



EXPERTS ON THE FUTURE OF REAL ESTATE

OFFICE MARKET ROME AND MILAN

H1 2020

ITALY | ECONOMIC OVERVIEW

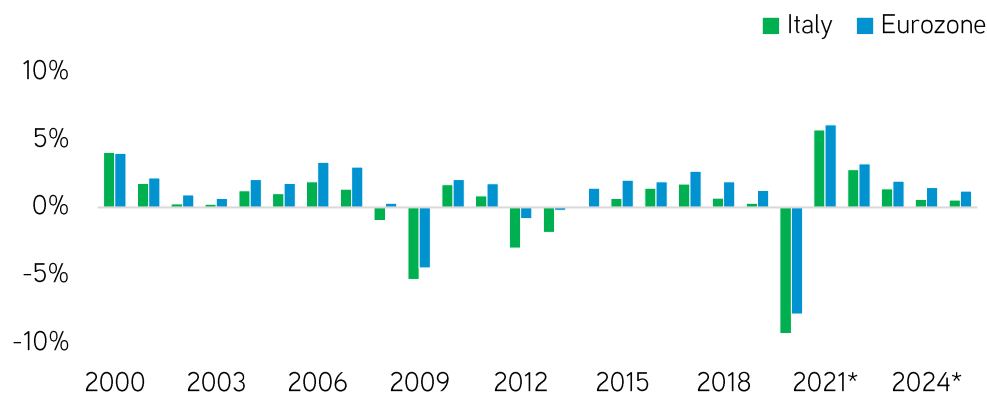
As forecasted, the Italian GDP decreased by -12.4% compared to the previous quarter. During the third quarter, the economy is expected to rebound by around 11% with a more gradual and prolonged recovery in the following quarters. Overall, the drop in GDP in 2020 should be the worst since the end of the World War II, equal to -9.3%. The effects of the crisis will last for the next years as Q4 2019 GDP levels will be recovered only in 2023. However, uncertainty on the forecasts remains extremely high. Some indicators are returning to pre-crisis levels, while others are struggling to recover, such as business confidence which remains very low.

Employment cuts continued in May, but at a slower pace than in March and April. Since February, more than 500,000 jobs have been lost, bringing the unemployment rate to 8.3%. The drop in this indicator (from 9.4% in December 2019) is due to the temporary decrease in the participation rate, which is likely to unwind as the economy re-opens. A real unemployment rate for the months of April and May is estimated to be above 20%.

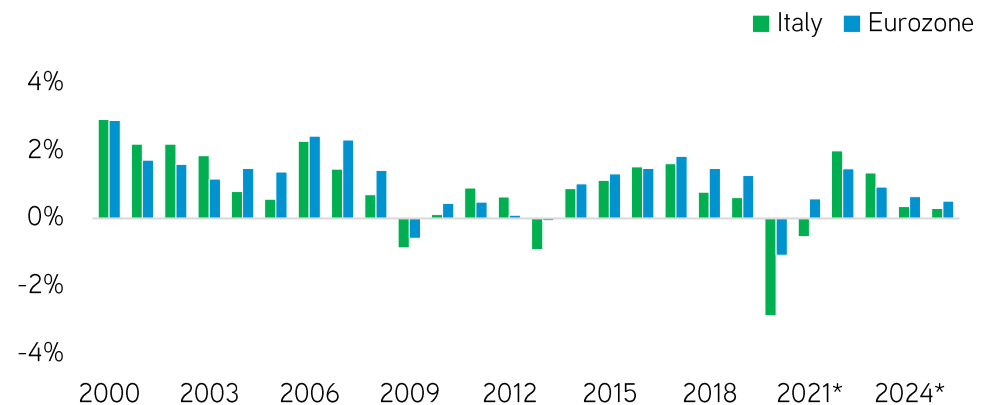
The lockdown also limited the activity of Italian consumers and reduced the disposable incomes, prompting consumption in Italy to drop by 20% in the first half of the year. In the second quarter, instead, households increased their saving ratio and their precautionary approach could lead to a slower recovery of consumption in the rest of the year.

Therefore, this economic crisis will have repercussions on public finances and the government will have to keep under control the primary surplus in order to be able to keep interest rates at the low levels reached thanks to the liquidity engaged by the European Central Bank.

GDP growth



Employment in services growth



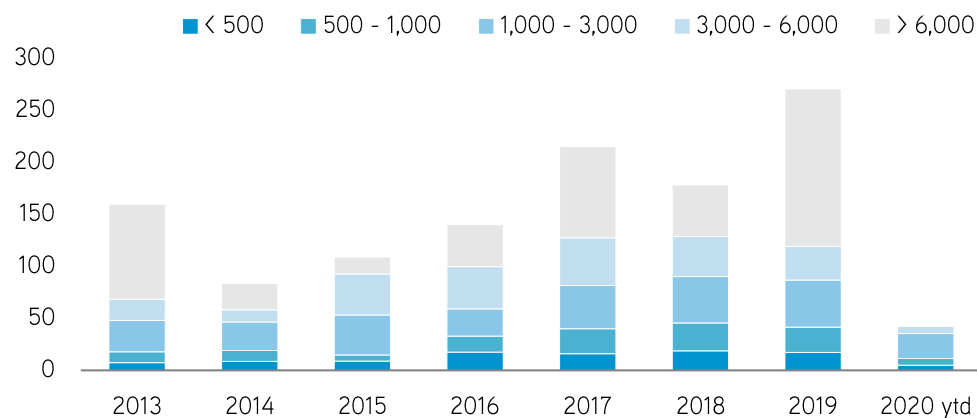
ITALY | OFFICE MARKET OVERVIEW

Observing the data of the first half year, take-up activity shows the first signs of a slowdown compared to the same period of last year. The city of Milan has held up better thanks to two important deals: Saipem has leased 41,000 sqm in Santa Giulia and UBI has taken approximately 24,000 sqm in Via Melchiorre Gioia. These two transactions concerned buildings under-construction, i.e. new and modern products. In total, there were four deals of a surface larger than 6,000 sqm representing a total of 78,000 sqm, equal to about half of the total areas taken-up. On the contrary, large deals were lacking in Rome, precisely those that had allowed the Capital market to reach significant volumes of transactions in recent years.

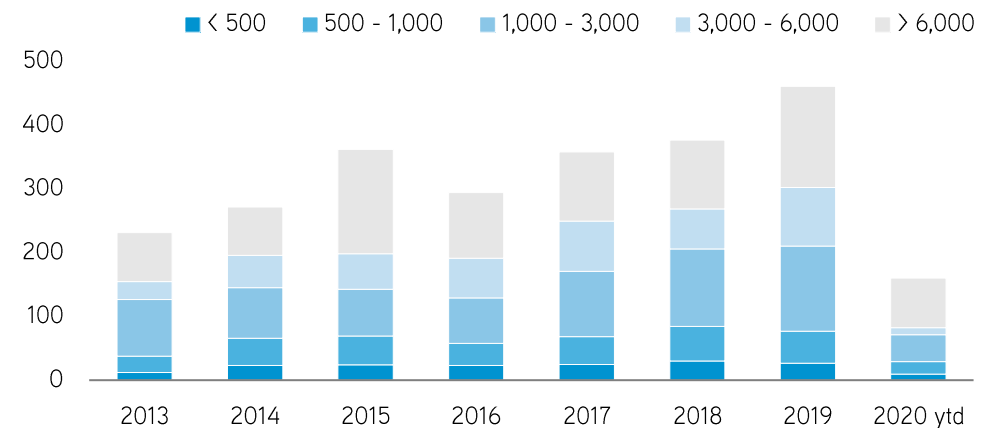
In the first half of the year, the two office markets were affected by the lockdown and, subsequently, by the unexpected economic recession. The new forms of work adopted, i.e. smart working, have made it possible to continue the activity. The success of this large-scale experiment has given rise to reflections on which post-Covid offices will be needed. With the pandemic still ongoing, it is still too early to understand what tomorrow's office world will be like.



Rome | Take-up by surfaces (K sqm)



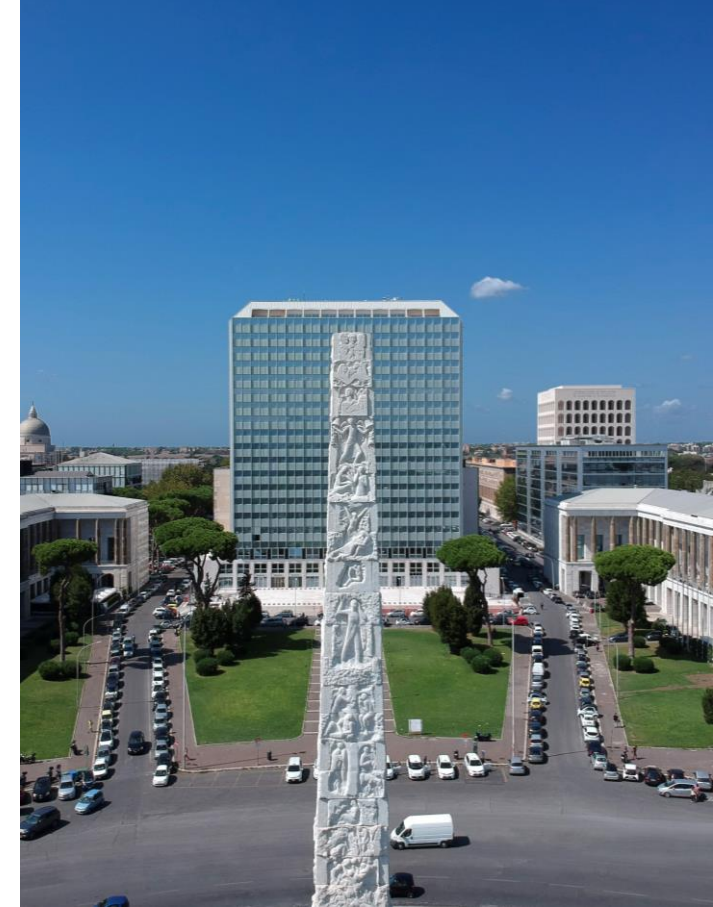
Milan | Take-up by surfaces (K sqm)



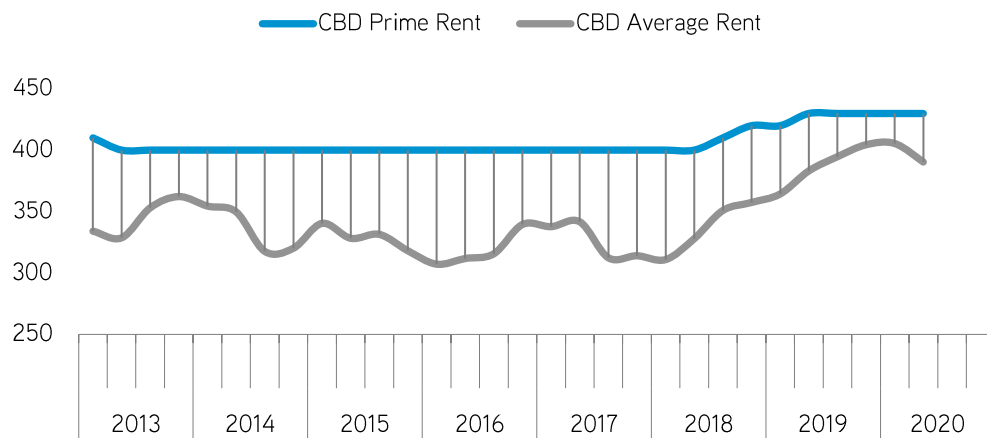
ITALY | OFFICE MARKET

However, we will not go towards the death of the offices but rather through their different organisation. Working in smart working can be fine for few days but not in a continuous and exclusive way. Going to the office will remain important both for carrying out meetings with people outside the company but also with colleagues on certain projects. Therefore, common areas will remain important and it is assumed that they will be treated more carefully. The fixed position of the employees will decrease and this will allow greater flexibility in the distribution of staff but also better cleaning of the premises, a new theme in office management. Flexibility will therefore become a very important requirement both for companies and for properties, in order to allow the buildings to adapt faster to the new needs of the demand.

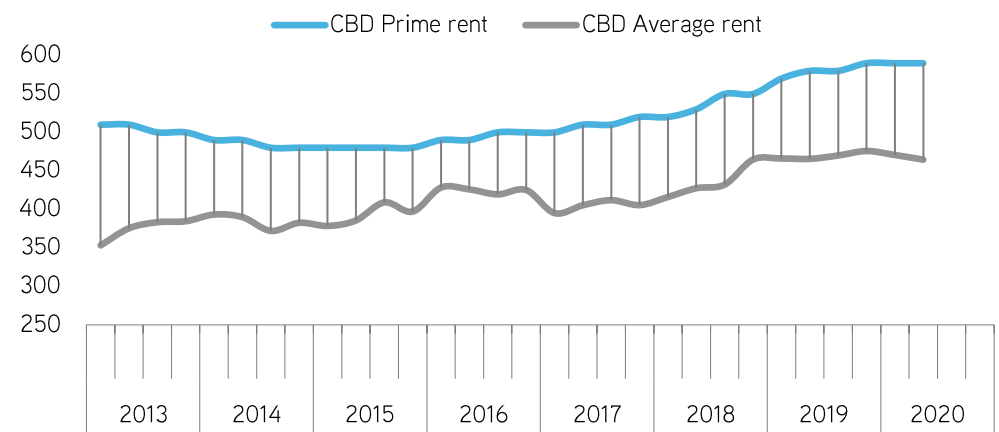
In terms of rents, it is still too early to understand how the situation will evolve, and we will have to wait for the complete recovery of the market. However, over the past six years, the growth in rents in Milan has been recorded mainly in the central areas and in new products. On the contrary, the rents have remained fairly stable in the peripheral areas. In Rome, however, the rents have undergone the greatest increases in the new Eur products. Will these remain the same drivers on the market?



Rome | CBD prime and average rents (€/sqm/y)



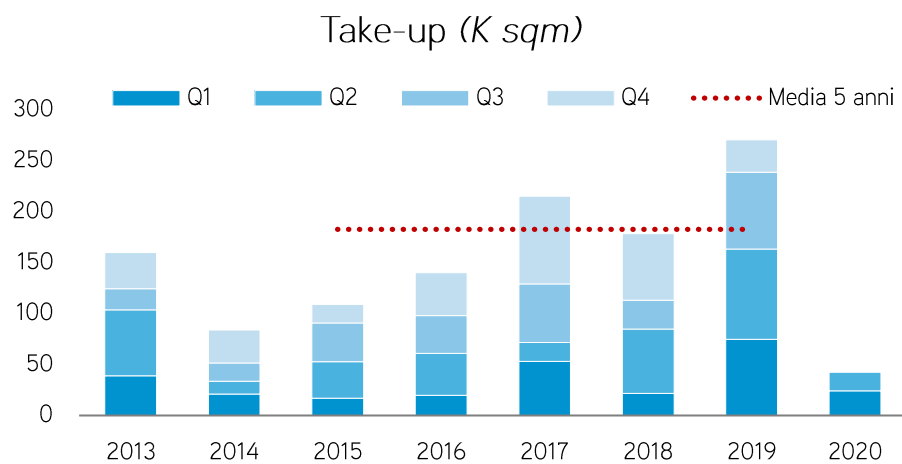
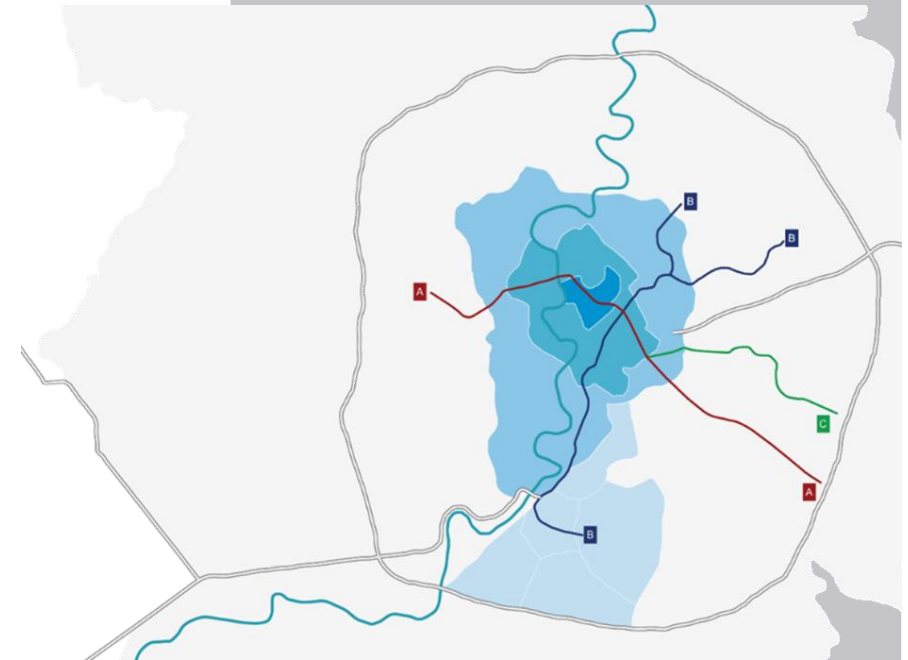
Milan | CBD prime and average rents (€/sqm/y)



ROME OFFICE | KEY INDICATORS

	PRIME RENTS €/sqm/y		TAKE-UP K sqm		VACANCY RATE %		STOCK K sqm	
	430	▬	42.3	▼	8.2	▲	10,000	▬
CBD	430	▬	2.3	▼	3.2	▼	2,400	▬
Centre	380	▬	13.3	▼	4.0	▬	1,650	▬
Semi Central	280	▬	6.7	▼	10.5	▲	750	▬
Greater Eur	340	▬	12.9	▼	9.0	▲	2,876	▬
Periphery	180	▬	7.1	▼	14.5	▼	2,324	▬

Nota: Variazioni H1 2020 vs. H1 2019



CBD

Greater Eur

Centre

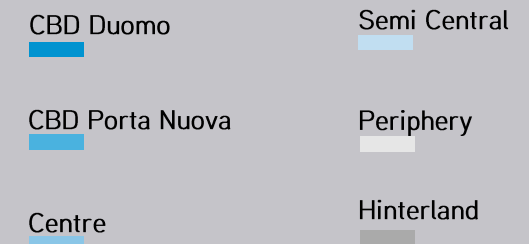
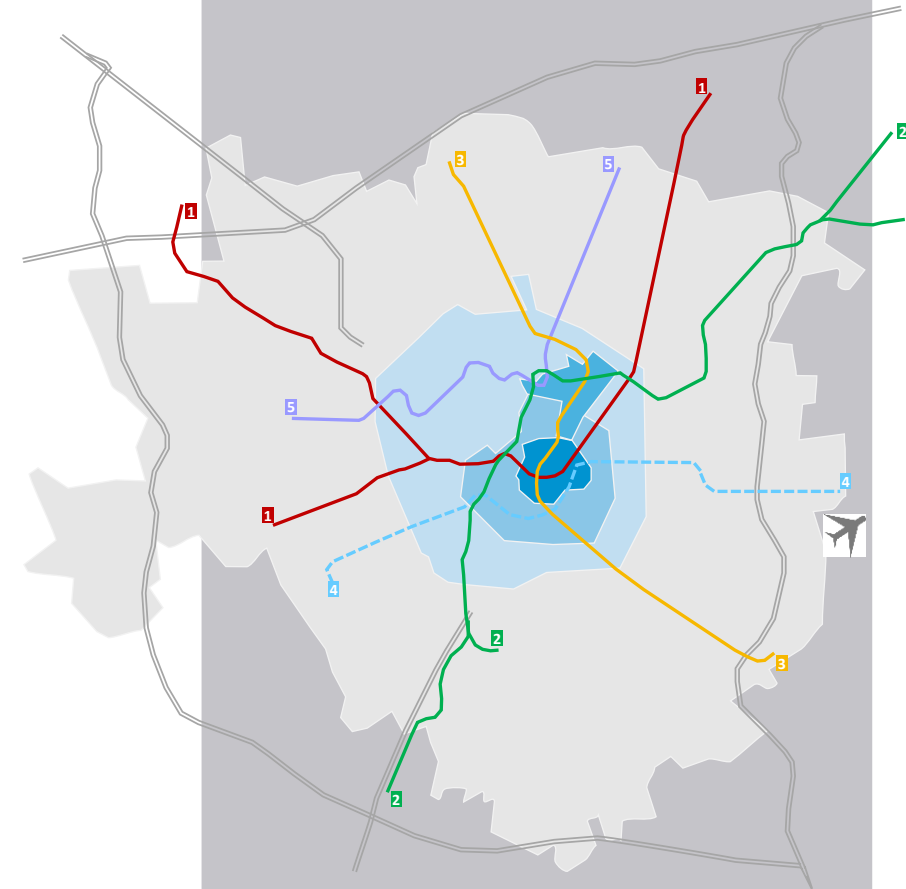
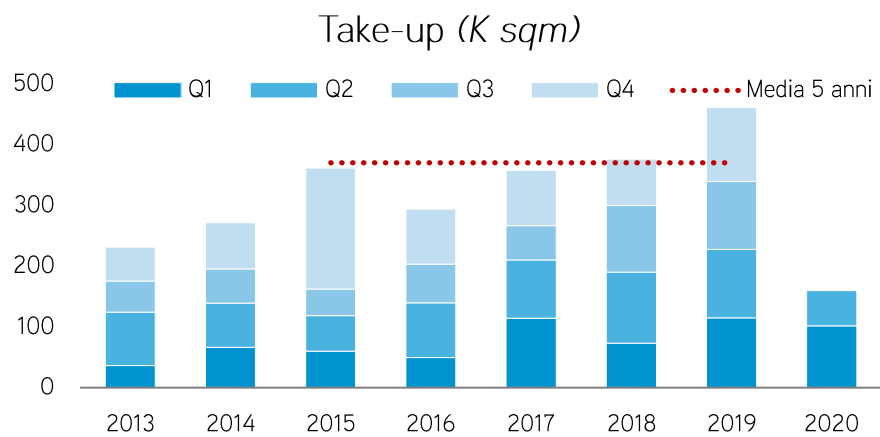
Periphery

Semi Central

MILAN OFFICE | KEY INDICATORS

	PRIME RENTS €/sqm/y	TAKE-UP K sqm	VACANCY RATE %	STOCK K sqm
	590 ▲	159.9 ▼	10.0 ▼	12,422 ▲
CBD Duomo	590 ▲	6.0 ▼	2.0 ▼	1,497 ▬
CBD Porta Nuova	520 ▲	42.4 ▲	3.1 ▼	1,386 ▲
Centre	460 ▲	10.5 ▼	4.3 ▼	850 ▬
Semi Central	350 ▬	12.3 ▼	4.6 ▼	2,085 ▬
Periphery	280 ▬	77.8 ▲	13.7 ▼	3,983 ▬
Hinterland	220 ▬	10.9 ▼	18.9 ▼	2,622 ▬

Note: Variation H1 2020 vs. H1 2019



Source: Colliers International

17,000

EMPLOYEES

68

COUNTRIES

€108

BILLION
TRANSACTION
VALUE

69,000

TRANSACTIONS

€ 2.8

BILLION TURNOVER

175

MILLION SQM
UNDER MANAGEMENT

OUR SERVICES INCLUDE



CAPITAL
MARKETS



AGENCY



ADVISORY



PROJECT
MANAGER



VALUATION





COLLIERS INTERNATIONAL ITALIA S.p.A.

Via Durini 4
20122 MILANO

Via Bissolati 76
00187 ROMA

EXPERTS ON THE FUTURE OF REAL ESTATE



SIMONE ROBERTI

Head of Research
simone.roberti@colliers.it
+39 348 3806762



EMANUELE MORBIDELLI

Rome Agency
emanuele.morbidelli@colliers.it
+39 335 1081899



DARIO MARULLO

Milan Agency
dario.marullo@colliers.it
+39 335 1816567