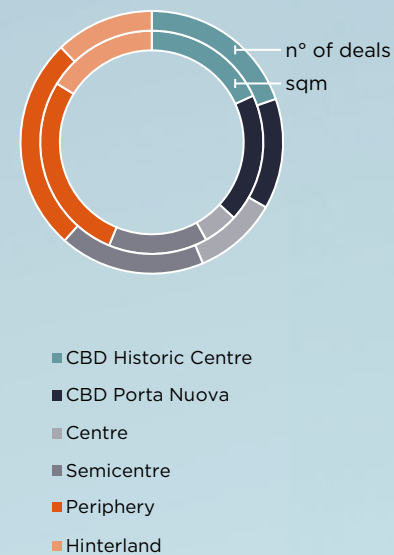
Geographies are also changing while Periphery maintains the lead on most deals closed (26% of total deals) and both CBDs

regain some traction thanks new completions lightening the pressure on availability (a combined 33% of total deals), the Semicentre market has almost doubled the number of deals since 2019, weighting 18% on all deals done in 2024. Strong demand for Grade A assets withstanding, both CBD Historic Centre and CBD Porta Nuova suffered from a very tight availability this year, which combined with the increase in prime rents has made it harder for tenants to find a suitable space for the right price. Nevertheless, grade A take-up accounted for 72% in 2024, well above the last 5-years average.

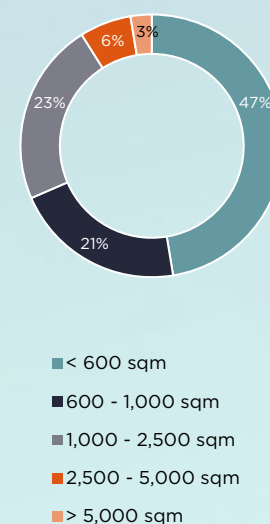
Finally, by 2027 approximately 550,000 sqm (49 projects) are expected to gradually ease the pressure on availability. 76% of the pipeline is speculative in nature, with only 10% being owner-occupied. Almost 195,000 sqm were completed in 2024, more than 2/3 of which already leased by the time of completion.

Current availability stands at 795,000 sqm, while future availability is at 368,000 sqm, for an overall vacancy rate of 8.9% and a Grade A vacancy rate of 3.6%.

2024 Take-up by submarket



2024 Take-up by deal size



Office key facts



The run of prime rents is probably close to its peak



Appetite for redevelopments is expected to remain



Further polarisation between primary and secondary assets will continue



Occupiers demand will remain robust, but rental values will keep on affecting absorption



Pressure on central markets' low availability will be lightened by new completions



Improving employees' wellbeing, sustainability and energy efficiency of buildings will be a priority



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