MARKETBEAT

MILAN

OFFICE Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
10.7% Vacancy Rate	▼	▼
68,000 Q Absorption, SQM	▲	—
€800 Prime Rent, SQM/YR	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.3% Milan GDP Growth	▲	▼
3.46% Milan Unemployment Rate	▼	▲
3.69% 10-Yr Treasury Yield	—	▼

Source: Moody's Italy, September 30th update (GDP Growth estimate Q3 2025 on Q3 2024; Unemployment Rate Q3 2025; 10-Yr Gov Bond at Q3 2025).

ECONOMY

By the end of the third quarter of 2025, Italy's economy showed cautious stability, with modest growth, controlled inflation, and a solid labor market. GDP grew slightly, about 0.4% year-on-year, driven by investment in non-residential construction and steady domestic demand. Unemployment remained near 6%, and inflation stabilized around 2%, supported by lower energy costs and easing wage pressures. Interest rates eased slightly after ECB cuts, and credit conditions began to normalize—factors supportive of both consumption and real estate refinancing in the medium term.

OCCUPIER

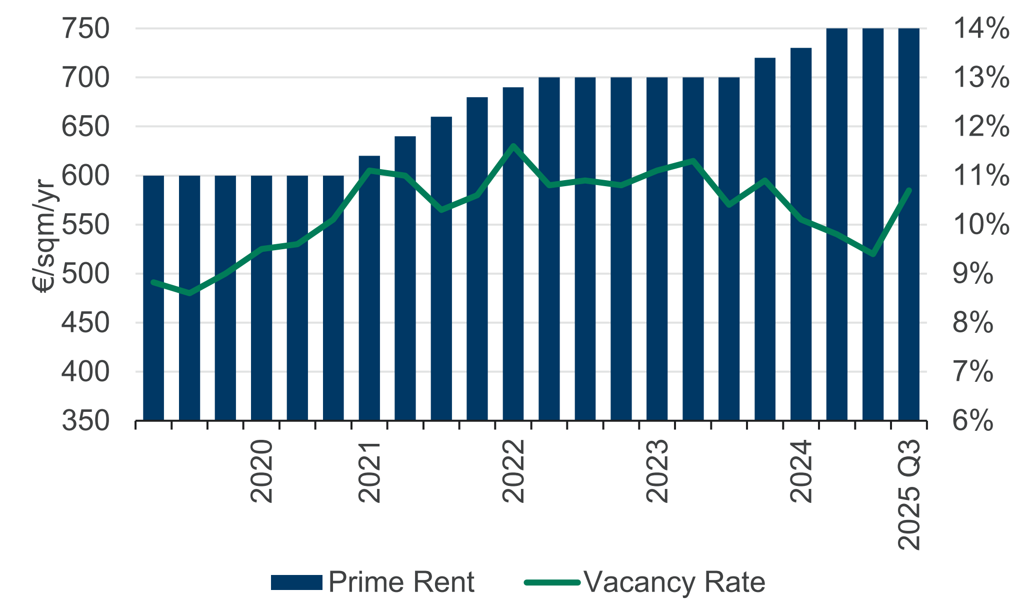
In the third quarter of the year, the Milan office market recorded an absorption of approximately 68,000 sqm, down by 22% compared to Q3 2024 (87,000 sqm) and below the last five-year Q3 average (-17% vs. 82,000 sqm).

Over the first nine months of 2025, total take-up reached around 260,000 sqm, remaining broadly in line with the same period last year and consistent with the five-year average for the first nine months (267,000 sqm).

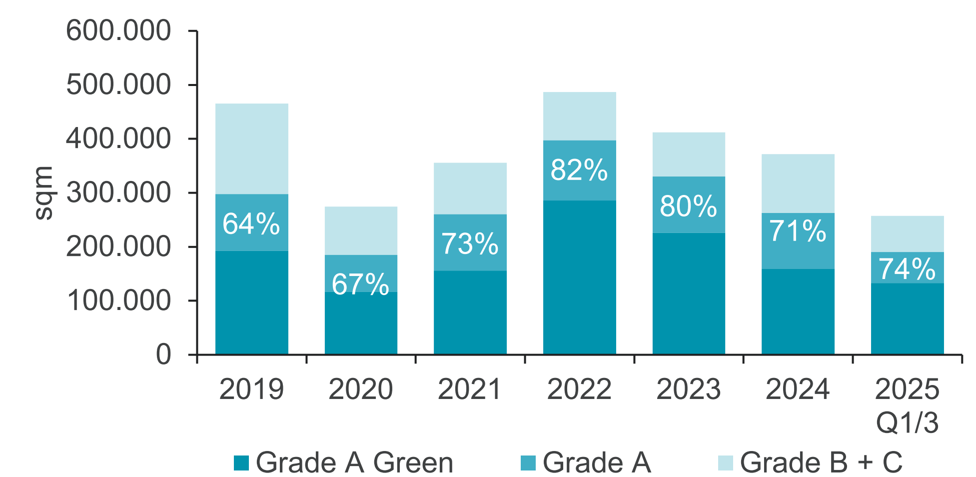
In addition to direct leases, the sub-lease market remained active, with approximately 2,500 sqm recorded in Q3 alone. This brings the year-to-date total to about 12,500 sqm, showing an upward trajectory compared to the previous year (when the full-year sub-lease volume amounted to 15,000 sqm).

The trend toward smaller office requirements continues to shape the market landscape. All transactions in Q3 2025 involved spaces below 6,000 sqm. The average transaction size for the quarter stood at 1,010 sqm, marking a decline compared both to the average of the first two quarters of 2025 (1,270 sqm) and to the 2024 quarterly average (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

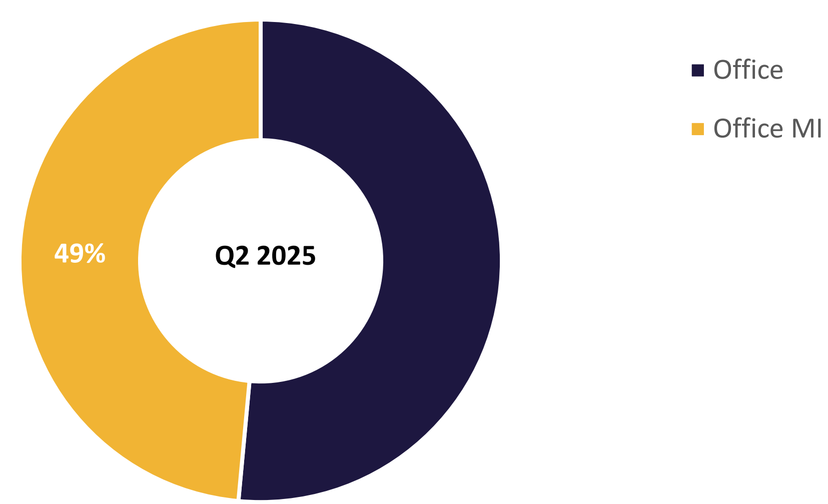
OVERALL VACANCY & PRIME RENT



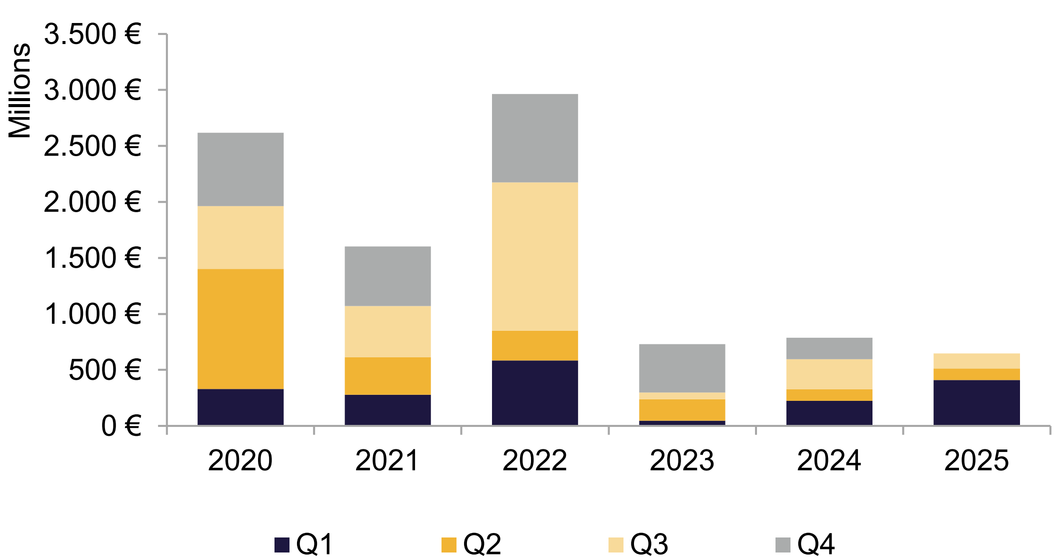
TAKE UP BY GRADE



MILAN vs. ITALY OFFICE INVESTMENT VOLUME



MILAN OFFICE INVESTMENT VOLUME



without sacrificing quality. Demand remains strongly oriented toward Grade A green-certified buildings. However, the prolonged scarcity of such properties—expected to persist over the coming quarters—remains a key constraint for occupiers, prompting many to view Grade A and B spaces as complementary within central submarkets. This preference for quality and centrality—combined with the scarcity of prime sustainable offices—has contributed to a rise in the overall vacancy rate, which increased from 9.4% in Q2 to 10.7% in Q3, largely driven by higher availability in Grade B stock.

Where central opportunities are lacking, attention is gradually shifting to well-connected peripheral clusters that can offer Grade A green-certified alternatives, offering excellent amenities.

INVESTMENT

In the third quarter of 2025, the Milan office investment market recorded an increase in volumes compared to the low levels of Q2 2025 (+28%), with transactions totaling around 133 €Mn. This brought the cumulative volume for the first nine months to approximately 647 €Mn, representing an increase of around 9% compared with 595 €Mn recorded in the same period of 2024, mainly supported by a strong Q1 performance.

Given the total sector volume recorded during the quarter, investment activity remained focused on the two main cities, Milan and Rome, supported by a solid leasing market performance. Milan accounted for 49% and Rome for 42% of national office quarterly investment volume (280 €Mn).

Investor interest continues to focus on value-add assets, also offering conversion opportunities and core+ with reversion potential. Due to the limited availability of traditional value-add opportunities, core assets are increasingly being evaluated through a value-add lens. Notably, half of the quarterly volume derived from two office-to-residential conversion transactions, both located in Milan's CBD historic center. Moreover, the market was dominated by domestic capital, accounting for 100% of the total quarterly investment volume.

PRICING

The competition for high-quality space, coupled with the persistent shortage of prime office supply in central areas, has continued to drive rents upward since the beginning of the year. In the CBD, during the quarter prime rents increased by 4%, reaching €800/sqm/year and marking a year-on-year increase of 11%. On the investment side, sustained focus on rental performance and capital values has kept prime yields compressed in central locations for assets with future upside potential, with the CBD prime yield remaining stable at 4.25%

OUTLOOK

- As uncertainties that have dominated the market in the first part of the year begin to clear, there is some upside to the outlook for the market.
- Building on encouraging labor market signals in Milan — with the unemployment rate standing at just 3.77% and employment expected to grow by +1.1% y-o-y by the end of 2025 — the office absorption market is forecasted to perform in line with, and slightly ahead of, last year's results. This steady improvement reflects the city's solid economic fundamentals and sustained demand for workspace. The only limiting factor to a stronger expansion remains the restricted availability of prime, high-quality office space, which continues to be highly sought after by occupiers.
- With the supply pipeline expected to contract beyond 2025, the limited availability of new office space is set to remain the primary constraint on absorption growth, supporting further rental growth.

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	4.1%	12,000	102,000	63,000	800	4.25 %
Centre	7.0%	4,000	14,000	9,000	580	4.75 %
Semi Centre	5.1%	19,000	42,000	118,000	520	5.50 %
Periphery	15.9%	18,000	67,000	50,000	340	7.00 %
Hinterland	15.2%	15,000	32,000	54,000	250	7.50 %
TOTALS	**10.7%**	**68,000**	**257,000**	**294,000**	**800**	**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
3	Regina Giovanna 29	Semi-centre	Engineering	5,610	Lease
2	Borromei 5	CBD	Legal services	5,300	Lease
1	Via Carlo de Angeli 2	Semi-centre	Fashion	5,275	Pre-Lease
2	DB1 - Piazza Del Calendario 1	Periphery	Education	4,940	Lease
1	Pirelli 35	CBD	Pharmaceuticals\Chemicals	4,790	Lease
3	CityWave	Semi-centre	Consulting	4,750	Pre-Lease

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
3	Piazza Velasca 2	CBD	Fabrica Immobiliare Sgr / Itay	7,000	46

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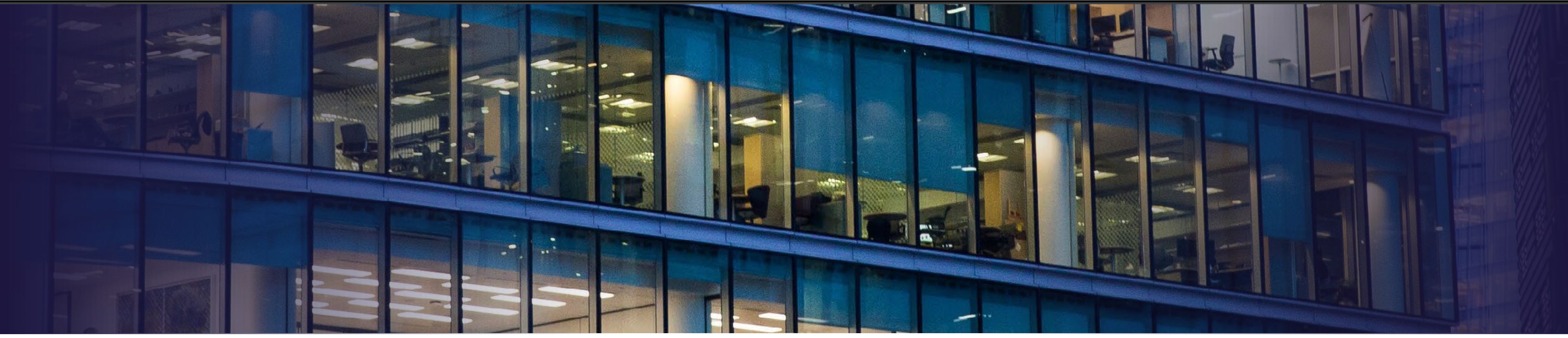


MARKETBEAT
ROME
OFFICE Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
6.5% Vacancy Rate	▼	▼
44,100 Q Absorption, SQM	▼	▬
€600 Prime Rent, SQM/YR	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.83% Rome GDP Growth	▲	▲
5.1% Rome Unemployment Rate	▼	▲
3.69% 10-Yr Treasury Yield	▬	▼

Source: Moody's Italy, September 30th update (GDP Growth estimate Q3 2025 on Q3 2024; Unemployment Rate Q3 2025; 10-Yr Gov Bond at Q3 2025).

ECONOMY

By the end of the third quarter of 2025, Italy's economy showed cautious stability, with modest growth, controlled inflation, and a solid labor market. GDP grew slightly, about 0.4% year-on-year, driven by investment in non-residential construction and steady domestic demand. Unemployment remained near 6%, and inflation stabilized around 2%, supported by lower energy costs and easing wage pressures. Interest rates eased slightly after ECB cuts, and credit conditions began to normalize—factors supportive of both consumption and real estate refinancing in the medium term.

OCCUPIER

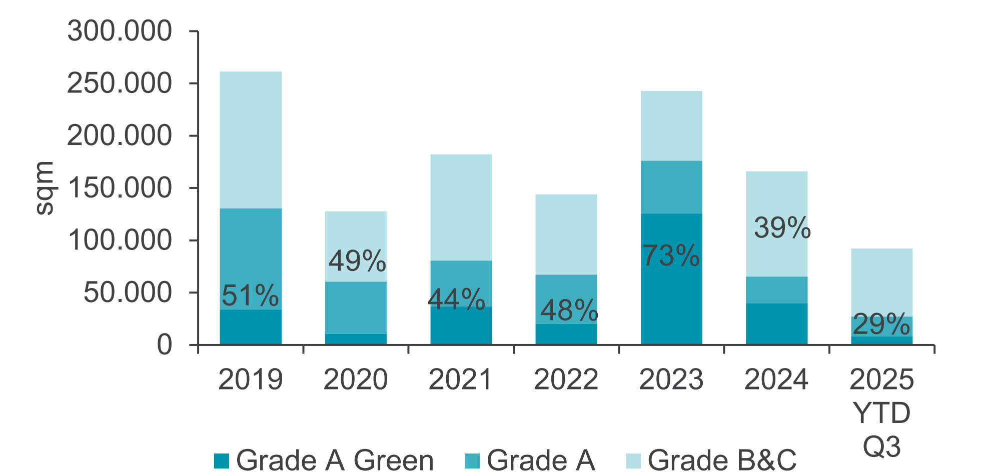
Office take-up in the third quarter reached 44,000 sqm, driven mainly by two large transactions in the Greater Eur area: one from the Public sector (11,000 sqm) and another from the Consulting sector (approximately 20,000 sqm).

Although this result aligns with the five-year Q3 average of 43,800 sqm, it is below the same period in 2024 (56,200 sqm). Excluding the two major deals, average transaction sizes in the Rome market remained modest, with most leases covering less than 1,000 sqm. Leasing activity during the quarter was primarily concentrated in Central submarkets.

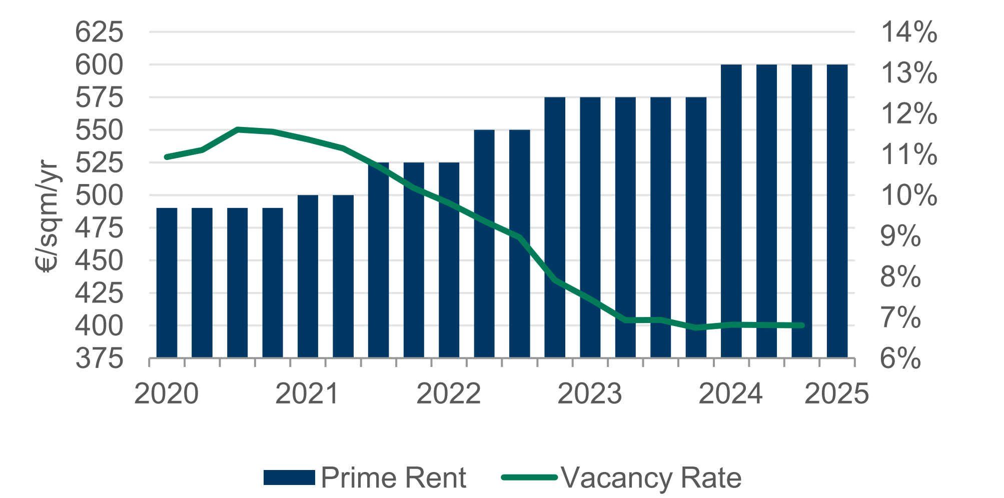
Since the beginning of the year, the Education sector has continued to demonstrate steady activity, particularly in secondary locations, maintaining the trend observed over the past two years.

Cumulatively, year-to-date (YTD) office take-up reached 92,300 sqm, down from 128,100 sqm recorded in YTD Q3 2024 and significantly below the ten-year YTD Q3 average of 137,700 sqm.

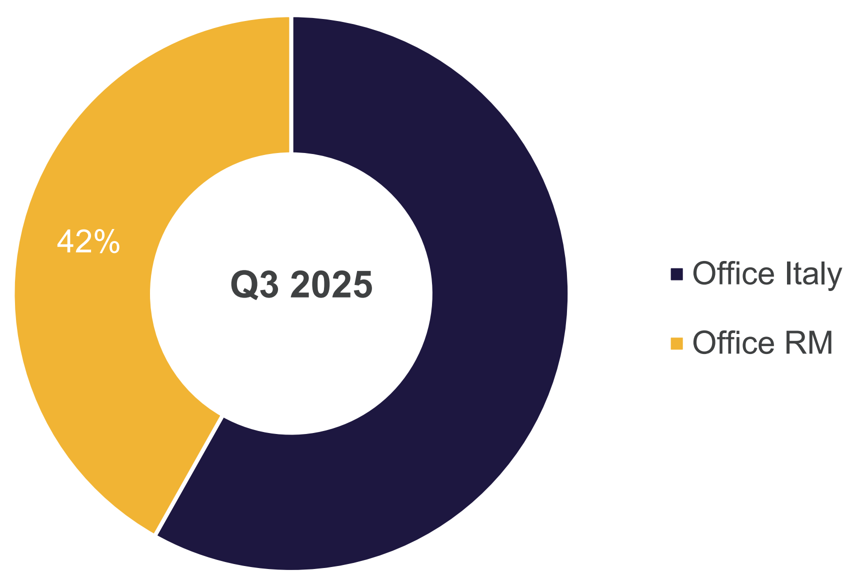
TAKE UP BY GRADE



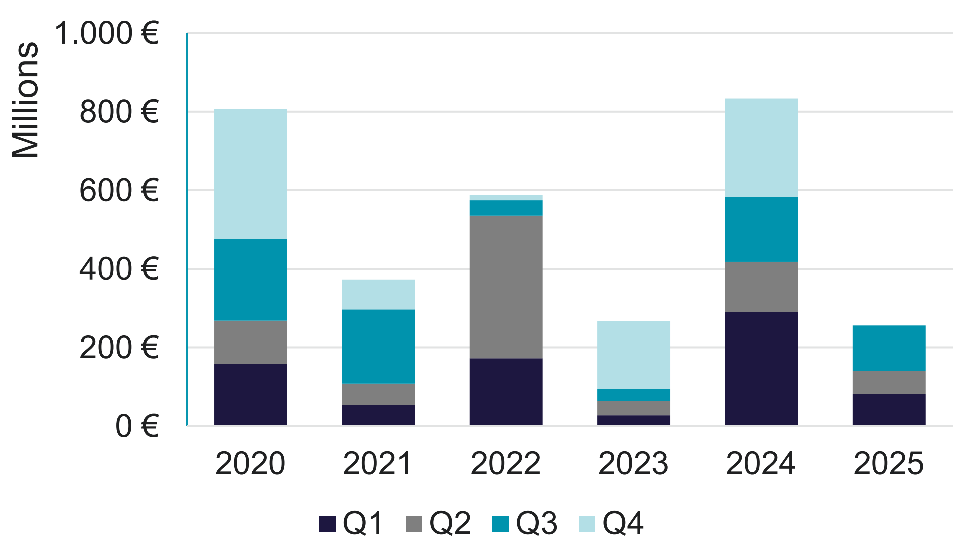
OVERALL VACANCY & PRIME RENT



ROME vs. ITALY OFFICE INVESTMENT VOLUME



ROME OFFICE INVESTMENT VOLUME



However, the market is not static: central submarkets continue to be a major point of attraction for tenants; in the Eur district, demand is growing but supply is limited, creating a paradox where requirements exist but suitable properties are lacking. The shortage is particularly evident for spaces well connected to public transport, with unmet demand both in the city center and in the Greater Eur.

INVESTMENT

Office investment activity in Rome strengthened during the third quarter, with total volumes reaching 115 €Mn across five transactions. Of these, two were for owner occupation and one involved a potential repositioning for alternative use. All investments were funded by domestic capital.

Overall, office investment for the quarter reached 275€Mn, with Milan and Rome maintaining their positions as the primary markets, accounting for 49% and 42% of total volumes invested in Italy, respectively. Year-to-date, Rome has attracted 256 €Mn in office investments.

PRICING

Prime rents remained stable across most markets during the third quarter, with the Central area standing out due to a 2% increase driven by rising tenant demand.

On the investment front, prime yields held steady across all submarkets, as investor interest is increasingly focused on the potential for alternative uses which has become a critical driver of underwriting decisions. Securing the ability to reposition or repurpose an asset once it becomes vacant is now viewed as essential to preserving long-term value.

In this scenario investor appetite remains strong in the CBD, where available product is scarce, while the Greater Eur district, perceived as challenging due to its strong office component, is less attractive. Moreover, additional limitations stem from the fact that a significant proportion of stock (in the Core EUR) is subject to restrictions, limiting repositioning opportunities.

OUTLOOK

- Further rental growth expected throughout the year in central areas as office space competes with hospitality and residential.
- Rise in the sublease market which represents a minor but stable component
- Lease re-negotiations and downsizing will introduce new space to the market.
- The ability to unlock a “second life” for assets remains the defining factor for investor strategies

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	1,9%	1,800	7,500	32,400	600	4.75 %
Centre		5,300	9,100	42,600	410	5.00 %
Semi Centre	6,9%	300	5,300	0	300	6.75 %
Great Eur	5,6%	34,000	55,400	97,400	400	5.75 %
Periphery	14,4%	2,700	15,000	4,000	150	9.50 %
TOTALS	6.5%	**44,100**	**92,300**	**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
3	Piazzale Kennedy 20	Greater Eur	Consulting	20,100	Pre-Lease
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	Semi Centre	Education	1,800	Pre-Lease
3	Piazzale dell'Industria 40-46	Greater Eur	IT	1,700	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
3	Via di San Basilio 72-74	CBD	Torre Sgr/ Private Investor	4,800	37
2	Via Carcani 61	Semi-Centre	Kervis Sgr/ COIMA SGR	20,500	c.a. 35
3	Piazza di San Bernardo 101	CBD	Private Investor/ Private Investor	4,900	30
2	HQ Q8 - Viale dell'Oceano Indiano 13	Greater Eur	Generali Sgr/ Private Investor	13,200	26,5

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