BNP PARIBAS REAL ESTATE

CITY NEWS

2023

MILAN OFFICES

RESEARCH

OCCUPIER MARKET

In 2023 **Milan take-up** contracted, reflecting the pressure that economic concerns are placing on occupiers and their real estate plans. However the market is still dynamic and annual take-up exceeded the 10- and 5-yearly averages.

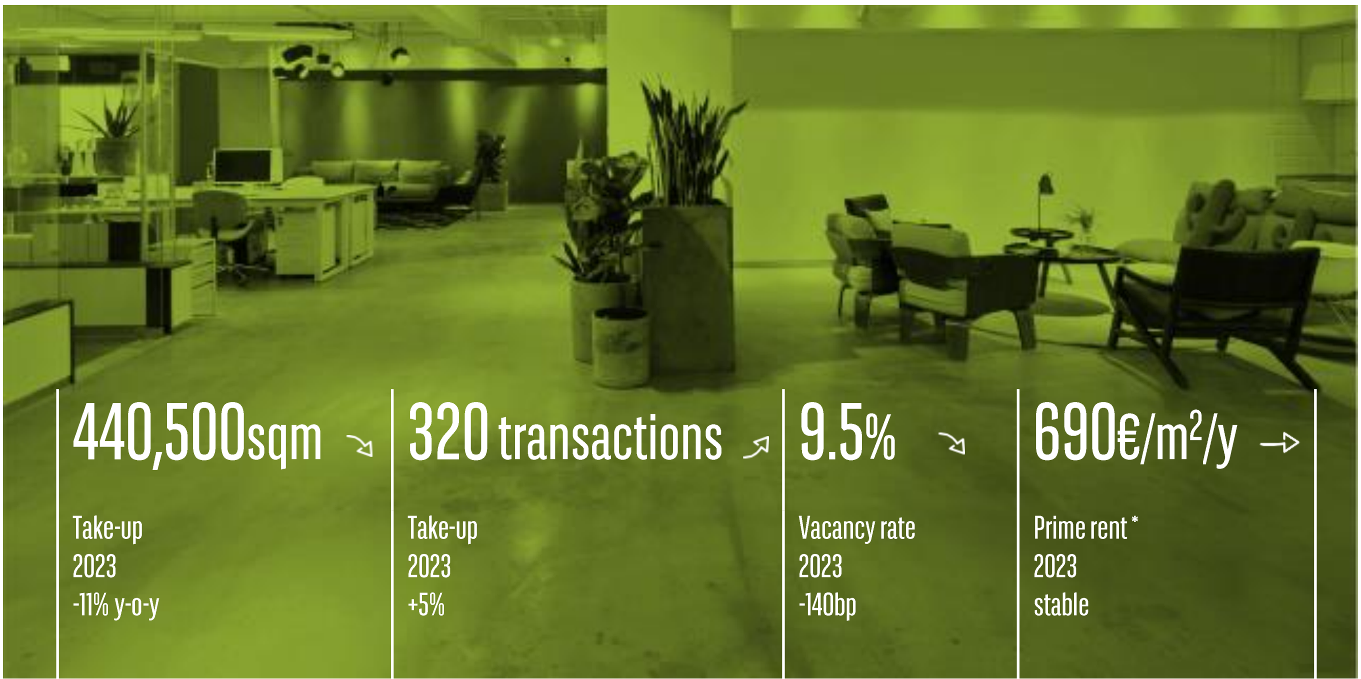
The **number of occupier transactions** closed in 2023 was the highest annual total since records commenced, reflecting both an active market and a fall in the average deal size.

A strong occupier focus exists on the two fundamental criteria of **quality and sustainability**. Indeed the weighting of, **Grade A/A+** premises edged upwards to represent 79% of Milan take-up.

Milan's office **vacancy rate** contracted Y-o-Y to 9.5% at end-2023, reflecting limited supply but concealing disparity in asset quality and location.

Availability is lowest for Grade A/A+ premises, which represent 40% of the Milan total. The vacancy rate is also lowest in Milan's prime CBD Porta Nuova and CBD Duomo submarkets, standing at 1.1% and 2.5% respectively.

This polarised demand, with its focus predominantly on space respecting ESG criteria, also maintains upward pressure on **prime rental values**, which grew during 2023 or remained stable in certain more secondary submarkets.



440,500sqm ↘	320 transactions ↗	9.5% ↘	690€/m²/y →
Take-up 2023 -11% y-o-y	Take-up 2023 +5%	Vacancy rate 2023 -140bp	Prime rent * 2023 stable

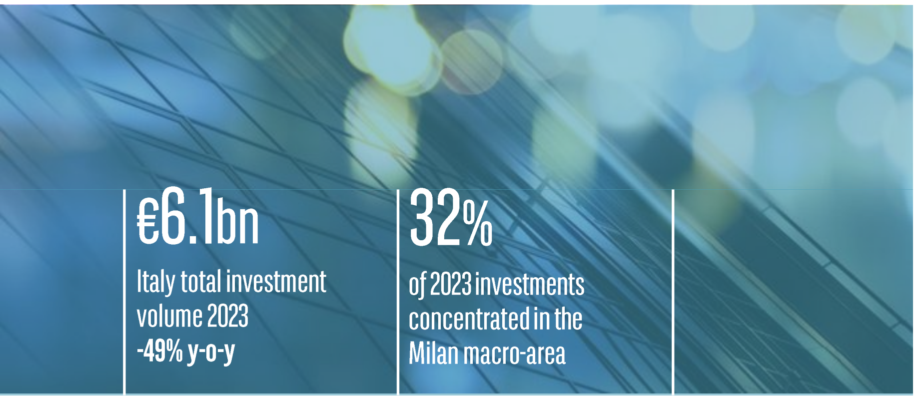
INVESTMENT MARKET

The year closed with Italy's total **investment volume** down by -49% Y-o-Y following persistent contraction across all asset classes.

Towards the end of 2023 **yield levels** saw stability in some sectors, or continuous albeit limited decompression in others, leading to hopes of the additional repricing necessary for activity levels to improve.

The **lot size** fell in 2023 and in Italy deal sizes exceeding €100 mn were increasingly rare.

During 2023 **domestic capital** made a greater contribution to total Italian investment volumes (46%) although **foreign investment** continued to dominate the marketplace.



€6.1bn
Italy total investment volume 2023
-49% y-o-y

32%
of 2023 investments concentrated in the Milan macro-area

2023 INVESTMENT VOLUMES

BY ASSET CLASS

MILAN

€1.97bn
Investment volume 2023
-60% y-o-y

OFFICE	RETAIL	LOGISTICS	HOSPITALITY	ALTERNATIVES
€1.39bn 2023	€690m 2023	€1.57bn 2023	€870m 2023	€1.32bn 2023
-68% on 2022	-22% on 2022	-46% on 2022	-36% on 2022	-20% on 2022
ITALY	ITALY	ITALY	ITALY	ITALY
€800m 2023	€150m 2023	€65m 2023	€145m 2023	€580m 2023
-73% on 2022	-32% on 2022	-86% on 2022	+38% on 2022	-22% on 2022
MILAN	MILAN	MILAN	MILAN	MILAN
4.25% Milan prime net yield *	4.10% Milan HS prime net yield *	5.50% Milan prime net yield *		

* Prime rents and prime net yields should be read as an indication of market trends. The levels are established taking into consideration market sentiment and deals closed during the reference period.

SUSAN A. TREVOR-BRISCOE
Head of Market Research & Analysis
Phone: +39 335 1718200
susan.trevor-briscoe@realestate.bnpparibas

BNP Paribas Real Estate Italy

MILAN
Piazza Lina Bo Bardi
3 – 20124 Milan
Phone: +39 02 58 33 141

ROMA
Via Salandra
13 – 00187 Rome
Phone: +39 06 9826 2112

www.realestate.bnpparibas.it

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