



**CITY NEWS MILAN  
YTD Q4 2019**

**COMMERCIAL REAL ESTATE INVESTMENT  
MARKET AND OFFICE LEASING**

**2019: RECORD YEAR FOR THE CITY OF MILAN**

**In Milan 2019 has been the best year ever both for the Office leasing market and for the commercial RE investment market**

**THE OFFICE LEASING MARKET**

2019 has been the best year ever for the Office leasing market in Milan with a take-up of nearly 490,000 sqm, exceeding the take-up of last year equal to about 390,000 sqm (which was the previous record). The excellent performance was achieved also due to the completion of a certain number of relevant transactions. It should be noted that take-up in 2019 is about 30% higher than the five-year and about 50% higher than the ten-year annual average.

More specifically, Q4 2019 contributed to the year result with a take-up of nearly 125,000 sqm: this is one of the best quarters ever for the Milan market. In detail, the performance in the last quarter of 2019 exceeded the result recorded in Q4 2018 (about +80%) and the reference ten-year (about +25%) and five-year (about +6%) average.

The analysis of the different districts of the city reveals a buoyant performance in 2019 in all Milanese sub-markets with an increased take-up against 2018 (with the exception of the Semicentre, slightly

decreasing). It should be noted that 2019 has been the best year ever for take-up in the sub-markets of CBD Duomo, the Centre, the Periphery and the Hinterland. More specifically, in overall 2019 take-up in CBD Duomo was slightly over 70,000 sqm due to the contribution of a good Q4 in which about 14,500 sqm were leased (the best Q4 ever for this submarket). 2019 was also a

record year for the Centre with a take-up of nearly 48,000 sqm (about +35% y-o-y) including nearly 25,000 sqm in Q4 (that was impacted by a relevant pre-let of nearly 11,300 sqm). During 2019 the Periphery topped about 128,000 sqm of spaces absorbed due to a high number of transactions and to the significant size of a few of them (including 2 transactions of



**488,087**

**TAKE-UP 2019**

+25% ON 2018



**600 €/SQM/Y**

**PRIME RENT Q4**

STABLE ON Q3 2019



**9.8%**

**VACANCY RATE  
OF TOTAL CITY Q4**

-10 BP ON Q3 2019

Prime rents have to be read as an indication of market trends. The levels are established as a mix between market sentiment and values of deals actually closed during the reference period.

nearly 16,000 sqm each). The Hinterland record performance (nearly 110,000 sqm in 2019; about +135% y-o-y), instead, was achieved due to two important pre-lets which, together, took up about 42,500 sqm. The analysis shows a positive performance also in CBD Porta Nuova where in 2019 take-up was equal to nearly 60,500 sqm (about +25% vs 2018). In this sub-market, the performance of the year is second only to the one recorded in 2010 (an exceptional year impacted by Unicredit consolidation and Maire Tecnimont transaction). Finally, in 2019 take-up in the Semicentre was equal to about 70,000 sqm, slightly decreasing against a take-up of nearly 75,500 sqm in the previous year. It should be noted, however, that, in the Semicentre, Q4 2019 was a good quarter with a take-up of about 22,000 sqm, level increased against nearly 7,000 sqm in Q4 2018 and about 19,600 sqm in Q3 2019.

As to the size of deals, although Milan is

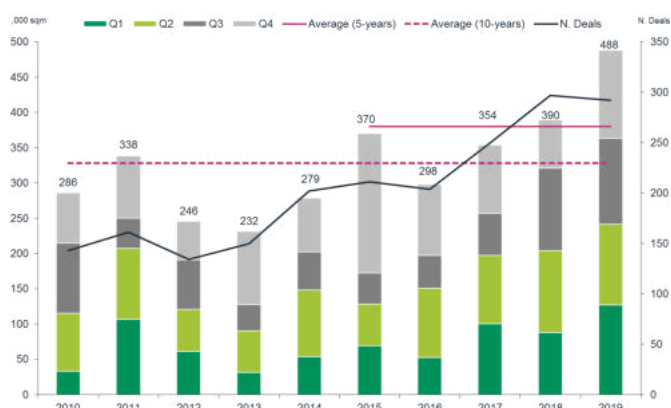
still characterized by small size leases (deals below 1,000 sqm for nearly 60% of the transactions closed in 2019), it is worth noting during the year the closing of about twenty lease contracts for over 5,000 sqm (vs a dozen in 2018).

With regard to rents, it should be noted that slightly over 60% of the transactions closed in 2019 with a known rent amount were closed at a level below 300 €/sqm/year. However, almost 10% of the total number of deals closed in the year (and with a known rent) featured a rent over 500 €/sqm/year.

As to prime rents, Milan recorded an increase q-o-q in the Semicentre where in Q4 2019 rent levels hit 350 €/sqm/year (+3% vs Q3 2019). Prime rents remained stable against the previous quarter in all the other sub-markets: in particular, 600 €/sqm/year in CBD Duomo, 510 €/sqm/year in CBD Porta Nuova and 470 €/sqm/year in the Centre.

With regard to the supply of Office spaces in Milan, it emerges that the total availability of vacant spaces in the city in Q4 2019 was about 1,170,000 sqm, corresponding to a vacancy rate of 9.8%. It should be noted, however, that vacancy rates are in a range between 2% and 3% in some areas of the city, which once again are Milan most central sub-markets (the two CBDs and the Centre). In particular, in these three sub-markets total vacant spaces are equal to nearly 80,000 sqm available (about 7% of the total vacant spaces in Milan) of which only about 24,000 sqm are related to grade A. Conversely, most of the surfaces available in the city are localized in the Periphery and in the Hinterland (where vacant spaces are about 995,000 sqm) and are mainly of a lower quality (grade B and C for about 916,000 sqm in total in Milan, of which around 85% is located in the Periphery and in the Hinterland).

## Milan, Take-up Office by quarter



## Milan, Investments commercial real estate market (all asset classes) by quarter



## THE INVESTMENT MARKET

In Milan, the 2019, with total investments for about €4.9 billion (41% of total in Italy), is considered the best year ever for commercial real estate investments in the city, exceeding the previous record hit in 2015 at €4.4 billion. The 2019 result is higher than 2018 (+55% approximately) and than the five-year and ten-year reference averages (about +30% and +95%, respectively).

The excellent performance recorded in the city in the year is reached due to an exceptional Q4 with an investment volume of nearly €2.7 billion: this has been the best quarter ever for the Milan market. More specifically, the result of Q4 2019 is more than double compared to the same quarter of 2018 as well as compared to the Q4 ten-year average, while it is about 60% higher than the five-year reference average.

It should be noted that the record of investment volume in Milan in 2019 has been reached thanks to the Office product for which, for the first time, €3.8 billion investments were recorded: 76% of total in Milan in 2019 and nearly 80% of the Office total in Italy in 2019. It is worth noting that

the Office result in the city was impacted by some relevant transactions closed during the year: about a dozen transactions in a range of €100-€300 million. The Office volumes in 2019 exceeded the five-year and ten-year reference averages (about +45% and +125%, respectively). Finally, to be noted the contribution of the last quarter: with about €2.2 billion of investments in the Office sector, Q4 was the quarter, which mostly contributed to the excellent result in the year in the Office in Milan. As to Office prime net yields, in Q4 2019 q-o-q stability was recorded in all Milan sub-markets. More specifically, CBD Duomo remains at 3.30%, CBD Porta Nuova at 3.70% and the Centre at 4%.

In terms of volumes in Milan, the Retail sector follows with approximately €515 million recorded in 2019: +32% vs 2018. In particular, Q4 contributed with 5 transactions (for a total of nearly €130 million) mainly relating to Shopping Centres in the Milan Hinterland. The High Street sector in the city shows stable prime net yields at 3.10% for the third consecutive quarter.

The Hotel sector in Milan recorded a good

performance in 2019: slightly over €300 million investments with a 30% growth against 2018. More specifically, a dozen transactions in the city were closed in this sector, including a transaction relating to a portfolio deal.

In 2019, Logistics sector in Milan topped nearly €225 million investments (+8% vs 2018). The last quarter mostly contributed to the result of this asset class with volumes for about €145 million. With regard to the prime net yields, the Logistics sector in Milan has shown stable prime yields at 5.25% from Q2 of last year.

Finally, in 2019 about €65 million were invested in the city in Alternative products as well as in mixed use products, recording downtrend vs 2018 in both sectors.

In 2019, about 72% of the investments in Milan were made by international investors (increasing against about 62% recorded in 2018). Among foreign capital, US investor prevailed (slightly more than €1 billion investments), followed by German (about €560 million) and Middle East (with €365 million) investors.

### MILAN TOTAL 2019 €4,965 M

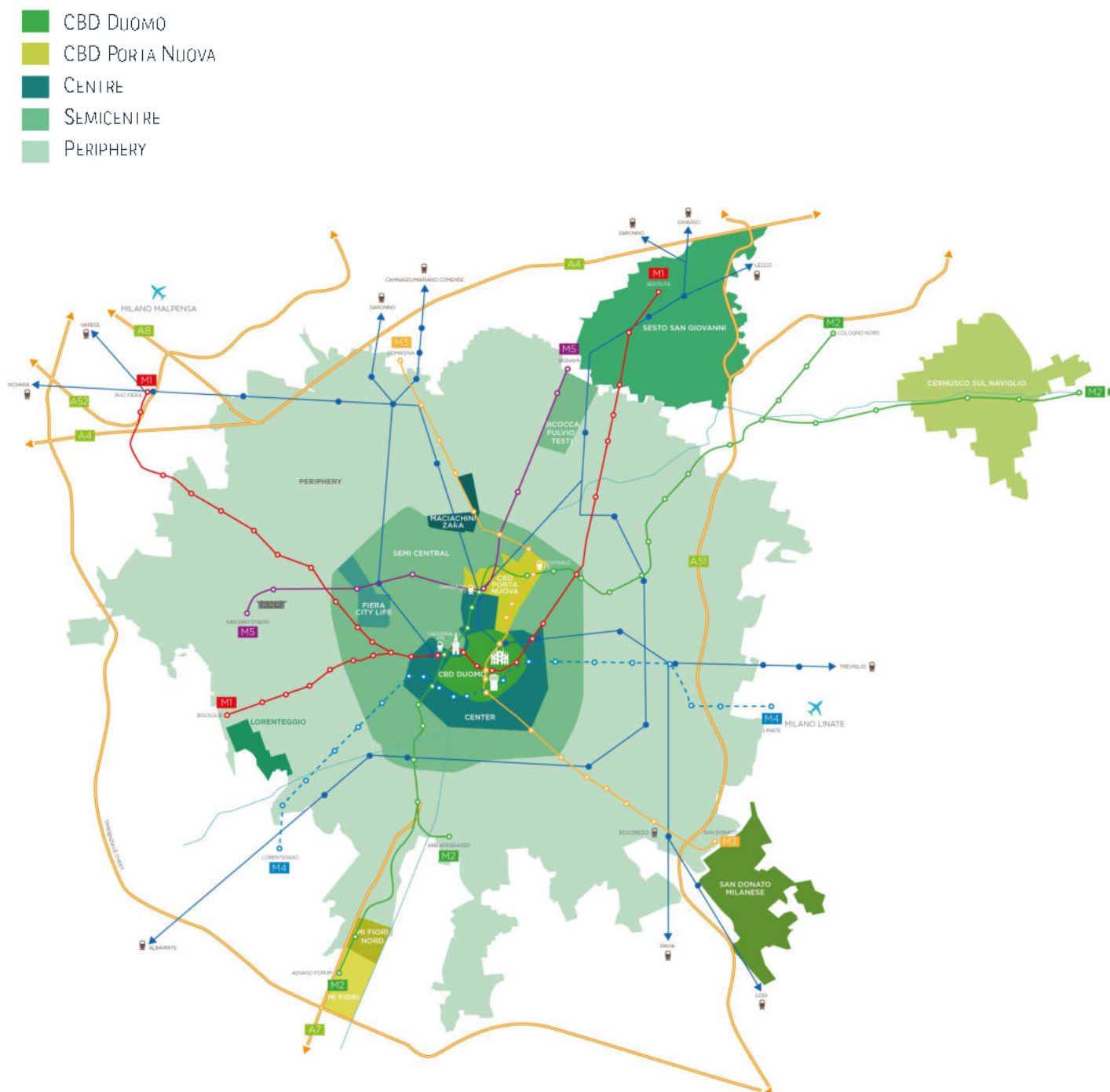
41% of Italy total (equal to about €12.2 bn) - +56% on 2018

76% of city total



Prime net yields have to be read as an indication of market trends. The levels are established as a mix between market sentiment and values of deals actually closed during the reference period.

## OFFICE MARKET MAP—MILAN





# 6 BUSINESS LINES in Europe A 360° vision

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