

**MARKET FUNDAMENTALS**

	YOY Chg	12-Month Forecast
<b>11.3%</b> Vacancy Rate	▲	▼
<b>57,000</b> Q Absorption, SQM	▼	—
<b>€820</b> Prime Rent, SQM/YR <i>(Overall, All Property Classes)</i>	▲	▲

**ECONOMIC INDICATORS**

	YOY Chg	12-Month Forecast
<b>+0.6%</b> Milan GDP Growth	▲	▼
<b>3.1%</b> Milan Unemployment Rate	▼	▲
<b>3.5%</b> 10-Yr Treasury Yield	—	▲

Source: Moody's Italy, April 7th update (GDP Growth estimate Q1 2026 on Q1 2025; Unemployment Rate Q1 2026; 10-Yr Gov Bond at Q1 2026).

**ECONOMY**

The macroeconomic outlook for Italy has shifted since the start of 2026, with the Middle East conflict acting as the primary disruptive force, though its full impact has yet to be reflected in the hard data. GDP growth has been revised down to around 0.5%, consumer confidence has softened since early 2026, and inflation is expected to move closer to 2%, while tighter financial conditions are putting upward pressure on interest rates.

**OCCUPIER**

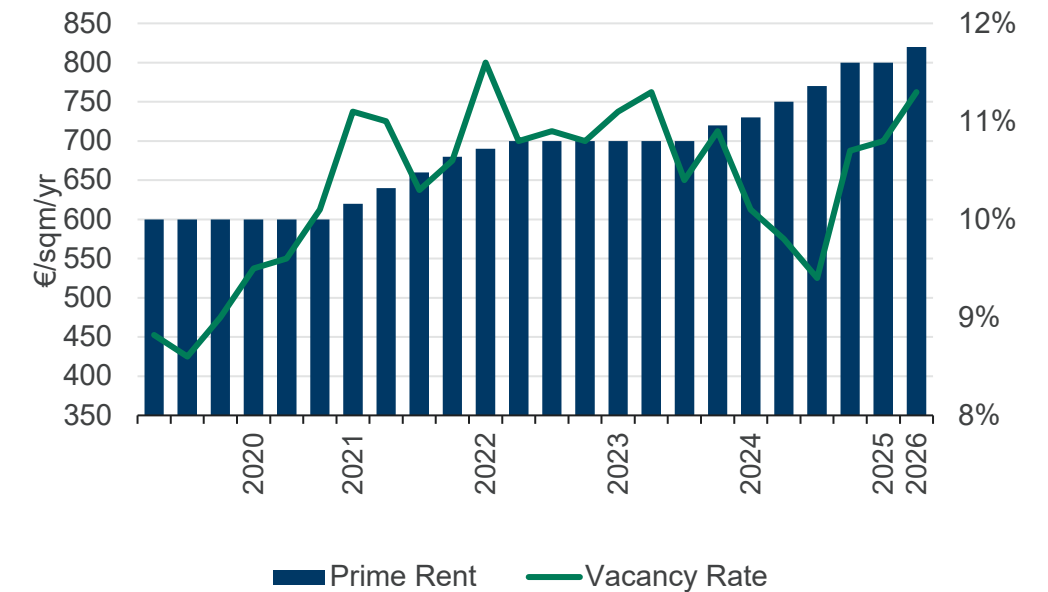
The Milan office market continues to be characterized by constrained supply and sustained pressure on prime rents in central areas of the city, where the majority of demand is concentrated. These conditions are also evident in Q1 2026 figures, with leasing activity moderating over the quarter. Total take-up reached approximately 57,000 sqm, representing a 44% decrease compared to Q1 2025 (102,000 sqm) and a 37% decline relative to the five-year Q1 average (90,000 sqm), marking the lowest quarterly volume of the past five years. This softer performance is partly driven by increased sublease availability and reflects a more cautious occupier sentiment.

Alongside direct leasing activity, sublease transactions totalled approximately 6,800 sqm—above the average quarterly levels recorded over the past two years—bringing total absorption to circa 64,000 sqm.

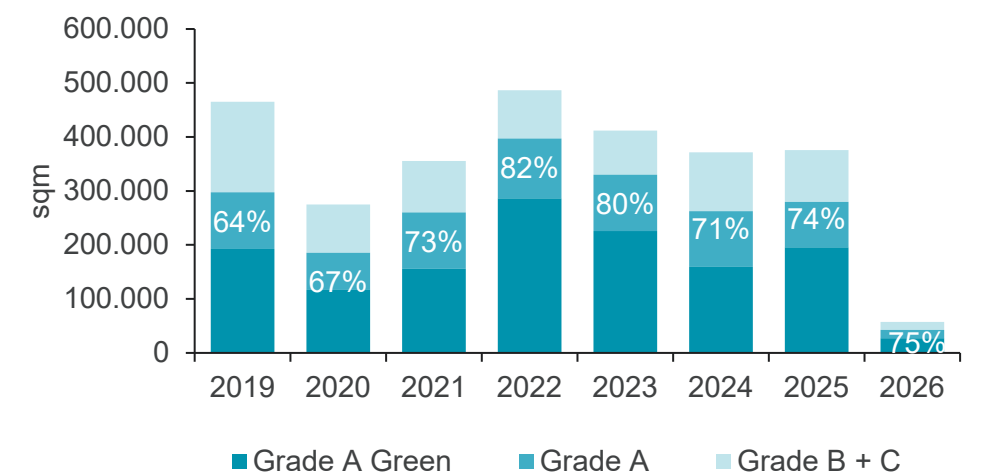
Against this backdrop of constrained availability, elevated prime rents, and subdued take-up, tenant strategies are increasingly focused on the optimisation of existing space, through lease renegotiations, selective downsizing, and the release of surplus areas, rather than relocations to higher-cost premises. Occupiers are also taking longer to secure space that better matches their operational requirements and workplace strategies, reflecting a stronger focus on cost management and efficiency.

This dynamic further reinforces the structural polarisation of the market between prime central locations and hinterland submarkets. While central submarkets continue to exhibit tight availability and resilient pricing, out-of-town areas are not experiencing upward.

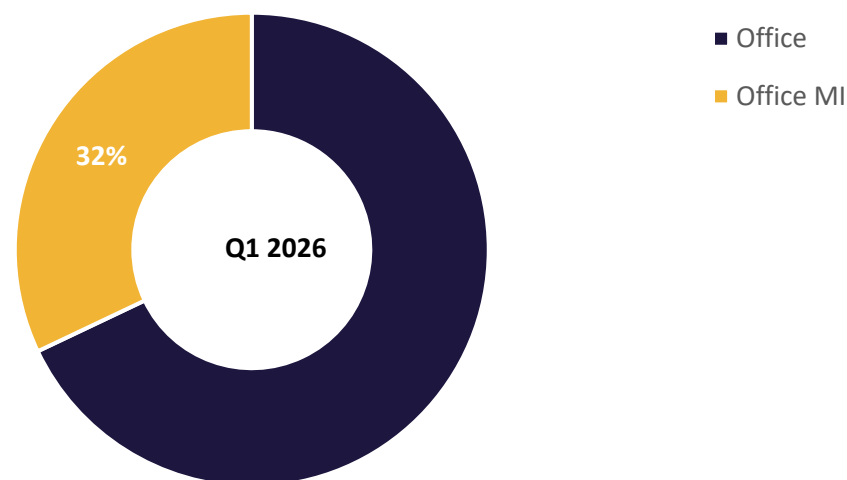
**OVERALL VACANCY & PRIME RENT**



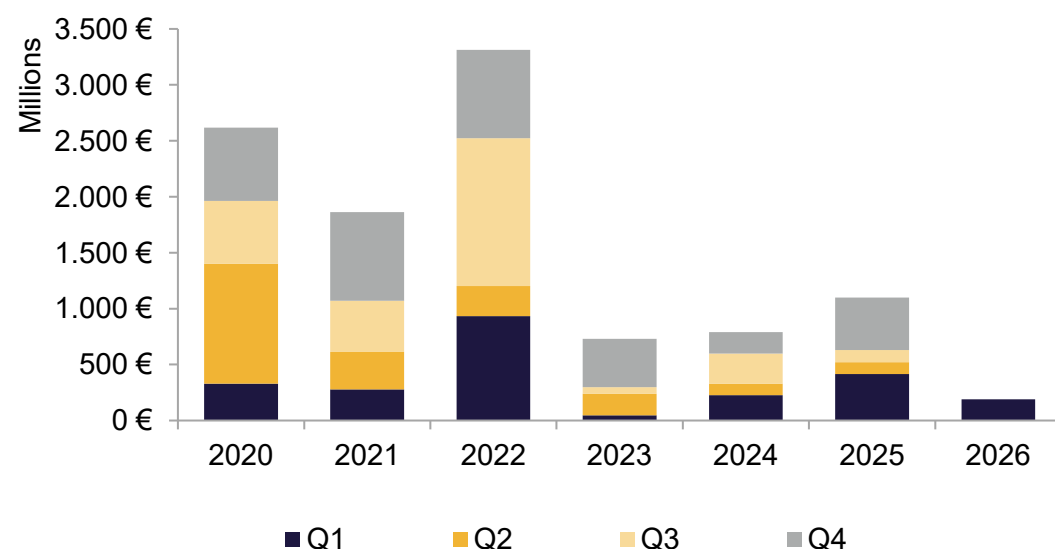
**TAKE UP BY GRADE**



MILAN vs. ITALY OFFICE INVESTMENT VOLUME



MILAN OFFICE INVESTMENT VOLUME



pressure on rents nor a meaningful reduction in vacancy, reflecting weaker absorption and more limited occupier momentum outside core locations.

The quarter was predominantly driven by small-sized transactions, all below 5,000 sqm. Deals under 1,000 sqm accounted for 73% of the total number of transactions and 32% of overall take-up. As a result, the average transaction size declined to 907 sqm, the lowest level recorded in the past five years and 28% below the 2025 quarterly average (1,260 sqm).

INVESTMENT

The first quarter of 2026 opened with subdued activity, with volumes reaching approximately 190€Mn, reflecting continued investor caution. However, underlying interest has strengthened, supported by the return of a broader investor base, albeit within a still selective approach focused on location, quality and other fundamentals.

Consequently, liquidity remains unevenly distributed, with strong depth for prime or Value-Add/Core+ assets in central locations and more limited access to capital for secondary stock and locations. Stabilised assets located in non-core areas, in particular, continue to experience limited liquidity, driven primarily by price misalignment between buyers and sellers, as well as weaker and more selective investor demand. Consequently, these assets are increasingly being valued with a view to repositioning, with a focus on their potential for value creation.

Conversely, prime and ESG-compliant assets located in central areas – particularly within the CBD and the Centre – continue to attract both domestic and international capital, alongside a growing presence of private investors, who are becoming progressively more competitive in core locations.

PRICING

Competition for high-quality office space, combined with the ongoing scarcity of prime supply in central Milan, has continued to support rental growth. During the quarter, in the CBD, prime rents increased by approximately 2.5%, reaching around €820/sqm/year. On the investment side, sustained focus on rental performance and capital values has continued to support yield compression for assets with upside potential, with CBD prime yields tightening to 3.75%.

OUTLOOK

- With the development pipeline expected to tighten beyond 2026, particularly in central locations, the persistent scarcity of new office space is likely to remain the primary constraint on absorption growth, thereby continuing to support rental growth in central sub-markets
- Peripheral and suburban markets show limited growth prospects, with the exception of select non-core micro-locations characterised by strong accessibility and efficient transport connectivity, which continue to demonstrate relative resilience, particularly where high-quality, ESG-compliant office stock is available.
- The Milan prime office market is characterised by limited supply, rising rents, and sustained inflationary pressure on construction and fit-out costs, driven by geopolitical tensions, higher material and energy prices, and supply chain disruptions. This structural increase in development costs is placing growing pressure on Capex, potentially constraining new development and expansion activity.

MARKET STATISTICS

SUBMARKET	OVERALL VACANCY RATE	CURRENT QTR OVERALL ABSORPTION (SQM)	UNDER CNSTR (SQM)	PRIME RENT (€/SQM/YR)	PRIME YIELD (NET**)
CBD	5.4%	16,000	64,000	820	3.75 %
Centre	7.2%	6,000	9,000	620	4.75 %
Semi Centre	5.2%	17,000	96,000	580	5.50 %
Periphery	16.5%	15,000	41,000	350	7.00 %
Hinterland	15.9%	3,000	54,000	250	7.50 %
<b>TOTALS</b>	<b>11.3%</b>	<b>57,000</b>	<b>264,000</b>	<b>820</b>	<b>3.75 %</b>

(\*) 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	Park West Milano	Periphery	IT\Communications	4,600	New Lease
1	Bassi Business Park	Semi Centre	Manufacturing Industries	4,260	New Lease
1	Symbiosis - Bld.Vitae	Semi Centre	IT\Communications	4,110	Expansion
1	Via Filippo Turati 12	CBD	Finance	3,530	New Lease
1	Corso Venezia 48	Centre	Banking & Finance	2,680	New Lease
1	Via Raffaello Bertieri 4	Periphery	Public Sector	2,460	Owner Occupier
1	Via Santa Margherita 3	CBD	Fashion	2,400	New Lease

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE / € MN
1	Via Turati 32	CBD	SAVILLS SGR/Monge	6,400	60
1	Via Bertieri 4	Periphery	Private Investor/Consolato Algerino	2,500	9
1	Torre U7 Viale Piero e Alberto Pirelli 6	Periphery	Fonciere Lfpi/Arcturus Srl	7,000	20
1	Via Dante 17	CBD	ITAY/Monge	5,500	100

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**MARKET FUNDAMENTALS**

	YOY Chg	12-Month Forecast
<b>5.8%</b> Vacancy Rate	▼	▼
<b>35,700</b> Q Absorption, SQM	▼	—
<b>€620</b> Prime Rent, SQM/YR <i>(Overall, All Property Classes)</i>	▲	▲

**ECONOMIC INDICATORS**

	YOY Chg	12-Month Forecast
<b>+0.66%</b> Rome GDP Growth	▲	▲
<b>5.25%</b> Rome Unemployment Rate	▼	▲
<b>3.56%</b> 10-Yr Treasury Yield	▼	▲

Source: Moody's Italy, April 7<sup>th</sup> update (GDP Growth estimate Q1 2026 on Q1 2025; Unemployment Rate Q1 2026; 10-Yr Gov Bond at Q1 2026).

**ECONOMY**

The macroeconomic outlook for Italy has shifted since the start of 2026, with the Middle East conflict acting as the primary disruptive force, though its full impact has yet to be reflected in the hard data. GDP growth held pace in Q1, but the 2026 outlook has been revised down to 0.5%. Consumer confidence, recovering through 2025, weakened after late February as energy costs began squeezing households. Inflation, down to 1.0% in January, is now projected at approximately 2% for the full year. Interest rates on new loans face renewed upward pressure as financial conditions tighten.

**OCCUPIER**

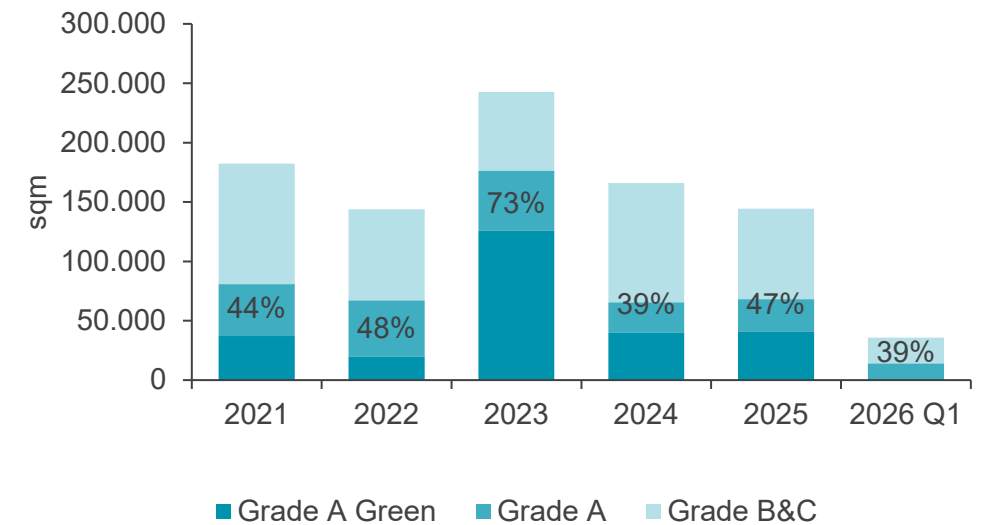
Leasing activity continues to be shaped by a mismatch between persistent occupier demand and constrained supply. Activity in the CBD is gradually slowing, largely as a result of limited available stock and rental levels that are increasingly difficult for occupiers to sustain. At the same time, demand linked to PNRR\* initiatives is losing momentum, removing a source of support that had characterised earlier phases of the market.

Total take-up in Q1 reached 35,700 sqm, representing a 21% YY increase, but remaining below both the 5 and 10-year average for the quarter (50,000 and 45,800 sqm respectively). Demand remains highly selective, with Grade A and A Green space accounting for around 40% of transactions, confirming occupiers' continued preference for high-quality and sustainable assets.

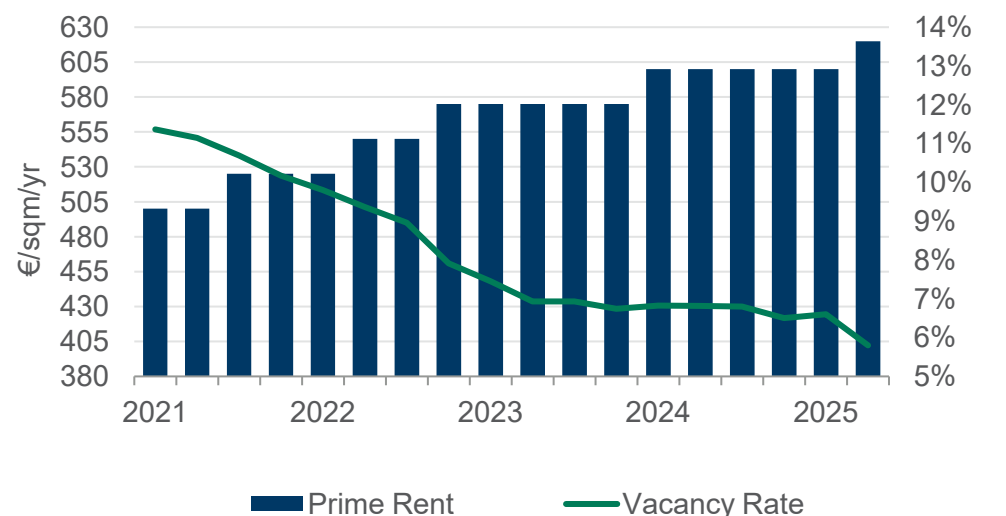
In terms of square metres, the Greater Eur accounted for 30% of space occupied, while the CBD and the Periphery each accounted for 23%. Within Greater Eur, leasing activity is increasingly driven by smaller and mid-sized units, favouring landlords able to fraction larger assets. Larger floorplates, by contrast, continue to face limited demand, reflecting both affordability constraints and occupier uncertainty.

The flexible workspace sector remains one of the most dynamic components of tenant demand. Occupiers continue to show strong appetite for flexible solutions, with centres effectively fully occupied and striving to meet demand. On one hand coworking is frequently used as an interim solution while occupiers search for a permanent headquarters or

**TAKE UP BY GRADE**

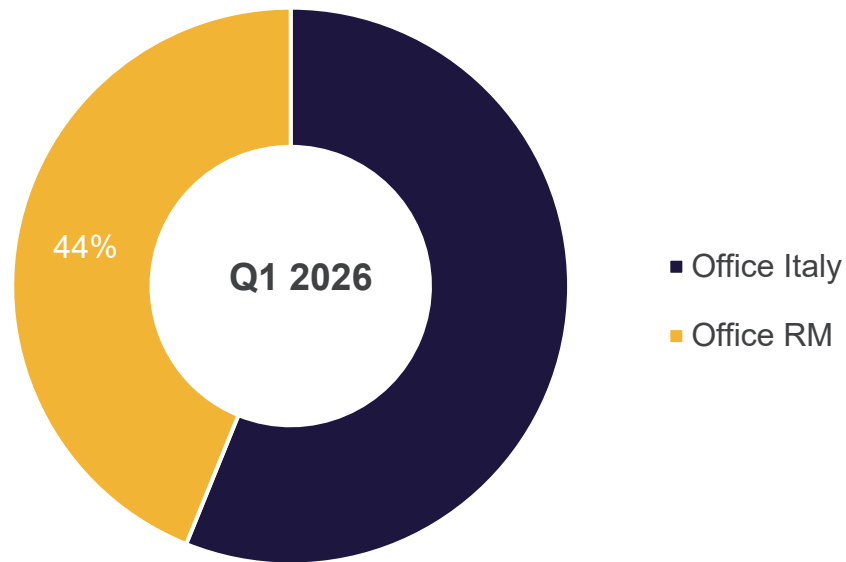


**OVERALL VACANCY & PRIME RENT**

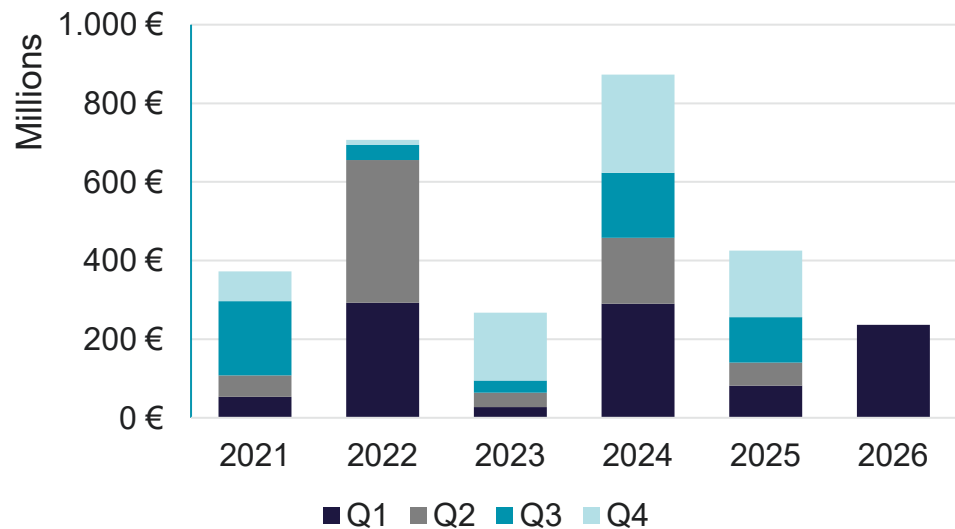


\*PNRR - National Recovery and Resilience Plan

ROME vs. ITALY OFFICE INVESTMENT VOLUME



ROME OFFICE INVESTMENT VOLUME



to accommodate time-bound requirements, particularly where proximity to institutions is critical. At the same time, a growing number of corporates are choosing to remain in flexible spaces on a longer-term basis.

Despite this demand, landlord sentiment remains cautious, particularly in non-prime locations where profit-sharing models are still prevalent and perceived as uncertain. In prime locations, however, flexible operators are increasingly securing standard lease structures, signaling a gradual normalisation of the product.

INVESTMENT

Investment volumes reached circa 240€Mn, largely attributable to a 200€Mn share deal in the CBD. Activity during the quarter was dominated by domestic capital, representing 100% of total volumes.

Encouragingly, early signs point to a cautious return of institutional capital, alongside the traditional value-add investor base. While liquidity remains constrained, capital availability for the office asset class is present, provided assets meet strict location and quality criteria.

The EUR submarket continues to face challenges, particularly in areas lacking metro accessibility. Central areas remain attractive, although investors are increasingly selective, while semi-central locations draw interest but are constrained by access and connectivity issues.

Interest in office conversion opportunities remains strong, while the ongoing changes to the NTA of the PRG are primarily translating into pricing adjustments rather than a reduction in market liquidity. This dynamic is particularly evident in larger-scale conversion projects subject to mandatory social housing quotas, where more conservative underwriting assumptions are leading to longer decision-making timelines.

PRICING

Rental growth continued during the quarter amid limited availability of prime space. Prime rents in the CBD increased by 3% QQ reaching €620/sqm/year, while prime rents in the Centre stood at €420/sqm/year. While further upward pressure is expected in the near term, occupier cost sensitivity is rising, and refurbishment and repositioning capex increasingly weigh on relocation decisions, limiting flight-to-quality strategies to a restricted pool of highly qualified tenants.

Investment activity remained limited, with yields stable across all submarkets. Beneath this stability, however, the market continues to polarise, with the spread between prime and secondary locations widening.

OUTLOOK

- Demand is expected to remain resilient but selective, with take-up increasingly constrained by affordability and limited availability rather than lack of occupier interest.
- Prime rents may record limited further growth in the short term, before stabilising as cost pressures and capex considerations intensify.
- Investment activity is likely to remain highly selective, with prime and core-plus assets expected to benefit first from a gradual return of institutional capital, while secondary stock will continue to require clear repositioning or conversion strategies.

MARKET STATISTICS

SUBMARKET	OVERALL VACANCY RATE	CURRENT QTR ABSORPTION (SQM)	UNDER CNSTR/REF (SQM)	PRIME RENT (€/SQM/YR)	PRIME YIELD (NET*)
CBD	2,4%	8.300	37.700	620	4.50 %
Centre	1,0%	7.300	12.500	420	5.00 %
Semi Centre	3,6%	1.200	500	300	6.75 %
Great Eur	6,5%	10.900	94.900	400	6.25 %
Periphery	11,1%	8.000	58.600	150	9.75 %
<b>TOTAL</b>	<b>5,8%</b>	<b>35.700</b>	<b>204.200</b>	<b>620</b>	<b>4.50 %</b>

(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

QUARTER	PROPERTY	SUBMARKET	TENANT SECTOR	SQM	TYPE
1	Via Laurentina 865	Greater Eur	Public Sector	8,500	Owner Occupier
1	Via Flaminia 968	Periphery	Fashion	5,600	Lease
1	Via Pastrengo 18-22	Centre	Legal services	5,500	Lease
1	Via Piemonte 60	CBD	Public Sector	5.000	Lease
1	Via Stanislao Cannizzaro 83	Periphery	Manufacturing Industries	2,450	Lease
1	Piazzale dell'Industria 40-46	Greater Eur	IT\Communications	2,000	Lease

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS

QUARTER	PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE / € MN
1	Palazzo Esedra - Piazza della Repubblica – 80% share	CBD	Famiglia Feltrinelli/PIMCO, Unicredit	-	200
1	Viale di Porta Ardeatina 129	Semi Centre	Investitori Sgr/ ACEA	6,700	17
1	Viale Castello della Magliana 68	Periphery	Technip/ ANAV	33,000	12
1	Via della Maglianella 65	Periphery	THEOREMATICA/ Università Europea di Roma	6,800	7

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