



EXPERTS ON THE FUTURE OF REAL ESTATE

# IMPACT OF COVID-19 ITALIAN OCCUPIER MARKET

7 MAY 2020

## EUROPE | IMPACT OF THE ECONOMIC RECESSION

The Covid-19 health crisis has hit all the world economy making cities facing the same challenge. However, the impact on their economies will be different, depending on their relative country, reflecting their different industrial structures and cultural patterns.

According to city forecasts, all the thirty main European cities should see a GDP drop in 2020, from -1.2% in Prague to -6.7% in Milan. Generally, cities depending on the public sector should be more resilient while on the other hand, cities more dependent on manufacturing will struggle more.

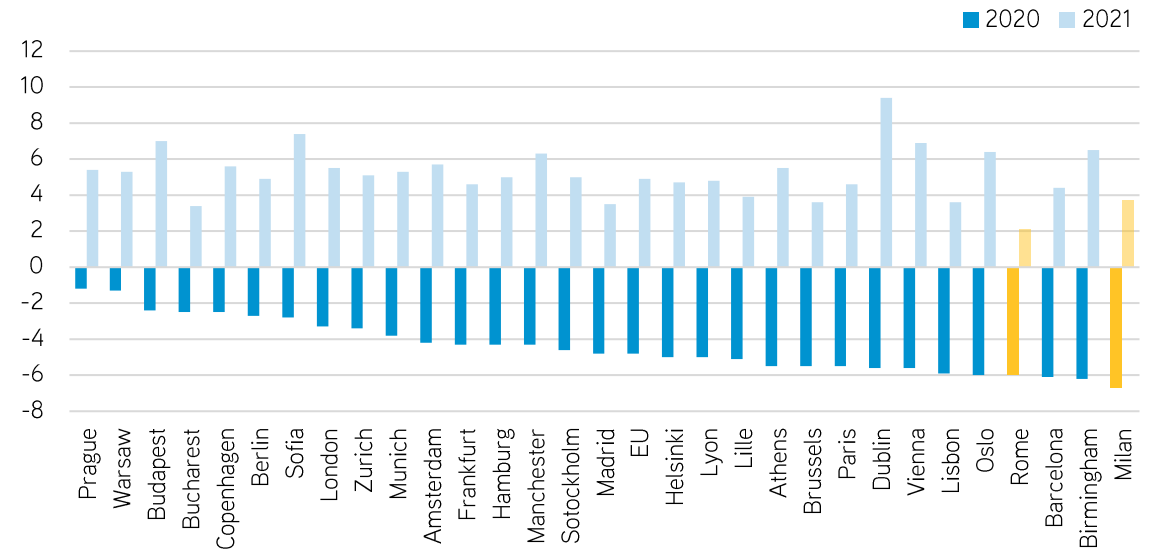
Recovery should start in 2020 when lockdown restrictions will be eased and the benefits of fiscal and monetary policies will be fully felt. Therefore, in 2021 many European cities will enjoy remarkable growth rates, with a 9.4% in Dublin.

The two Italian cities are among the strongest hit, but less than the Italian average. The north of Italy has been one of the continent's most heavily affected places and it is one of Europe's major manufacturing regions. If Rome relies on the public sector, it is also an important tourist destination.

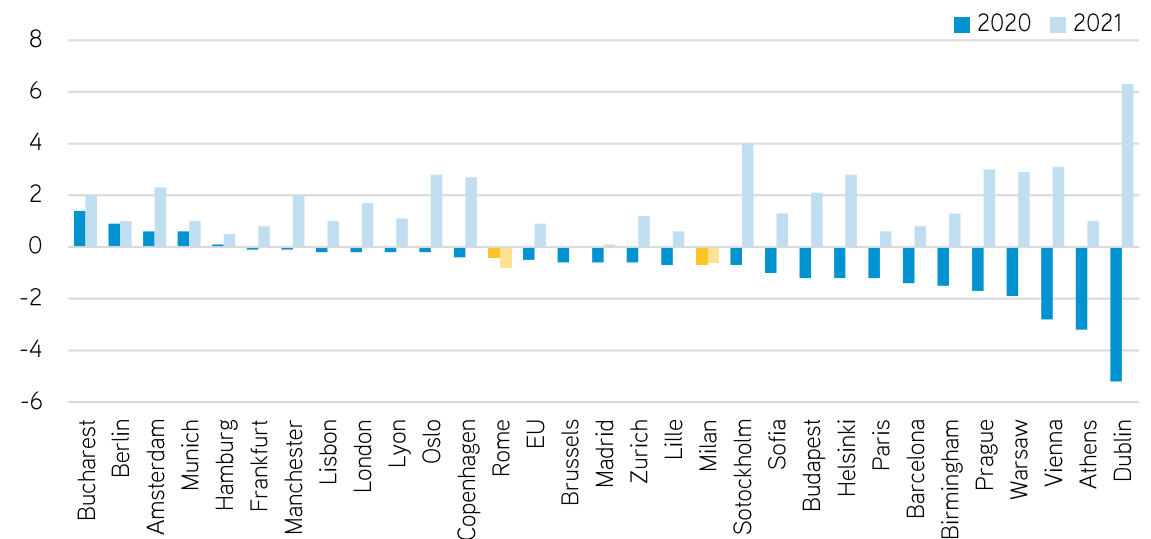
Looking at the office-based employment, important differences appear between the cities. One factor is the extent to which office workers were able to work from home. Of the three largest office market, London is forecast to perform better thanks to its greater exposure to the world economy that should recover in 2021.

The Italian cities are in the middle of the European cities, in terms of growth, thanks to a better labour protection law. However, the negative effects will be registered also in 2021 while other cities should perform better. Dublin should record the strongest plunge in 2020, but also the highest rise in 2021.

GDP (% annual growth)



Office-based employment (% annual growth)



## ITALY | OCCUPIER MARKET AND POSSIBLE FUTURE SCENARIOS

The Covid-19 health crisis has obliged many companies to move their employees into smart working. Some companies were ready and started from the end of February since they already allowed their employees to work some days per week from home. Other companies were not ready and had to provide laptop to their employees.

Looking at the data of the first quarter, the take-up activity was quite high, especially in Milan, but fuelled by a large deal of 41,000 sqm in Santa Giulia. Some other large deals are expected to be closed in the coming months, keeping the overall take-up volume at elevated levels. However, the new demand is almost frozen and companies adopted a wait-and-see attitude.

Over the last years, companies were asking for new, modern and efficient spaces in the two main markets. Co-working was becoming more important and it was a phenomenon that was slowly changing the reality of the office market, even if it was still remaining marginal, compared to other European countries.

The lockdown has proved that working from home, even if not in a typical smart-working situation (the schools are closed and there are strong limitations in the personal movements), can be successful. However, humans are social animals and need to meet and exchange opinions; telephone and web-calls cannot satisfy completely these needs. Therefore, there will be implications on how the office spaces are used: less spaces occupied by fixed desks and more dedicated to common areas.

### LANDLORDS

#### ATTITUDE

In the short term, the landlords that have their assets fully rented will have to manage the requested rent reduction that tenants will try to negotiate, even if according to the law, the lease could be fully protected.

Empty premises will face a tough period because demand has frozen.

#### OUTCOME

In the long term, offices will remain important for companies but a strong jump into a co-working way of working has been done and landlords should start rethinking about the services they grant to their tenants.

### TENANTS

#### ATTITUDE

In a first period, tenants will wait to understand how their business will be in the rest of the year. After the end of the crisis, two attitudes could be observed. On one side, they will try to renegotiate their current lease. On the other, they will try to change their way of using their offices introducing more smart working.

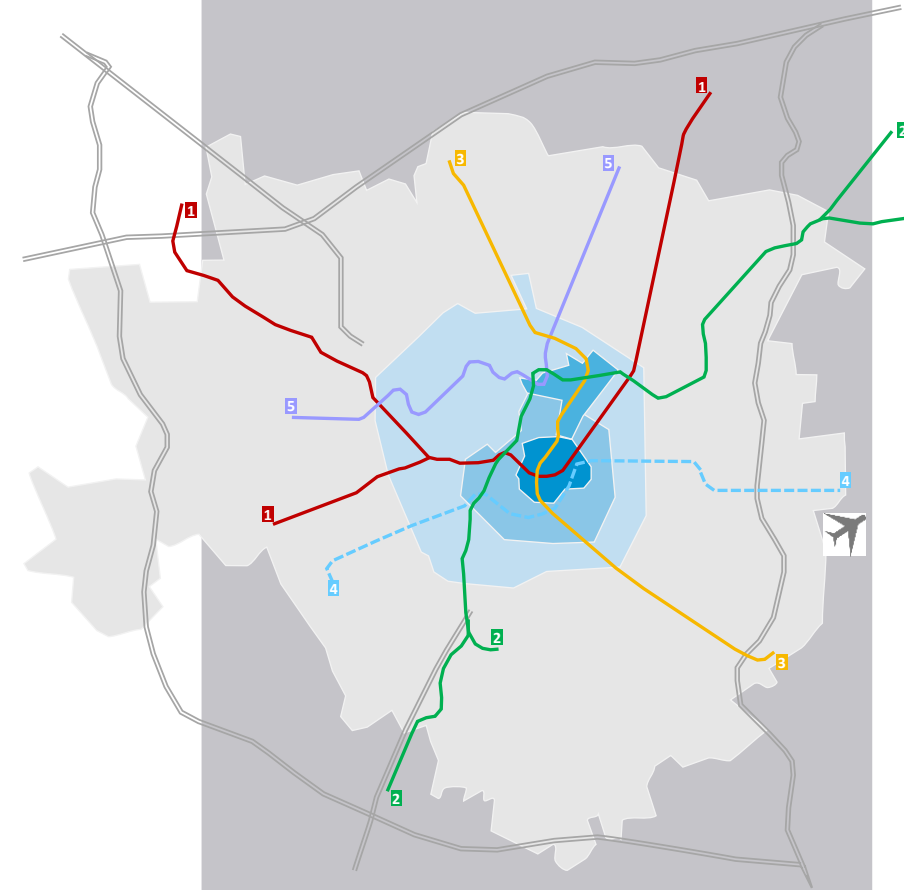
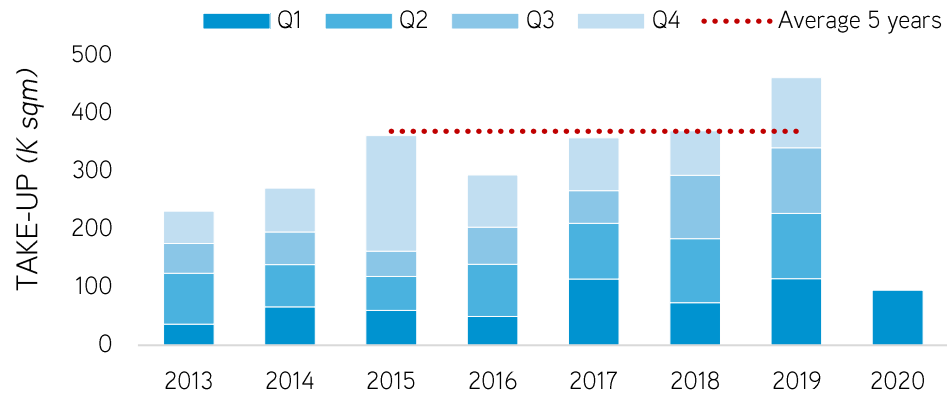
#### OUTCOME

In the long term, offices will remain the place where meeting and exchanging ideas with colleagues and clients (current and prospect). This new flexibility will need to boost the IT infrastructure all over the country.

# OFFICE | MILAN KEY INDICATORS

	PRIME RENT €/sqm/y	TAKE-UP K sqm	VACANCY RATE %	STOCK K sqm
	590 ▲	95.2 ▼	10.0 ▼	12,420 ▲
<b>CBD Duomo</b>	590 ▲	3.0 ▼	2.0 ▼	1,497 ▬
<b>CBD Porta Nuova</b>	520 ▲	3.1 ▼	3.1 ▼	1,383 ▲
<b>Centre</b>	460 ▲	7.6 ▲	4.3 ▼	850 ▬
<b>Semi Central</b>	350 ▬	8.3 ▲	4.6 ▼	2,084 ▬
<b>Periphery</b>	280 ▬	64.1 ▲	13.7 ▼	3,983 ▬
<b>Hinterland</b>	220 ▬	9.1 ▼	18.9 ▼	2,622 ▬

Note: Variation Q1 2020 vs. Q1 2019

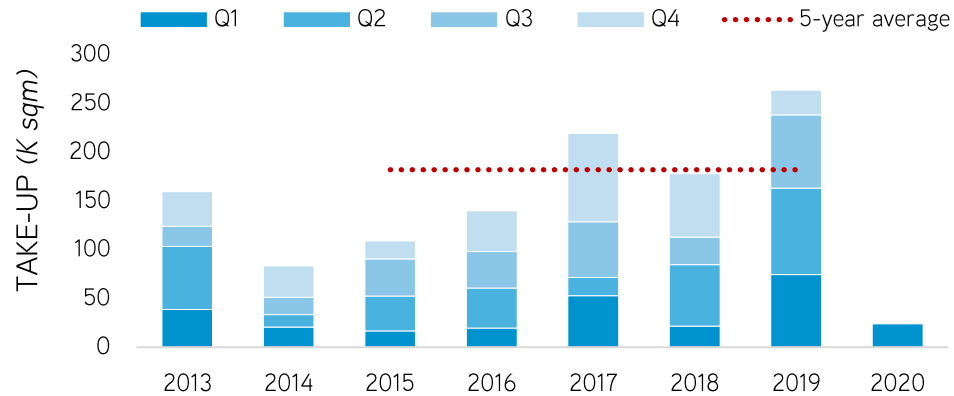
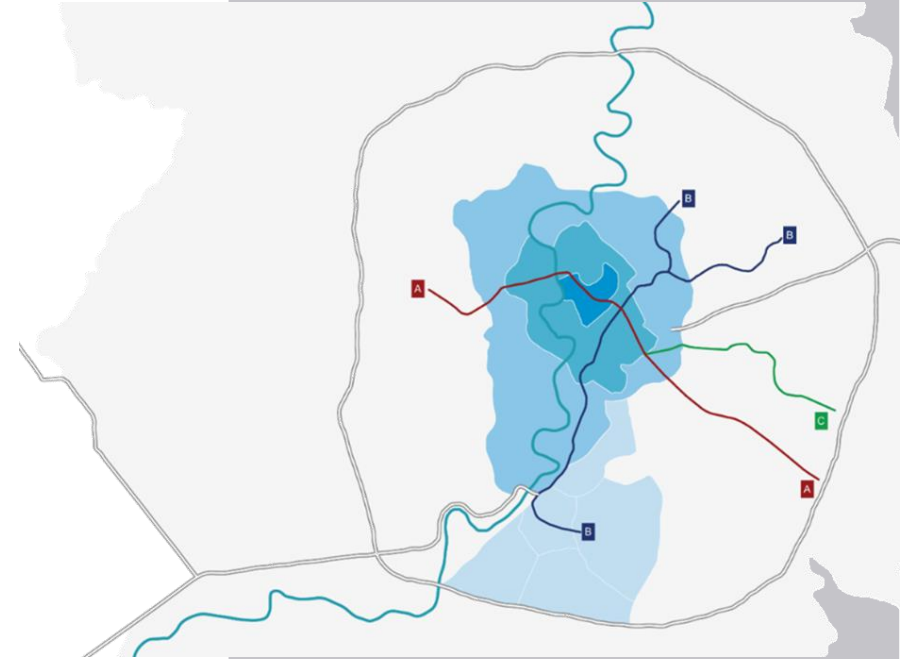


- CBD Duomo** (dark blue)
- CBD Porta Nuova** (medium blue)
- Centre** (light blue)
- Semi Central** (very light blue)
- Periphery** (grey)
- Hinterland** (dark grey)

# OFFICE | ROME KEY INDICATORS

	PRIME RENT €/sqm/y	TAKE-UP K sqm	VACANCY RATE %	STOCK K sqm
	430 ▲	24.2 ▼	8.0 ▬	10,000 ▬
<b>CBD</b>	430 ▲	1.4 ▼	3.5 ▲	2,400 ▬
<b>Centre</b>	380 ▬	10.5 ▼	4.0 ▼	1,650 ▬
<b>Semi Central</b>	280 ▬	3.9 ▼	10.2 ▲	750 ▬
<b>Greater Eur</b>	340 ▬	2.7 ▼	7.7 ▼	2,876 ▬
<b>Periphery</b>	180 ▬	5.7 ▼	15.0 ▲	2,324 ▬

Note: Variation Q1 2020 vs. Q1 2019



- CBD**
- Centre**
- Semi Central**
- Greater Eur**
- Periphery**

**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





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