



Italy Spotlight - YTD Q3 2024



Italian Office Market



66 Refreshed investment volumes and stabilising take up values sustain the sectors' appeal

Highlights

Office shows resilience thanks to sizeable transactions that sustain the asset class

Milan drove the volumes during the last nine months, in terms both of volumes and number of deals

The period saw the deal size growing and an increased appetite of foreign investors

Leasing activity recorded a slight contraction on the same period last year, with a -5% YoY, whereas the number of deals has increased by 7% YoY

YTD Q3 2024 KPI



INVESTMENT VOLUME
1.5 mln €
+245% YoY



NUMBER OF DEALS
33
+5 YoY



PRIME NET YIELD MILAN OFFICE
4.25%
+15 bps YoY



PRIME RENTS MILAN OFFICE
710 €/sqm/y
+1% YoY



MILAN TAKE-UP
266,000 sqm
-5% YoY



PIPELINE by 2027 MILAN
630,000 sqm
57 projects



Office Investment Market

In the first nine months of 2024, office sector leads the market as the top asset class in terms of investments, reaching a total of €1.5 bln, showing a growth that matched the dynamism of the market.

Milan represents the preferred location both in terms of volumes and number of deals. The city attracts in fact 58% of yearly volumes across the closing of 19 transactions, with activity ranging from CBD Historic Centre to more peripheral areas. The office portion of via Montenapoleone deal acquired by Kering drove the volumes. However, Rome saw its market share increase, reaching €430 mln since the beginning of the year thanks to the closing of three large deals (> €100 mln).

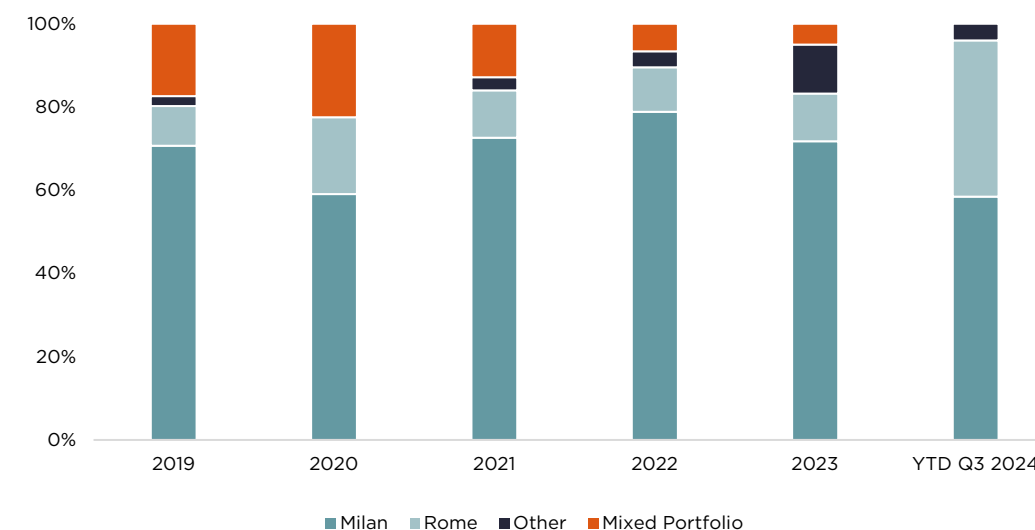
YTD Q3 2024 was characterized by an increase of average deal size, amounting to €47 mln (against €16 mln in 2023) and by a return of international investors, accounting for 57% of the volumes.

Prime net yields remained stable both in Milan and Rome over the past 9 months and in Q3 2024 stand at 4.25% and 4.75%, respectively. With the anticipated further reversal of monetary policy, and given the sector's good fundamentals, a possible slight compression of prime office yields is expected in the next months.

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The sector shows positive results, with investments in the first nine months of 2024 reaching 1.5 billion already exceeding the total volume for FY 2023. Investors are focused on value-add products and remain selective in prime markets, where the occupier sector remains dynamic.

Investment volume by geography (%)



Milan Office Letting Market

Office take-up in Milan has seen a mild surge in Q3 2024, bringing the YTD total to approximately 266,000 sqm, a value 5% lower than the same period last year. While take-up values are slowing down compared to previous record years, the number of deals increased by 7% compared to the same period in 2023, since tenants' appetite for smaller spaces continues to impact take-up.

The average deal size stands at around 1,120 sqm in these nine months, with CBD Historic Centre stopping at 740 sqm. More than half (68%) of the leasing activity was in fact performed on assets below 1,000 sqm, with deals above 5,000 sqm reduced to a 2% (5% in the 5 years average). Among the business sectors, services & consulting guide the leasing activity, followed by retail and grocery and banking, finance and fintech players.

Geographies are also changing: most deals of the first nine months of 2024 were closed in Periphery (26%), although less deals were performed in this submarket compared to last year (-8%). Meanwhile, CBD Historic Centre is re-gaining some traction with a

20% share on total take-up deals, while Centre has seen a +50% on the number of deals in the same period in 2023, continuing the spillover to less central markets. In fact, both CBD Historic Centre and CBD Porta Nuova display a very tight availability coupled with a strong demand for Grade A assets, and the increase in prime rents since the beginning of 2023 has made it harder for tenants to find a suitable space for the right price. With fewer grade A assets available in central markets, grade A take-up accounted for 69% in YTD 2024, in line with the last 5-years average.

Finally, by 2027 approximately 630,000 sqm are expected to land on the market across 57 projects. 74% of the pipeline is speculative in nature, with only 10% being owner-occupied. More than 157,000 sqm were completed so far in 2024, with more than half of the total already leased by the time of completion.

Current availability stands at 774,000 sqm, while future availability is at 445,000 sqm, for an overall availability of 1,220,000 sqm, for a vacancy rate of 9.4%.

Office key facts



Gap on prices between supply and demand persists



Pent-up demand for high-quality, ESG compliant offices is making the market dynamic



The spillover trend towards semi-central markets is accelerating



Location dictates sizes: a more central location results in smaller sizes, but the hybrid work landscape is changing again



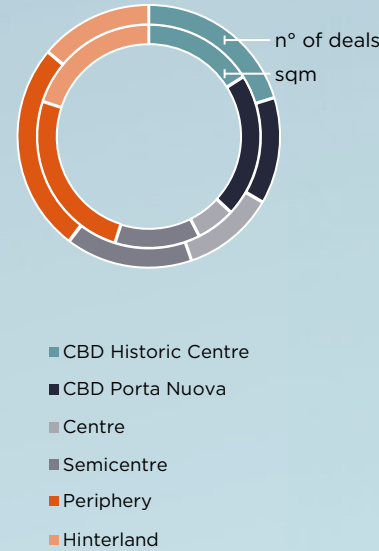
Central markets with tight availability will benefit from new developments in 2025



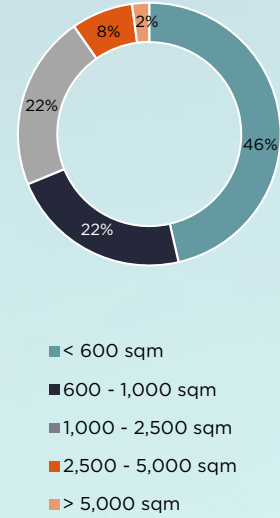
The polarisation between ESG compliant and non-compliant assets is set to increase



YTD Q3 2024 Take-up by submarket



YTD Q3 2024 Take-up by deal size



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