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Research

Milan

Office | Q2 2024

Milan

- In H1 2024, over 170,000 sq. m. of office leases were signed in Milan, remaining stable compared to the same period in 2023. H1 also saw an additional 10,000 sq. m. of subleases.
- Over 50% of take-up was in the Centre and CBD areas, confirming central locations as a main driver for occupiers. Grade A assets represented around 60% of take up confirming the focus on high quality assets. The grade A vacancy rate is at 3%.
- In terms of investor interest, Milan remains the core market for offices. The presence of private capital which was strong in 2023, has been balanced during H1 2024. Investments were driven by assets in central locations and focused on core products and, interestingly, on value-added operations for assets to be refurbished.

In the first half of 2024, office take-up by volume in Milan was almost in line YoY, despite a significant increase (approximately 20%) in the number of transactions. Reduced tickets sizes, reflect a growing preference for smaller office space located in central and/or well-connected areas with higher rental bands. Approximately half of the total take-up in H1 2024 was concentrated in the central areas (CBD, Centro, and CBD Porta Nuova), compared to less than 30% in 2023. In 2023, the sublease market showed a significant increase, accounting for over 42,000 square meters. However, in the first half of 2024, it experienced a decline, amounting to approximately 10,000 square meters.

Looking ahead, it is estimated that approximately 540,000 sq. m. of office space will be added to the Milan market by 2028. Around 40% are speculative projects, with half of them located in central areas, in line with the emerging demand drivers. A total of 47% of the projects currently under construction are pre-let, while the remaining portion is comprised of owner-occupied developments.

On the Capital Markets side, € 400 million investments were made in Milan, among which an owner occupier transaction in the CBD stands out in terms of value, followed by a core transaction in the Loreto area in Q1 and two assets in the centre for re-development in Q2.

Outlook

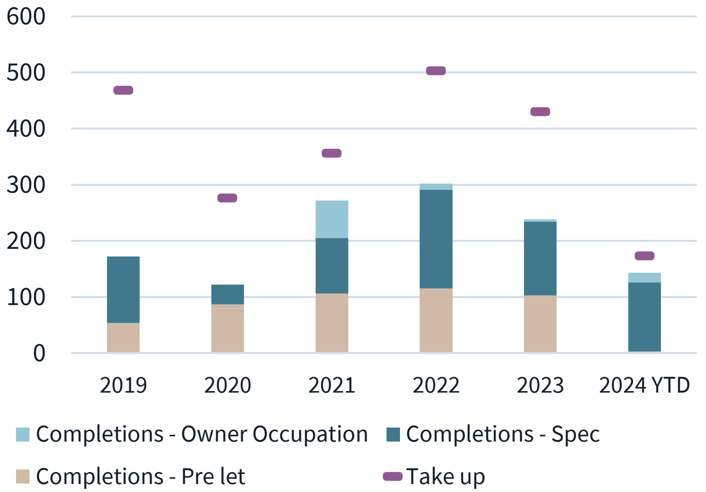
The resilience of take-up and low levels of grade A vacancy rate demonstrates the fundamentals of the Milan office market. Although the average deal size suggests corporate downsizing, the focus on ESG-compliant properties, and central, well-connected areas with higher rents is confirmed by an increasing flight to quality trend.

These factors, together with increased confidence following the start of the interest-rate cut cycle, will help to support investment demand for offices in the coming months. Prime yields reached 4.5% in Q2, and they are expected to remain flat in the coming months.

Fundamentals		Forecast
YTD take-up	170,000 sq. m.	→
YTD sublease	10,000 sq. m.	→
Vacancy rate – Grade A	3%	→
Prime rent	EUR 710 / sq. m.	↑
YTD new completions	140,000 sq. m.	→
YTD investment volumes	EUR 400m	→
Prime yields	4.5%	→

New supply and take up – historical trends

sq. m. (thousands)



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