MARKETBEAT
MILAN
OFFICE Q2 2025

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
9.4% Vacancy Rate	▼	▼
87,000 Q Absorption, SQM	▲	–
€770 Prime Rent, SQM/YR	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.2% Milan GDP Growth	▲	▼
3.8% Milan Unemployment Rate	▼	▲
3.76% 10-Yr Treasury Yield	▼	▼

Source: Moody's Italy, June 9th update (GDP Growth estimate 2025 Q2 on 2024 Q2; Unemployment Rate Q2 2025; 10-Yr Gov Bond at Q2 2025).

ECONOMY

In the first half of 2025, Milan's economy maintained stability, with GDP growth leveling off at 0.2% year-on-year after solid gains in 2024. The unemployment rate declined to 3.8%, underscoring labor market resilience and supporting consumer confidence. Inflation has cooled compared to prior years, as well as interest rates which has increased housing demand. Milan remains a prime destination for high-net-worth individuals attracted by Italy's tax regime, which continues to drive demand for luxury real estate. Office-based employment, particularly in financial and professional services, remains strong ahead of the 2026 Winter Olympics, which is also stimulating infrastructure investment and commercial real estate activity.

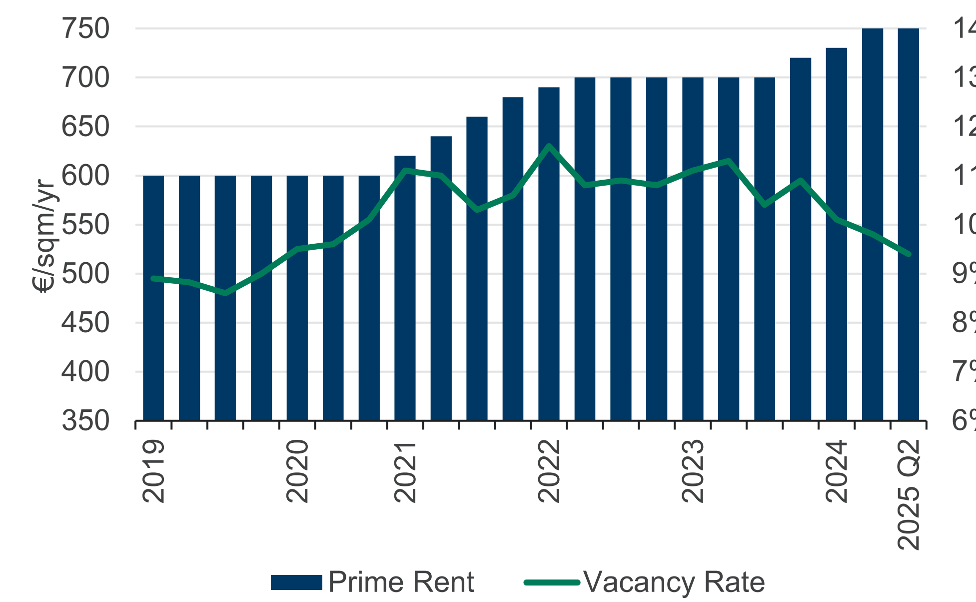
OCCUPIER

In the second quarter of the year, the Milan office market recorded an absorption of 87,000 sqm, which is 14% higher than the same period last year but below the five-year Q2 average of 95,000 sqm by approximately 8%. In addition to direct leases, a further 9,000 sqm of sub-leased space was recorded in Q2, bringing the total absorption to 96,000 sqm.

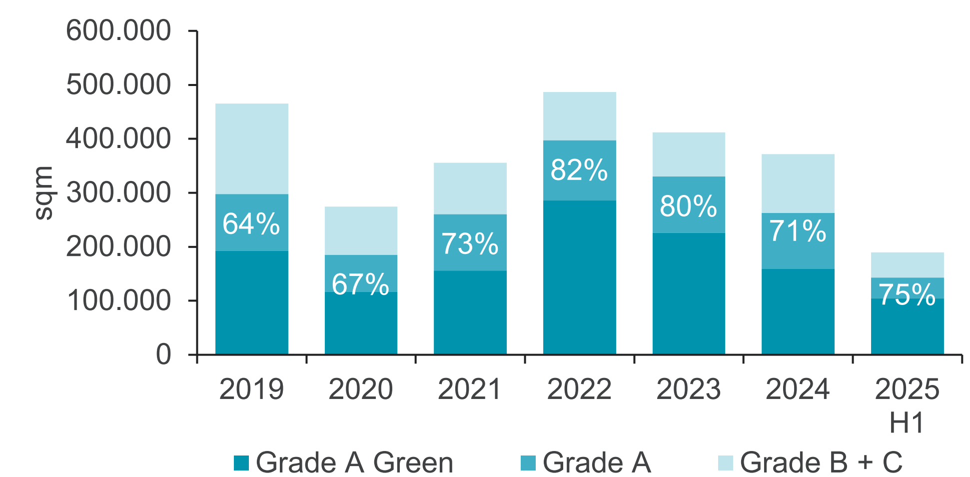
Considering the first half of the year, the market recorded a solid performance, reflecting a period of positive demand, with a total take-up of 190,000 sqm—exceeding both H1 2024 (175,000 sqm) and the five-year H1 average (185,000 sqm).

The shift toward smaller office requirements appears well-established, with market activity in Q2 2025 once again dominated by small-scale transactions. During the quarter, 72% of deals involved spaces under 1,000 sqm, 23% were between 1,000 and 4,000 sqm, and only 5% exceeded 4,000 sqm. Moreover, the average deal size stood at 1,110 sqm, down from both Q1 2025 (1,440 sqm) and the 2024 quarterly average of 1,200 sqm. This clearly highlights a trend among companies that, in an effort to better manage costs, are increasingly focused on leasing only the space they actually require—seeking to optimise layouts and reduce expenses without sacrificing quality. As a result,

OVERALL VACANCY & PRIME RENT



TAKE UP BY GRADE



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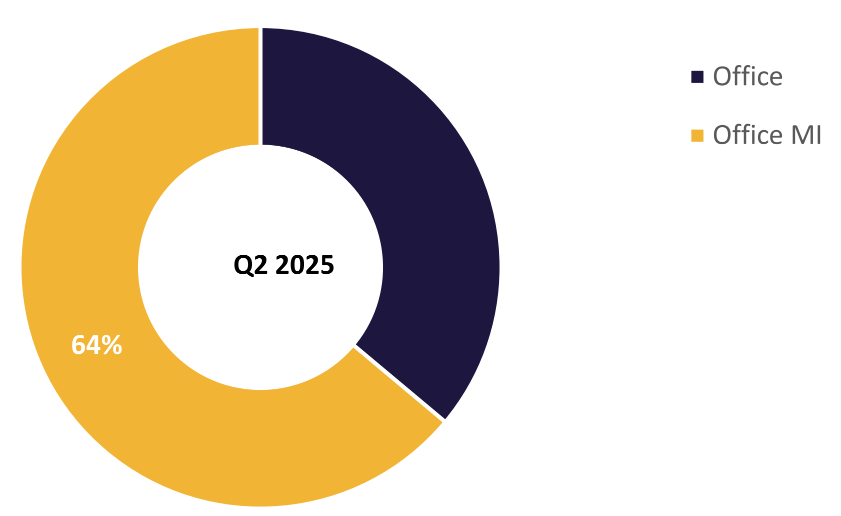
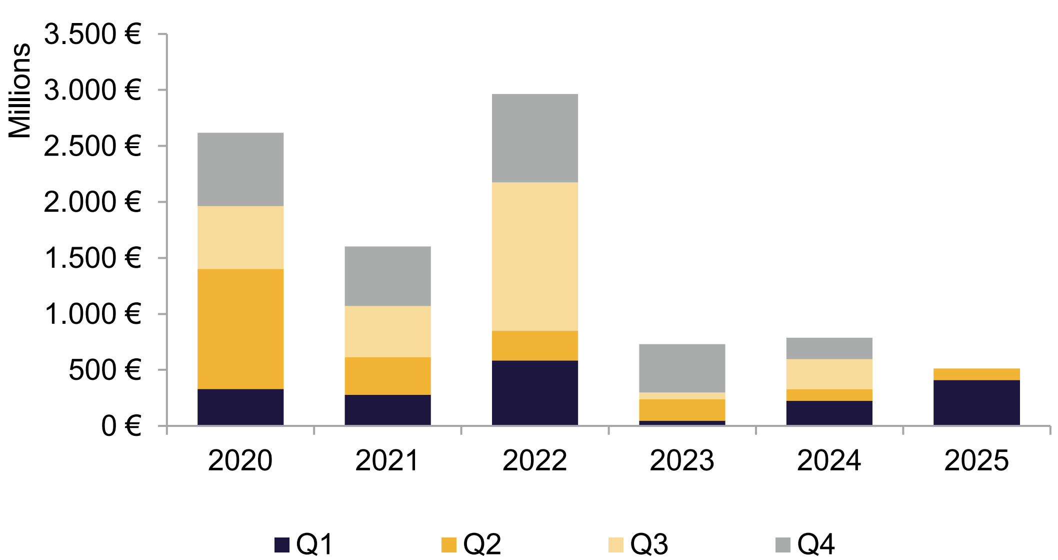
MILAN vs. ITALY OFFICE INVESTMENT VOLUME



MILAN OFFICE INVESTMENT VOLUME



the average transaction size continues to decline. Demand remains concentrated in the CBD, with 43% of total absorption recorded in the last quarter, rising to 47% when considering the first half of the year—further confirming that occupiers continue to prioritise well-located Grade A space. This focus is expected to persist as companies increasingly invest in workplace quality.

INVESTMENT

In the second quarter of 2025, the Milan office investment market recorded a slowdown in transaction volumes, following a strong start to the year: the market registered a quarterly volume of approximately 105€M, down by -74% from Q1 '25, but in line with the volume recorded in the same period last year.

Given the total sector volume recorded during the quarter, investment activity remained concentrated exclusively in Milan and Rome, with Milan still confirmed as the most attractive destination accounting for 64% of total national office investment volume, Rome follows with the 36%.

Market activity showed increased selectivity, reflecting a cyclical slowdown rather than a structural change. Liquidity persists, with investors focusing mainly on core plus and value-add assets in strategic locations that offer sustainable value creation over the medium to long term. Due to the scarcity of traditional value-add assets, core properties are increasingly assessed with a value-add perspective. Private investors are still very active, targeting primarily centrally located assets. With a renewed interest, institutional investors as well are focused on prime locations and assets with reversionary potential. In non-core areas, demand is mainly for assets with repositioning or transformation opportunities, particularly for residential conversion.

PRICING

A persistent shortage of quality office space in central areas continues to push prime rents upward. In the CBD, prime rents grew by 3% over the past quarter, reaching €770/sqm/year. This rise is largely due to the lack of top-quality space and the slow pace of new developments and refurbishments, partly caused by delays in planning approvals. On the investment side, the continued focus on rental performance and capital values has kept prime yields compressed in central locations for assets with future upside potential, while prime yield in the CBD holding steady at 4.25%.

OUTLOOK

- Where prime supply remains constrained, rental pressure is expected to persist, driving both the development of new projects and the repositioning of older assets.
- With the supply pipeline projected to decline beyond 2025, the limited availability of new space is likely to support further rental growth and maintain market resilience.
- Leasing activity in 2025 is anticipated to remain broadly in line with the positive volumes seen in 2024. As geopolitical risks ease and progress is made on trade agreements, improved corporate confidence is expected to boost leasing momentum into 2026.
- Demand will continue to concentrate on best-in-class, sustainable spaces located in core CBDs and other prime central areas.

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MARKET STATISTICS

SUBMARKET	OVERALL VACANCY RATE	CURRENT QTR OVERALL ABSORPTION (SQM)	YR TO DATE OVERALL ABSORPTION (SQM)	UNDER CNSTR (SQM)	PRIME RENT (€/SQM/YR)	PRIME YIELD (NET**)
CBD	3.3%	37,000	90,000	114,000	770	4.25 %
Centre	5.8%	7,000	10,000	9,000	560	5.00 %
Semi Centre	3.2%	9,000	24,000	167,000	500	5.50 %
Periphery	14.7%	28,000	49,000	106,000	340	7.00 %
Hinterland	13.9%	6,000	17,000	29,000	250	7.50 %
TOTALS	**9.4%**	**87,000**	**190,000**	**425,000**	**770**	**4.25 %**

(*) Prime Rent for the peripheral office market in Milan has been revised following a redefinition of the southern boundaries between the semi-central and peripheral areas. This adjustment reflects a major urban redevelopment project which is taking place on the site of a former railway yard that previously separated the district from the semi-central area.
(**) Yields are calculated on a net basis as: Net Yield = NOI (1) / PP (2); 1. Net Operating Income - after deducting all non-recoverable expenditure; 2. Purchasing Price – excluding transfer costs, tax and legal fees. With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

KEY LEASE TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	TENANT SECTOR	SQM	TYPE
1	Corso di Porta Nuova 19	CBD	Legal services	14,500	Pre-Lease
2	Vespucci 2	CBD	IT\E-commerce	10,000	Pre-Lease
1	Gioia20 West	CBD	IT\Communications	8,500	Pre-Lease
2	Borromei 5	CBD	Legal services	5,300	Lease
1	Via Carlo de Angeli 2	Semi-centre	Fashion	5,280	Pre-Lease
2	DB1 - Piazza Del Calendario 1	Periphery	Education	4,950	Lease
1	Pirelli 35	CBD	Pharmaceuticals\Chemicals	4,790	Lease

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE / € MN
1	Via Principe Amedeo 5	CBD	Blackstone / Cassa Forense	10,000	Over 100 €M
1	Via Durini 16-18	CBD	CDC / Investire	5,700	68
1	Lybra Building - Via Confalonieri 29	CBD	TPG / Patrizia	8,400	54
1	Mediaset Cologno Monzese	Hinterland	Generali RE Sgr / Anav Investment	46,000	52
2	Palazzo del Toro – Piazza San Babila 1	CBD	**ARECneprix / FASC immobiliare srl**	4,000	51
1	Via Rizzoli 2-4-6	Periphery	Prelios Sgr / SCPI	31,000	48
2	Via Mozzoni 12 - Bld.L		Gruppo Carfin92 / Corum	15,800	37

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MARKETBEAT
ROME
OFFICE Q2 2025

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MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
6.8% Vacancy Rate	▼	▼
18,400 Q Absorption, SQM	▼	–
€600 Prime Rent, SQM/YR	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.8% Rome GDP Growth	▲	–
5.1% Rome Unemployment Rate	▼	▲
3.76% 10-Yr Treasury Yield	▼	▼

Source: Moody's Italy, June 9th update (GDP Growth estimate Q2 25 on Q2 24; Unemployment Rate Q2 2025; 10-Yr Gov Bond at Q2 2025).

ECONOMY

Rome experienced a moderate GDP growth of 0.8% on a yearly basis at Q2 2025, aided by rising tourist inflows and state spending related to the 2025 Jubilee. The unemployment rate fell to 5.1%, it's lowest in recent years, while real wage growth supported a gradual recovery in consumer demand. Inflation cooled continuing to support consumer demand. Investment in public infrastructure and the construction sector—fueled by over 2€Bn in Jubilee-related funding—is translating into stronger demand for retail and hospitality space. Overall, the Italian capital will post about average performance among its Southern European peers but will lag Milan. Longer term, population growth that exceeds the euro zone average, a large office-based sector, and strong tourism will drive employment, which will rank among the highest of European cities.

OCCUPIER

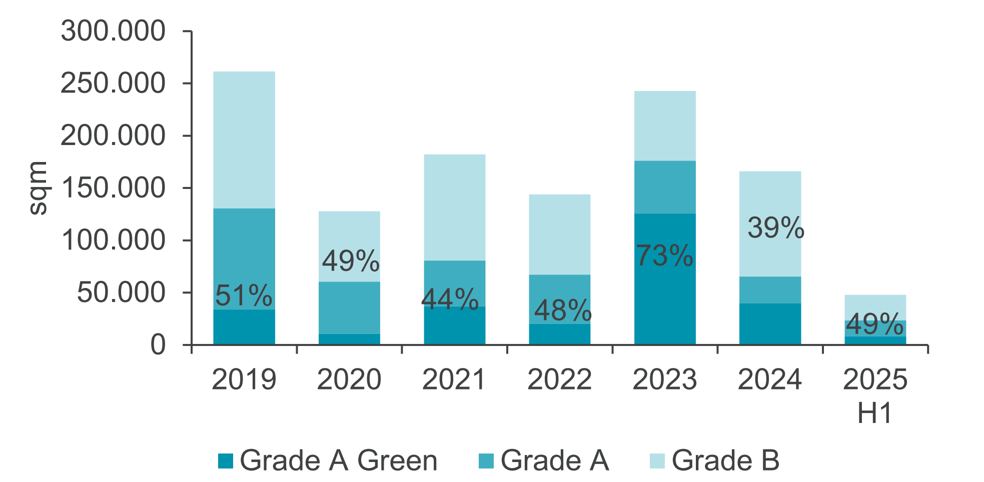
Office take-up in the second quarter reached 18,400 sqm — a figure below both the same period in 2024 (37,800 sqm) and the ten-year Q2 average of 48,700 sqm. However, this decline reflects a more selective and targeted market approach, shaped by evolving occupier requirements and strategic leasing choices.

The largest transaction of the quarter occurred in the Semi Centre, where Università Mercatorum leased approximately 1,800 sqm. The education sector, which has shown consistent activity over the past two years, remained a key driver for take up, accounting for three deals that together represented 17% of the total space leased during the quarter.

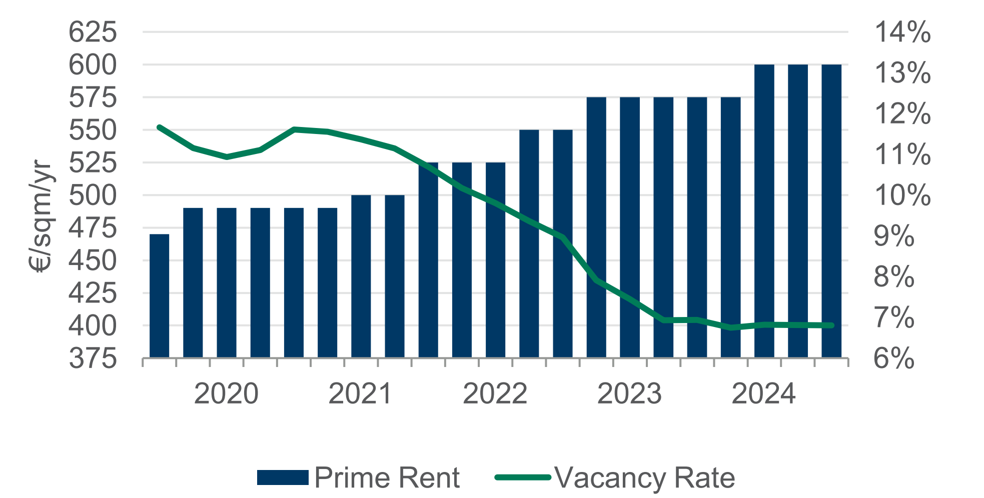
Typically for the Rome market average deal sizes remained modest, with the majority of transactions below 1,000 sqm. Leasing activity was primarily concentrated in the Greater Eur and Semi Centre submarkets.

In total, office take-up for the first half of 2025 reached 48,000 sqm, down from 72,100 sqm in H1 2024 and significantly below the ten-year H1 average of 92,500 sqm.

TAKE UP BY GRADE



OVERALL VACANCY & PRIME RENT



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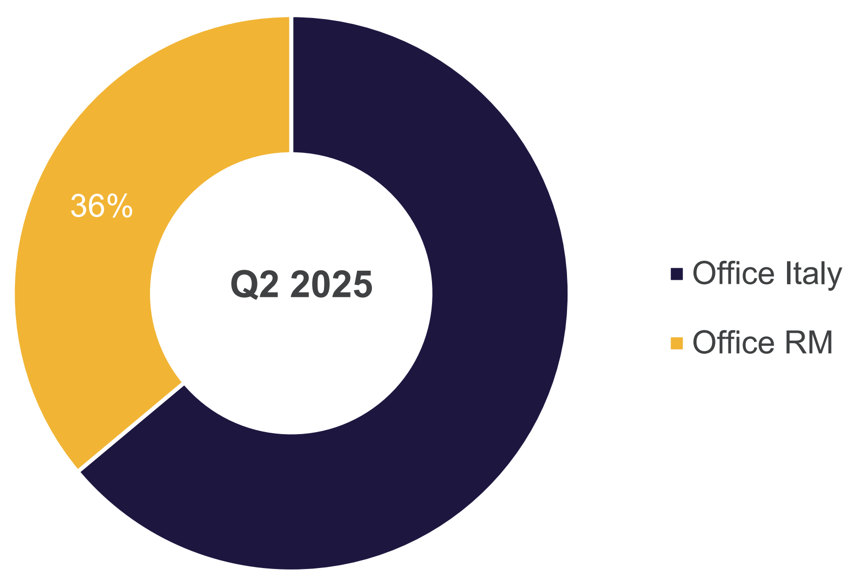
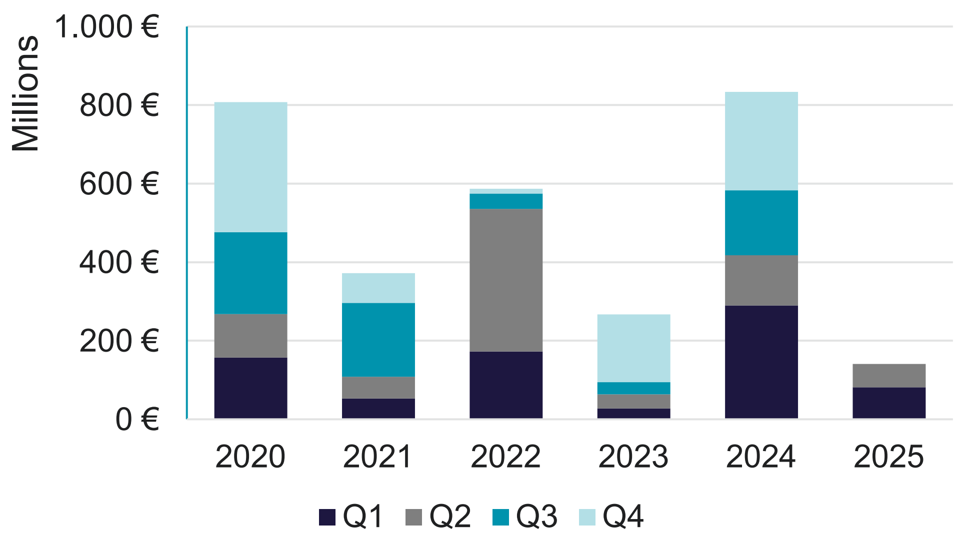
ROME vs. ITALY OFFICE INVESTMENT VOLUME



ROME OFFICE INVESTMENT VOLUME



As Rome's office stock gradually undergoes renewal—nearly 180,000 sqm of space is currently under development or refurbishment—there is a growing emphasis on capital expenditures, with tenants increasingly seeking properties that are ready for immediate occupancy. At the same time, the ongoing trend of converting office buildings into hospitality spaces continues to limit availability in central areas, further tightening the supply of quality office stock.

INVESTMENT

Investment activity continued to be subdued both in Rome and throughout the peninsula during the second quarter, with volumes transacted reaching just over 160€Mn. Milan and Rome continued to dominate the market, with Rome accounting for 36% of transactions. Foreign capital was the main driver, representing 55% of the total investment—though only marginally ahead of domestic sources. At mid-year, Rome has attracted 140€Mn investments, underscoring its steady role within the national landscape.

PRICING

Prime rents remained stable across most markets in the second quarter, with the Greater Eur standing out by registering a further 5% increase, driven by growing tenant demand. In central locations, the ongoing shortage of high-quality space is expected to support further rental growth in the coming months.

On the investment front, prime yields held steady across all submarkets, except in the Greater Eur which saw a 25bp increase, and where—despite solid market fundamentals—investor appetite remains limited. In central areas, the scarcity of quality assets is gradually narrowing the gap between prime and secondary yields.

Although interest in Rome is growing, offices are no longer the primary asset class drawing investor attention. Instead, the focus has shifted toward properties with strong potential for conversion, reflecting a broader shift in investment strategies.

OUTLOOK

- Further rental growth expected throughout the year in central areas as office space competes with hospitality.
- Significant activity in the public sector, but difficult to intercept due to direct procurement channels.
- Repositioning of office stock to continue.

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MARKET STATISTICS

SUBMARKET	OVERALL VACANCY RATE	CURRENT QTR ABSORPTION (SQM)	YTD OVERALL ABSORPTION (SQM)	UNDER CNSTR/REF (SQM)	PRIME RENT (€/SQM/YR)	PRIME YIELD (NET*)
CBD	4.1%	1,600	5,500	32,400	600	4.75 %
Centre	2.2%	2,800	3,800	42,600	400	5.00 %
Semi Centre	3.8%	3,500	5,000	0	300	6.75 %
Great Eur	6.2%	8,700	21,500	97,400	400	5.75 %
Periphery	13.7%	1,800	12,300	4,000	150	9.50 %
TOTALS	6.8%	**18,400**	**48,100**	**176,400**	**600**	**4.75 %**

(Overall, All Property Classes)

(*) Yields are calculated on a net basis as: Net Yield = NOI (1) / PP (2); 1. Net Operating Income - after deducting all non-recoverable expenditure; 2. Purchasing Price – excluding transfer costs, tax and legal fees. With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

KEY LEASE TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	TENANT SECTOR	SQM	TYPE
1	Via della Maglianella 65	Periphery	Education	5,000	Lease
1	Via Amsterdam 147	Greater Eur	Other	2,500	Lease
1	Via dei Due Macelli 66	CBD	Fashion	2,200	Expansion
2	Via Casilina 110b	Greater Eur	Education	1,800	Pre-Lease
2	Viale della Civiltà del Lavoro 38	Greater Eur	IT\Communication	1,700	Lease
1	Centro Direzionale Piccolo Mondo	Greater Eur	Consulting\Business Services	1,600	Lease
2	Via della Sierra Nevada 60	Greater Eur	Pharmaceuticals	1,500	Lease
1	23-31 Eur Center	Greater Eur	Manufacturing	1,300	Lease

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE / € MN
1	Via Cavour 5	CBD	Castello Sgr/ Castello Sgr	16,600	45
2	Via Carcani 61	Semi-Centre	Kennedy Wilson/ GIC	20,500	c.a. 35
2	HQ Q8 - Viale dell'Oceano Indiano 13	Greater Eur	Generali Sgr/ Private Investor	13,200	26,5
1	Via di Torre Rossa 94	Periphery	Abalone Asset Management/ E-Campus	23,900	21,5

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