PART C. ITALY

Milan, Rome and Florence



Milan, Porta Nuova and Piazza Gae Aulenti. Architectural illustration.

This part reproduces the Italian edition. It compares Milan and Rome (Section C3), with Florence set beside them in Section C3.5, and then sets out Milan in Part C-I and Rome in Part C-II, with offices in depth, and Florence in Part C-III. Because Florence's office market is small, Part C-III gives hotels and the visitor economy the depth that the other parts give offices (Section C16).

Data vintage. Metropolitan GDP and employment run to 2023, population to 2024 and business pay to 2023. Office market figures run to Q2 or Q3 2026. For Florence, population runs to 2025 and declared income to 2024; housing figures run to Q3 2026 and hotel performance figures to 2023, with HVS's assessment of 2025.

C1. Executive summary and recommendations

Recommendations. Milan: prioritise core Grade A offices in the CBD for underwriting, subject to entry price; consider refurbishment of older offices to Grade A selectively, in well-connected locations; underwrite rental housing selectively. Rome: underwrite core Grade A offices selectively, where quality space is scarce; refurbish in the EUR district only with a pre-let or a strong covenant. Florence: prioritise purpose-built student housing for underwriting, subject to entry price, planning consent and a campus-level count of competing beds, rents and occupancy; underwrite upscale and luxury hotels in the historic centre selectively, subject to entry price and the room pipeline; underwrite long-let rental housing selectively; do not prioritise offices. On relative value, Milan offers the deeper, faster-growing market, with higher nominal output per worker, at the lower yield; Rome offers a higher yield and the tightest Grade A market of the two, but its employment has lagged Italy since 2019. Florence outgrew Italy in jobs and output before 2019 but has lagged since: its share of Italian GDP fell from 2.37% in 2019 to 2.15% in 2023, and real declared income per taxpayer was flat between 2019 and 2024. Its strengths are a visitor economy at record arrival numbers, a manufacturing base in fashion, leather and pharmaceuticals, and some of the highest housing rents in Italy. Its weaknesses are a flat and ageing population, a fashion downturn and a thin office market. These are market-level judgements by the authors from the evidence in this edition, not findings of the sources and not asset-level investment approvals: each strategy still needs underwriting with net cash flows, capex, incentives, financing and exit assumptions against the investor's required return.

Three metros, one method. This Italian edition applies the Observatory's method to Milan, Rome and Florence: summary growth indicators and forecasts, growth and pay by sector, location quotients and shift-share against Italy, and the forces behind growth, followed by the office market, housing and capital markets and illustrative strategies. Section C3 compares Milan and Rome and sets Florence beside them; Parts C-I, C-II and C-III set out each in full. For Florence, whose office market is small, hotels and the visitor economy take the place of the office market.

The case rests on twelve findings, seven comparing Milan and Rome and five on Florence:

1. **Milan is pulling away from Italy; Rome kept pace before 2019 and has lagged since.** Between 2012 and 2023 employment in the Milan metropolitan area rose 17.3% and in Rome 9.9%, against 6.0% for Italy. Milan's share of Italian GDP rose from 10.0% to 10.8%, while Rome's fell from 9.7% to 9.4%.
2. **Rome has lost ground since 2019.** Milan beat the national employment trend by 126,000 jobs over 2012 to 2019 and by 45,800 over 2019 to 2023. Rome beat it by 78,100 jobs before 2019 but fell 33,100 short of it afterwards, mainly in professional and administrative services and in public services.
3. **Real pay fell, unlike in the Spanish and Swedish editions on their own measures, and fell further in Rome.** Mean pay in the business sector, adjusted for inflation, fell 5.4% in Milan and 10.4% in Rome between 2015 and 2023, against 8.7% for Italy. Milan's business pay is 35% above the Italian mean; Rome's is 6% above. Inflation has risen again: 4.2% in September 2026 (ISTAT).
4. **Both cities are specialised in technology and finance, Milan more so.** Location quotients in information and communication are 2.45 in Milan and 2.25 in Rome, and in finance 1.89 and 1.34. Milan is also specialised in professional services (1.57) and real estate (1.60); Rome in public services (1.15) and in arts, other services and households (1.57).

5. **Both office markets are tight for quality space.** Grade A vacancy was 3.6% in Milan and 1.6% in Rome in Q2 2026, against 9.6% and below 7% for the whole market (JLL). Prime rents reached EUR 850 per m² per year in Milan and EUR 630 in Rome's CBD in Q3 2026 (Colliers), about 50% above early 2019. Prime yields are about 4.00% in Milan and 4.50% to 4.75% in Rome.
6. **Milan's growth is demand-led; Rome's has leaned on one-off public spending.** Milan hosts 56.5% of Lombardy's foreign-owned business units and about half of Italy's flat-tax residents, but with unemployment at 3% its new jobs are filled mainly by migration. Rome received about EUR 7.75 billion of PNRR funding and 33.4 million Jubilee pilgrims, support that ends in 2026, while Lazio's job growth in 2025 came entirely from workers aged 50 and over (Section C3.3).
7. **Capital is active, but the macro backdrop has turned.** Italian property investment reached about EUR 10.6 billion in the first nine months of 2026, up 30% (Dils). But an energy shock has lifted inflation, and the ECB raised its deposit rate to 2.50% in September 2026. Assolombarda expects Milan province's GDP to grow 1.5% in 2026; the Bank of Italy describes Lazio's 2026 outlook as deteriorating.
8. **Florence outgrew Italy before 2019 but has lagged since, and its output fell back after the pandemic.** Jobs rose 6.8% between 2012 and 2019, against 3.1% for Italy, but only 1.2% between 2019 and 2023, against 2.9%. Florence's own competitive gain added 16,900 jobs before 2019; after 2019 it grew 8,800 jobs fewer than the national trend implies (Table C31). Nominal GDP fell 19.2% in 2020, against 7.4% for Italy, and by 2023 was only 8.0% above 2019, against 18.8% for Italy. Output per job was 14% above the Italian level in 2019 and 6% above it in 2023.
9. **Florence's real incomes have been flat.** Average declared income per taxpayer in the city rose 16.2% between 2019 and 2024, to EUR 30,869, while consumer prices rose 16.7%; in Italy declared income rose about 18.4%. Florence remains about 20% above the Italian income level. This measure includes pensions and self-employment income and cannot establish the labour-market growth mechanism. Flat average income weakens the broad premium-demand case but does not rule out demand-induced growth in particular sectors.
10. **Florence's visitor economy is at record arrival numbers, but tightly regulated.** The city recorded more than 4.7 million tourist arrivals in 2025 (+10%), and Florence airport handled 3.85 million passengers (+9.4%). Overnight stays in the Florence area were still 1.2% below 2019 (IRPET). Short-term lets supply 56% of tourist beds, and new ones are now banned in the historic centre and nine further zones.
11. **Florence's manufacturing has held up, but fashion is in a downturn.** Manufacturing jobs rose 5.0% between 2012 and 2023, against a fall of 1.6% in Italy. Pharmaceuticals made up 54.5% of the area's exports in 2025; excluding them, exports fell 4.7%. The Bank of Italy reports that Tuscan fashion activity remains below its level before the 2023 downturn.
12. **Florence's population is flat and ageing; housing is expensive and offices are a thin market.** The metropolitan population was 0.4% lower in 2025 than in 2012, at 988,068. Deaths have exceeded births by 5,400 to 6,700 a year since 2022, and migration from abroad only offsets this; the city itself loses residents to the rest of Italy. Asking rents were EUR 21.7 per m² per month in Q3 2026, the second highest of any Italian city, and asking prices EUR 4,623 per m² in Q2 2026 (idealista). Only 162 office units were sold in the city in 2024, 12.2% fewer than in 2023 (Agenzia delle Entrate, OMI).

The assumptions this advice is most sensitive to: the path of energy prices and ECB rates, which drive yields; whether Rome's employment returns to growth above the national rate; and the rate at which older office stock becomes obsolete as occupiers move to Grade A space. For Florence: whether visitor demand keeps growing under tighter short-let rules and a large hotel pipeline, and whether the fashion and leather sector recovers.

C2. Introduction: purpose, method and areas

This edition assesses whether, and how, an institutional investor should commit capital to real estate in Italy's two largest metropolitan areas and in Florence, and how they compare. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings. For Florence, the aim is to identify every asset class likely to benefit from the type of growth it is experiencing, not only offices.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Areas covered. The metropolitan areas are metropolitan cities (città metropolitane), which match the EU's NUTS 3 regions: Milan (ITC4C, 133 municipalities, 3.25 million residents at the end of 2024) and Rome (ITI43, 121 municipalities, 4.22 million). Milan's wider functional economy extends into Monza and Brianza and neighbouring provinces, which are not included here. The Metropolitan City of Florence (NUTS 3 code ITI14; Eurostat metropolitan region IT007M) is the city of Florence and 40 other municipalities, with 988,068 residents on 1 January 2025; the city of Florence had 361,625 residents at the end of 2025 on ISTAT's provisional count. Prato, which is closely linked to Florence by commuting, is a separate Eurostat metropolitan region and is not included. Italy is the reference economy throughout. Office sections use the brokers' own market and submarket definitions.

Method and data. Employment by sector comes from Eurostat's regional accounts: annual employed persons (employees and self-employed), consistent from 2012 to 2023, in ten sector groups. GDP is nominal, as constant-price GDP is not published for these areas; it is compared with Italy's nominal GDP and expressed as a share of it. Pay comes from ISTAT's Frame register of business local units: gross wages divided by employees, by sector, from 2015 to 2023. It covers businesses only, so public administration and finance are excluded, and it is a mean per employee that includes part-time work, not full-time equivalent pay. Real values use Italy's harmonised consumer price index (HICP) at 2023 prices. Growth is compared over two periods, 2012 to 2019 and 2019 to 2023. The most recent provincial accounts are for 2023, a year earlier than in the Nordic edition. Pay levels are not compared with the Spanish or Nordic editions, whose pay statistics are defined differently. 'Technology' is used as shorthand for NACE section J, information and communication. Growth types. Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020) and DiPasquale and Wheaton (1996), we distinguish observed growth from its inferred mechanism. Demand-induced growth begins with stronger demand for local goods or services: elastic labour supply favours job growth with modest wage gains, while a less elastic response favours larger wage gains. Supply-induced growth begins with an independent expansion of labour supply and, in the model, raises jobs while reducing real wages. Migration can initiate a supply shift or respond to job demand; its presence does not distinguish the two. Employment and pay movements are diagnostic clues, not causal identification or estimates of elasticity. Inflation, hours, worker composition and measurement coverage can alter the pay signal. Labels are therefore indicative and are assessed alongside sector demand, migration, participation and recruitment evidence; see Section 2 and Table 4b.

Method and data: Florence. The data come from a workbook compiled for this edition from Eurostat's regional accounts and demographic statistics, ISTAT's municipal population balances, INPS pay statistics and the Agenzia delle Entrate's property market observatory (OMI). Employment is employed persons at the place of work, including the self-employed, in eleven sector groups from 2012 to 2023. GDP is nominal, as volume GDP is not published for this area. The workbook contains pay levels for 2023 only (INPS average daily pay by sector and sex), so it cannot show how real pay has changed. As a proxy, this edition uses average declared income per taxpayer in the city of Florence from the Ministry of Economy and Finance (MEF) for 2019 and 2024, deflated by Italy's consumer price index. Declared income includes pensions and self-employment income as well as wages, so it is a broad measure of residents' income, not of pay. Growth is compared over 2012 to 2019 and 2019 to 2023. Pay levels are not compared with other editions, whose pay statistics are defined differently.

The investment cases. The report tests eight illustrative strategies:

Table C1. The strategies tested

City	Strategy	Asset	Location	Risk style
Milan	A	Stabilised, fully let Grade A office building	CBD (Duomo or Porta Nuova)	Core
Milan	B	Older office building, refurbished to Grade A	Well-connected semi-central location	Value-add
Milan	C	Rental housing, purpose-built	Milan municipality	Core-plus
Rome	A	Stabilised, let Grade A office building	CBD	Core
Rome	B	Older office building, refurbished to Grade A	EUR district	Value-add
Florence	A	Upscale or luxury hotel, repositioned or converted from a historic building	Historic centre and Oltrarno	Value-add
Florence	B	Purpose-built student housing, new or converted	Near university sites (Novoli, Careggi, Morgagni, the centre)	Core-plus to value-add
Florence	C	Rental housing, long lets	Florence city outside the historic centre and well-connected inner municipalities	Core-plus

Structure. Section C3 compares Milan and Rome, including the demand- and supply-side drivers of their growth, and sets Florence beside them (Section C3.5). Part C-I (Sections C4 to C8) covers Milan and Part C-II (Sections C9 to C13) Rome: metropolitan growth, prospects by asset class, the office market, housing and capital markets, and strategy appraisal. Part C-III (Sections C14 to C18) covers Florence on the same steps, with hotels and the visitor economy (Section C16) in place of the office market. Section C19 sets out risks and monitoring, and Section C20 lists sources.

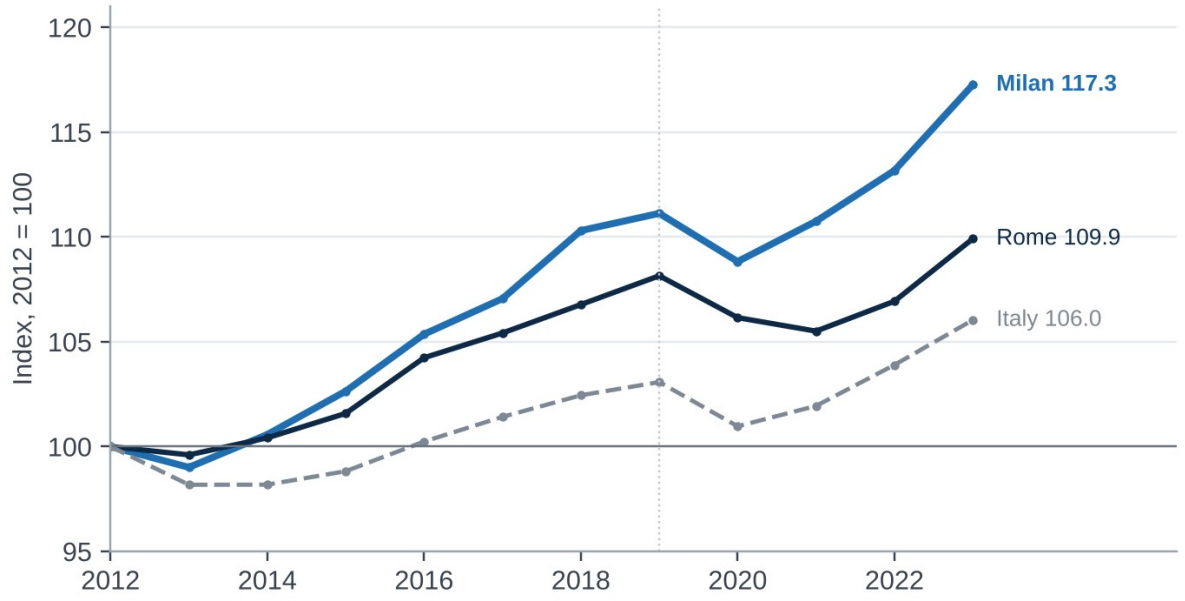
C3. Milan, Rome and Florence compared

Milan and Rome both added jobs faster than Italy between 2012 and 2023, but Milan grew almost twice as fast as Rome and gained share of national output, while Rome lost it. Florence, a much smaller metro, is set beside them in Section C3.5.

C3.1 Growth on matched data

Figure C1. Milan has pulled ahead; Rome's lead over Italy narrowed after 2019

Employed persons, regional accounts, 2012 to 2023 (index, 2012 = 100)



Source: Eurostat, regional employment (nama_10r_3empers), Milan (ITC4C), Rome (ITI43) and Italy, as compiled in the Milan and Rome data workbook; authors' calculations.

Employment in Milan rose 11.1% between 2012 and 2019 and 5.5% between 2019 and 2023; Rome's rose 8.1% and 1.6%; Italy's 3.1% and 2.9%. Milan grew faster than Italy in both periods. Rome grew more than twice as fast as Italy before 2019 but more slowly after it.

Table C2. Milan and Rome scorecard

Indicator	Milan	Rome	Basis
Population growth, 2012 to 2024	+3.9%	+1.8%	Metropolitan city, year-end residents
Employment growth, 2012 to 2023	+17.3%	+9.9%	Regional accounts (Italy +6.0%)
Regional shift, 2012 to 2019	+126,000 jobs	+78,100 jobs	Regional accounts vs Italy
Regional shift, 2019 to 2023	+45,800 jobs	-33,100 jobs	Regional accounts vs Italy
Nominal GDP growth, 2012 to 2023	+41.7%	+27.2%	Italy +31.2%
Share of Italian GDP, 2012 to 2023	10.0% to 10.8%	9.7% to 9.4%	Nominal GDP
GDP per resident, 2023	EUR 71,300	EUR 47,600	ISTAT (Italy EUR 36,300)
Mean business pay, 2023	EUR 38,500	EUR 30,200	ISTAT Frame (Italy EUR 28,500)
Real business pay, 2015 to 2023	-5.4%	-10.4%	Italy -8.7%
Technology / finance location quotient, 2023	2.45 / 1.89	2.25 / 1.34	Regional accounts, Italy = 1.0
Regional real GDP growth, 2025	Lombardy +0.7%	Lazio +0.6%	Bank of Italy (Italy +0.5%)
Office vacancy, Q2 2026: market / Grade A	9.6% / 3.6%	Below 7% / 1.6%	JLL
Prime office rent and yield	EUR 850; 4.00%	EUR 630; 4.50% to 4.75%	Colliers Q3 2026; Savills and BNP Paribas RE, mid-2026
Asking house prices, 12 months to August 2026	+3.5%	+6.0%	idealista, city

Sources: Eurostat regional accounts and population, and ISTAT Frame, as compiled in the Milan and Rome data workbook; Eurostat national GDP (via FRED, June 2026 vintage); ISTAT, Conti economici territoriali, December 2025; Banca d'Italia, L'economia della Lombardia and L'economia del Lazio, June 2026; JLL, H1 2026 office leasing release, July 2026; Colliers, Office Q3 2026; Savills, Italian Office Spotlight, July 2026; BNP Paribas Real Estate, Italy Investment Review H1 2026; idealista, August 2026; authors' calculations.

Where population growth comes from. Population change is the sum of natural change (births less deaths), net migration and a statistical adjustment. In both metros deaths exceed births, and only migration from abroad sustains the population (Table C2a). In 2024 Milan's population rose by about 1,000: natural change was -10,425, migration from abroad +22,127 and migration to the rest of Italy -6,079. Rome's fell by about 2,800, with natural change of -18,612, migration from abroad of +20,004 and a small net gain of +1,126 from the rest of Italy. The skills of these migrants, which shape their effect on wages and housing demand, cannot be measured with the data available to the authors.

Table C2a. Components of population change, 2024

Metro	Population change	Natural change	Net migration, abroad	Net migration, rest of Italy	Statistical adjustment
Milan	+996	-10,425	+22,127	-6,079	-4,627
Rome	-2,761	-18,612	+20,004	+1,126	-5,279

Source: ISTAT, census of population at 31 December 2024: regional focus for Lombardy and regional report for Lazio, April 2026. Figures are for the metropolitan cities (provinces).

Jobs per resident. Employment grew faster than population in both metros. Jobs located in Milan rose 6.4% per resident between 2012 and 2019 and 6.2% between 2019 and 2023; in Rome the ratio rose 5.5% and then 2.3%. A rising ratio can reflect falling unemployment, higher participation or more commuting into the area; Milan's wider functional economy extends beyond the metropolitan city, so commuting is likely to play a part there, but the data used here cannot separate these effects.

Synthesis by period. Table C2b summarises growth in each period and the type of growth it indicates.

Table C2b. Synthesis of growth patterns by period (average annual % change)

Metro	Period	Population	Employment	Real pay	Nominal output	Indicative mechanism	Main forces
Milan	2012-19	+0.6	+1.5	-0.8	+1.9	Consistent with supply-induced; cause unconfirmed	Business, finance and technology hub; jobs drawn from the rest of Italy and abroad
Milan	2019-23	-0.2	+1.4	-0.6	+5.6	Mixed or undetermined; real pay falls	Continued gains in most sectors; 2022 to 2023 inflation
Rome	2012-19	+0.4	+1.1	-1.4	+1.2	Consistent with supply-induced; cause unconfirmed	Tourism, culture and trade; capital functions
Rome	2019-23	-0.2	+0.4	-1.3	+4.0	Mixed or undetermined; real pay falls	Weak professional and public services; Jubilee and recovery-plan spending

Sources: Eurostat regional population, employment and GDP (current prices), and ISTAT Frame business pay deflated by HICP; authors' calculations. Real pay changes are for 2015 to 2019 and 2019 to 2023. Output is nominal, so the post-2019 figures include high inflation. Falling real pay may also reflect changes in the mix of workers. Growth types follow the framework in Section C2 and are indicative.

C3.2 Competitive engines

Table C3. Regional shift by sector, Milan and Rome (thousands of jobs)

Sector	Milan 2012-19	Milan 2019-23	Rome 2012-19	Rome 2019-23
J Information and communication	+10.3	+4.4	-2.6	+0.4
K Finance and insurance	+3.0	+6.9	+5.3	+2.1
M to N Professional and administrative	+21.3	-2.9	+7.4	-27.9
L Real estate	+1.3	+2.8	+1.7	+0.6
G to I Trade, transport, hospitality	+32.1	+16.5	+32.1	-4.8
O to Q Public admin, education, health	+2.6	+3.9	+2.2	-13.2
F Construction	+10.1	+4.0	+9.1	-0.1
B to E Industry and utilities	-1.2	+4.2	-11.5	-0.4
R to U Arts, other services, households	+46.3	+6.1	+35.1	+9.4
A Agriculture	+0.3	-0.1	-0.8	+0.7
Total	+126.0	+45.8	+78.1	-33.1

Source: Eurostat regional accounts, as compiled in the Milan and Rome data workbook; authors' calculations. Regional shift is the change in local employment less the change expected had each sector grown at its national rate. Rows may not sum to totals because of rounding.

- **Milan's advantage is broad and has held since 2019.** Before 2019 it gained on Italy in almost every sector, led by trade, transport and hospitality (+32,100), professional services (+21,300) and technology (+10,300). Since 2019 it has kept gaining in eight of ten sectors, including finance (+6,900) and technology (+4,400); only professional services slipped, by 2,900.
- **Rome's losses since 2019 are concentrated in two large sectors.** Professional and administrative services fell 27,900 jobs short of the national trend and public services 13,200. Rome's office-using sectors other than professional services held their own: finance gained in both periods and technology broke even after 2019.
- **Both cities gained strongly in arts, other services and households** (R to U), while this group shrank nationally. It includes households as employers of domestic workers, which may reflect changes in how domestic work is recorded; the authors have not verified the cause, so these gains are not treated as evidence of office demand.
- **Pay grew more slowly than inflation in both cities.** In Milan, real business pay rose only in professional and administrative services (+1%), real estate (+2%) and arts and other services (+2%); in Rome it fell in every group except arts and other services. Growth in both cities has come from more jobs rather than higher real pay, which is closer to the employment-led pattern of the Spanish editions than to Stockholm's.

C3.3 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables C3a and C3b rate each driver for the two metros. The ratings are the authors' judgement from the evidence shown.

Table C3a. Demand-side drivers of growth

Driver	Milan	Rome	Evidence
National economic influences	Weak, but the mix lets Milan outgrow Italy	Weak; Rome has lagged Italy since 2019	The Bank of Italy expects Italian GDP growth of 0.9% in 2026, 0.7% in 2027 and 0.8% in 2028; in 2025 Lombardy grew 0.7% and Lazio 0.6%, against 0.5% for Italy; Milan beat the national jobs trend by 45,800 in 2019 to 2023 and Rome fell 33,100 short (Table C3)
Amenities, infrastructure and tax	Strong	Moderate	Malpensa passengers rose 8.6% to 31.4 million in 2025 and Fiumicino 4.3% to 51.3 million; Italy's flat tax for new residents had 1,915 users in 2024, about half of them in Milan
Clusters and innovation	Strong	Moderate	Milan metropolitan city hosts 11,430 local units of foreign firms, 56.5% of Lombardy's, and Lombardy generates 37.9% of the value added of foreign-controlled firms in Italy; Lombardy ranks only 114th of 241 EU regions on the Regional Innovation Scoreboard 2025; Rome's technology quotient (2.25) is close to Milan's (2.45)
Population growth	Weak	Weak	Deaths exceeded births in both metros in 2024 and migration only offset the decline (Table C2a); Italy's population fell by 636 in 2025
Visitor spending	Moderate (Olympics a one-off)	Strong in 2025 (Jubilee a one-off)	The Jubilee drew over 33.4 million pilgrims; foreign arrivals in Lazio rose 27.8% in 2025, against 2.3% for Italy, and foreign spending 19.2% to over EUR 10 billion
Government spending	Moderate	Strong but fading	Capital functions (public services quotient 1.15); PNRR funding of about EUR 7.75 billion for Rome against EUR 2.9 billion for Milan; about EUR 2.9 billion of planned Jubilee works; Milano Cortina 2026 estimated at about EUR 2.5 billion of impact on Milan

Sources: Banca d'Italia, macroeconomic projections, October 2026, and regional reports for Lombardy and Lazio, June 2026; Assaeroporti 2025 data, as reported by ItaliaVola; Assonime, Towards Italy 7/2026; Confindustria Lombardia, 23 March 2026; Assolombarda, Regional Innovation Scoreboard 2025; ISTAT, Indicatori demografici 2025; Italpress, January 2026; Banca d'Italia, as reported by Quotidiano.net, 10 June 2026; Money.it, 9 October 2023 and 4 April 2025; Assolombarda and Milano&Partners, as reported by Milano Finanza, 16 February 2026; authors' calculations (regional shifts, location quotients).

Table C3b. Supply-side drivers of growth

Driver	Milan	Rome	Evidence
Immigration for non-wage reasons	Strong	Strong	Net migration from abroad was +22,127 in Milan and +20,004 in Rome in 2024 (Table C2a); Italy's net foreign migration was about 296,000 in 2025; the decreto flussi allows 497,550 non-EU workers over 2026 to 2028
Labour force participation	Weak (little room left)	Moderate	Lombardy's employment rate is 69.6%, 7.1 points above Italy, and Milan's unemployment fell to 3.0% in 2025; Lazio's employment rate is 64.2%, and its 2025 job growth came entirely from workers aged 50 and over
Public policy programmes	Moderate (favourable)	Weak	The impatriate regime, made less generous in 2024 (50% of income exempt, capped at EUR 600,000), had over 44,000 users in 2024; the flat tax for new residents, raised to EUR 200,000 in 2024 and EUR 300,000 in 2026, is concentrated in Milan

Sources: ISTAT, Indicatori demografici 2025; Ministero del Lavoro, 16 October 2025; Unioncamere Lombardia, Mercato del lavoro Q4 2025; Assolombarda, Milan labour market in 2025, March 2026; Banca d'Italia, L'economia del Lazio, June 2026, as reported by FISAC CGIL; Assonime, Towards Italy 7/2026; Taxing.it, 2024 impatriate regime.

How the drivers explain the growth pattern. Milan's specialised business activities provide demand-side evidence, while low unemployment, migration and recruitment indicate an important labour-supply response. Its aggregate pattern of rising jobs and falling real pay is consistent with a supply-induced component, but demand growth, inflation and worker composition may operate together. It should not be classified as an unqualified demand-induced case on those observations. Rome combines public and visitor demand with migration and later retirement, which may affect both supply and demand. Its larger pay decline (-10.4%, against Milan's -5.4%, in 2015 to 2023) describes weaker purchasing power, not a measured difference in causal supply contributions.

What could change the balance. For Rome, the end of the PNRR and the Jubilee removes demand that propped up growth in 2025; unless private demand replaces it, job growth may slow, consistent with the Bank of Italy's deteriorating outlook for Lazio. For Milan, tighter immigration, or housing costs that deter newcomers, would make labour supply less elastic, raising pay but slowing job growth, and a less generous flat tax would weaken the wealth effect.

C3.4 Relative implications for real estate

Table C4. Relative outlook by asset class, five to ten years

Asset class	Milan	Rome	Relative view
Prime offices	Strong: Grade A vacancy 3.6%, prime rent up 49% since early 2019	Strong but thin: Grade A vacancy 1.6%, smaller and less liquid market	Milan preferred for depth; Rome for yield
Value-add offices	Moderate: shortage of Grade A, but 9.6% overall vacancy is in older stock	Moderate: chronic scarcity of quality space, lower rents	Selective in both; refurbishment to Grade A, not repositioning of secondary stock as it is
Rental housing	Moderate: high rents and prices, falling real pay	Moderate: prices rising faster, higher gross yield	Similar; Milan deeper, Rome higher yield
Logistics	Strong: Lombardy is Italy's main logistics market	Moderate: consumption-led	Milan preferred
Hotels	Strong: international business and leisure demand	Strong: tourism, Jubilee legacy	Both

Overall. Neither city shows the rising real pay that, in the growth framework of Section C2, would on its own support premium space. The case for prime offices in these cities therefore rests on sector specialisation and the scarcity of Grade A space, not on a broad wealth effect, which in this framework would be needed for growth alone to support premium space. Milan offers the deeper and faster-growing market, with higher nominal output per worker, and has kept gaining jobs share since 2019, but it is priced for that at a 4.00% prime yield. Rome's Grade A office market is tighter still and its yields are 50 to 75 basis points higher, but its job growth has fallen below Italy's since 2019 and its market is smaller and less liquid.

C3.5 Florence beside Milan and Rome

Florence has under one million residents, against 3.25 million in Milan and 4.22 million in Rome, and is measured on the same Eurostat regional accounts. Its pay measure differs: declared income per taxpayer in the city, against mean business pay in Milan and Rome, so pay is compared by direction only (Table C4a).

Table C4a. Florence beside Milan and Rome

Indicator	Milan	Rome	Florence
Employment, 2012 to 2019 (Italy +3.1%)	+11.1%	+8.1%	+6.8%
Employment, 2019 to 2023 (Italy +2.9%)	+5.5%	+1.6%	+1.2%
Real pay or income	-5.4% (business pay, 2015 to 2023)	-10.4% (business pay, 2015 to 2023)	-0.4% (declared income, 2019 to 2024)
Location quotient, information and communication	2.45	2.25	0.89
Location quotient, finance	1.89	1.34	1.04
Population change, 2024	+996	-2,761	-717
Natural change, 2024	-10,425	-18,612	-5,721
Net migration, 2024	+22,127 from abroad; -6,079 rest of Italy	+20,004 from abroad; +1,126 rest of Italy	+5,004 in total, including statistical adjustment
Growth type, 2019 to 2023	Mixed or undetermined; real pay falls	Mixed or undetermined; real pay falls	Slow growth, below Italy; real income flat
Office market	Grade A vacancy 3.6%; prime yield 4.00%	Grade A vacancy 1.6%; prime yield 4.50% to 4.75%	No broker series; 162 office units sold in the city in 2024
Building permits per added household, 2013 to 2024	0.60	0.51	0.23
Price of an 80 m² home, years of household income, 2024	6.3	4.0	4.2

Sources: Tables C2, C2a, C2b, C25, C26 and C30, Sections C6, C11 and C17, and Sections 3.1 to 3.4; authors' calculations. Location quotients compare each metropolitan city with Italy for 2023. Housing ratios are the authors' calculations from building permits, household sizes and estimated transaction values (Section 3.4).

Reading. Florence shares the Italian pattern of natural decrease offset by migration from abroad, and of household growth outrunning new building permits, but not Milan's and Rome's specialisation in technology and finance. Like Rome, it has lagged Italy since 2019 after outgrowing it before. Its property case therefore rests on visitors, students and housing rather than offices, which is why Part C-III gives hotels and the visitor economy the depth that Parts C-I and C-II give offices.

Part C-I. Milan



Piazza del Duomo, Milan. Illustration adapted from a photograph by dconvertini, Wikimedia Commons · CC BY-SA 2.0

C4. Milan: metropolitan growth patterns

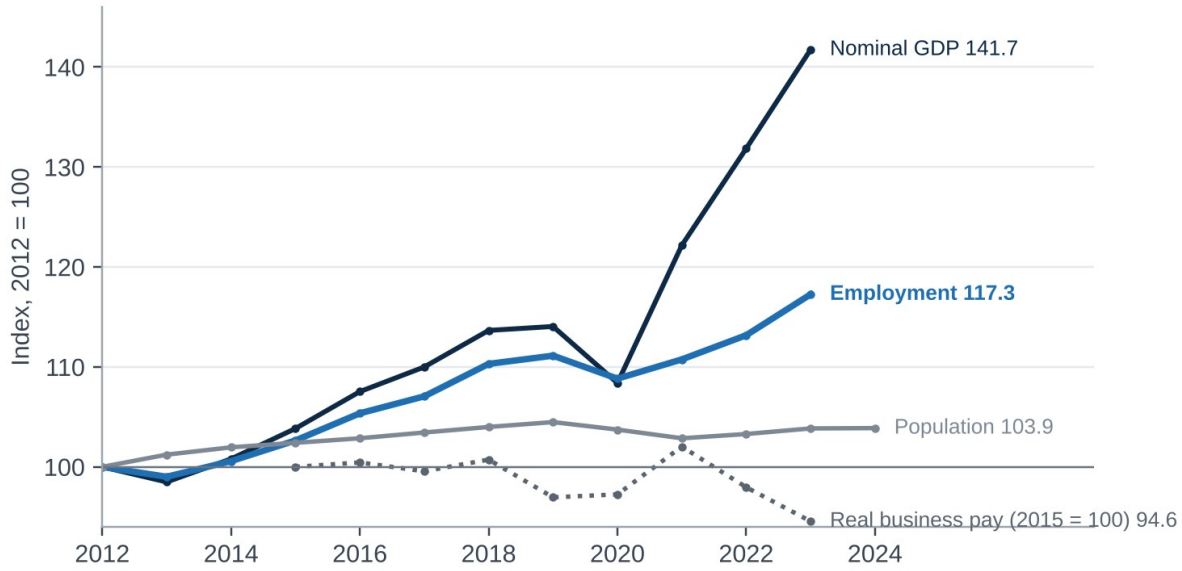
Metropolitan growth is analysed in four steps: summary indicators and forecasts (4.1), growth and pay by sector (4.2), specialisation and competitiveness against Italy (4.3) and the forces behind growth (4.4).

C4.1 Summary growth indicators

Milan grew in jobs and output much faster than Italy, but not in population or real pay: between 2012 and 2023 nominal GDP rose 41.7% and employment 17.3%, while population rose 3.9% to 2024 and real business pay fell 5.4% between 2015 and 2023.

Figure C2. Output and jobs grew; population stalled and real pay fell

Summary growth indicators, Milan metropolitan city, 2012 to 2024 (index, 2012 = 100; pay 2015 = 100)



Sources: Eurostat regional GDP, employment and population; ISTAT Frame; Eurostat HICP for Italy; as compiled in the Milan and Rome data workbook; authors' calculations. GDP is nominal; business pay is deflated by the HICP.

Employment. Employment rose from 1.81 million to 2.13 million between 2012 and 2023. It grew 11.1% to 2019, fell 2.1% in 2020 and has grown in every year since, by 3.6% in 2023 alone. More recent data point the same way: employment in the Milan area rose by 33,000 (+2.2%) in 2025 and unemployment fell to 3.0% from 4.2% (ISTAT labour force survey, as reported by Assolombarda).

Population. The metropolitan city grew from 3.13 million to 3.25 million (+3.9%), with all the growth before 2019 (+4.5%). Population fell in 2020 and 2021 and has since recovered only partly, ending 2024 0.6% below 2019. The authors are not certain how much of the 2019 to 2021 fall reflects the rebasing of Italian population figures to the permanent census rather than real change, so the post-2019 trend should be read with caution.

Output and pay. Nominal GDP rose from EUR 162.6 billion to EUR 230.5 billion, against 31.2% growth for Italy, and Milan's share of national GDP rose from 10.0% to 10.8%. GDP per resident was EUR 71,300 in 2023, almost twice the Italian level of EUR 36,300 (ISTAT), and GDP per employed person was about EUR 108,000, against EUR 82,000 for Italy. Mean business pay was EUR 38,500 in 2023, 35% above the Italian mean, but after inflation it was 5.4% below its 2015 level: it fell 3.0% to 2019 and 2.5% after, a smaller fall than Italy's 8.7%.

Forecasts. Real GDP in Lombardy grew 1.2% in 2024 (ISTAT) and 0.7% in 2025 (Bank of Italy), ahead of Italy each year. Assolombarda's October 2026 forecasts are 1.2% for Lombardy in 2026 and 0.9% in 2027, and 1.5% for Milan province in 2026, against 0.9% and 0.8% for Italy; it expects growth to slow in 2027 as recovery-plan (PNRR) spending ends. ISTAT's August 2026 projections have Italy's population falling from 58.9 million to 55.0 million by 2050, with the North broadly stable (27.5 million to 27.2 million); provincial projections were not included in the release.

Table C5. Historical and forecast growth, Milan

Indicator	History	Forecast	Forecast source
Population	+3.9%, 2012 to 2024; -0.6% since 2019	North of Italy broadly stable to 2050	ISTAT, August 2026 (macro-area)
Employment	+17.3%, 2012 to 2023; +2.2% in 2025	Not available at metro level	
Unemployment	3.0% in 2025	Not available at metro level	
Real GDP	Lombardy +1.2% (2024), +0.7% (2025)	Milan province +1.5% in 2026; Lombardy +1.2% (2026), +0.9% (2027)	Assolombarda, October 2026
Real business pay	-5.4%, 2015 to 2023	Euro area inflation 3.0% (2026), 2.5% (2027)	ECB staff projections, September 2026

Sources: history as Figure C2; ISTAT, Conti economici territoriali, December 2025; Banca d'Italia, L'economia della Lombardia, June 2026; Assolombarda, labour market note on 2025 (March 2026) and Booklet Economia Previsioni n. 9, October 2026; ISTAT, Previsioni della popolazione, base 1/1/2025, 31 August 2026; ECB monetary policy decision, 10 September 2026, as published by Banco de España; ECB staff projections as reported by LaPresse.

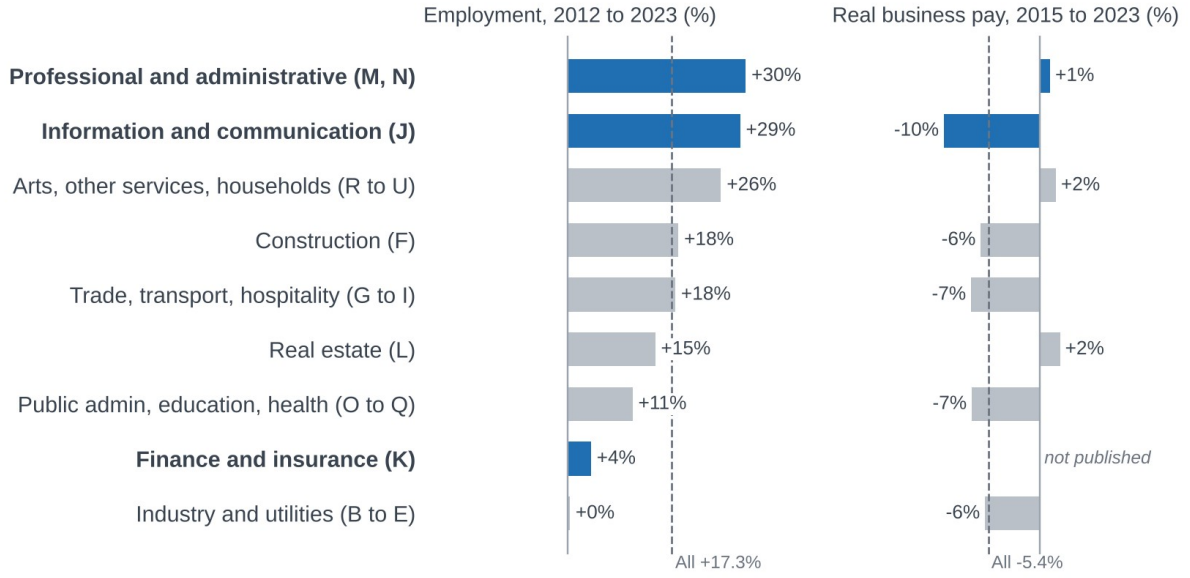
Reading for the investor. Milan's growth is the strongest of any metro in this series relative to its national economy, and it has continued since 2019. The weak spots are stalled population and falling real pay, which limit household spending power and housing affordability, and a forecast slowdown in 2027.

C4.2 Growth and pay by sector

Growth was led by office-using services: professional and administrative services rose 30% and information and communication 29% between 2012 and 2023, against 17% for all sectors, while industry stood still.

Figure C3. Professional services and technology led job growth; real pay fell in most sectors

Employment by sector, 2012 to 2023, and real mean business pay by sector, 2015 to 2023, Milan (% change). Office-using sectors in blue.



Sources: Eurostat regional accounts (employment); ISTAT Frame (pay, business local units only; finance not published); Eurostat HICP; authors' calculations.

Table C6. Employment by sector, Milan

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Italy jobs growth	LQ 2023
M to N Professional	342.6	444.1	+29.6%	+23.7%	1.57
J Technology	106.3	136.8	+28.7%	+14.1%	2.45
R to U Arts, other, households	175.2	219.9	+25.5%	-3.3%	1.14
F Construction	93.9	111.2	+18.4%	+1.6%	0.77
G to I Trade, transport, hospitality	462.3	545.1	+17.9%	+7.4%	0.99
L Real estate	20.6	23.6	+14.6%	-4.6%	1.60
O to Q Public services	263.1	291.5	+10.8%	+8.3%	0.71
K Finance	93.0	96.6	+3.9%	-6.7%	1.89
B to E Industry, utilities	250.6	251.5	+0.4%	-0.8%	0.72
A Agriculture	6.3	6.7	+6.3%	+3.3%	0.09
All sectors	1,813.9	2,127.0	+17.3%	+6.0%	1.00

Source: Eurostat regional accounts (employed persons including self-employed), Milan and Italy, as compiled in the Milan and Rome data workbook; authors' calculations.

Table C7. Business employees and real pay by sector, Milan

Sector	Staff growth 2015 to 2023	Mean pay 2023 (EUR)	Real pay 2015 to 2019	Real pay 2019 to 2023	Real pay 2015 to 2023	Italy real pay 2015 to 2023
M to N Professional	+26.3%	36,849	+0.3%	+0.8%	+1.2%	-4.3%
J Technology	+37.1%	50,624	-3.2%	-7.2%	-10.2%	-13.1%
B to E Industry, utilities	+9.9%	44,651	-5.7%	-0.1%	-5.8%	-6.6%
L Real estate	+39.4%	37,529	+5.1%	-2.8%	+2.2%	-8.0%
F Construction	+50.5%	34,178	+0.8%	-7.0%	-6.3%	-5.3%
G to I Trade, transport, hospitality	+25.7%	36,177	-4.4%	-3.0%	-7.3%	-10.5%
P to Q Education, health (businesses)	+36.6%	26,809	-2.0%	-5.3%	-7.2%	-9.3%
R to S Arts, other services	+5.8%	30,641	+15.4%	-11.8%	+1.8%	-4.0%
All business sectors	+25.0%	38,514	-3.0%	-2.5%	-5.4%	-8.7%

Source: ISTAT Frame (business local units; gross wages divided by employees from the same table), Milan and sum of Italian provinces; Eurostat HICP for Italy, 2023 prices; authors' calculations. Finance and public administration are not covered. Mean pay includes part-time employees and is not full-time equivalent pay; it is affected by changes in the mix of jobs.

Growth patterns by sector. Milan's data do not show a broad combination of rapid job growth and clearly rising real pay. Professional services and real estate grew faster than nationally in jobs while holding or slightly raising pay, consistent with demand-led expansion accommodated by labour supply. Falling real pay elsewhere is consistent with a supply-induced component, but inflation, hours and worker composition are competing explanations. Technology added jobs twice as fast as Italy, lost less real pay and retained the highest mean sector pay (EUR 50,600). Construction, trade, transport and hospitality added jobs while purchasing power per employee weakened. Professional services, technology and concentrated finance activity remain relevant sources of office demand.

C4.3 Specialisation and competitiveness

Milan is Italy's technology, finance and business services hub, and its specialisation has held or deepened since 2012 in all three, as well as in real estate.

Table C8. Location quotients by sector, Milan (Italy = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
J Information and communication	2.41	2.44	2.45	6.4%	Highly specialised, stable
K Finance and insurance	1.88	1.80	1.89	4.5%	Highly specialised
L Real estate	1.47	1.45	1.60	1.1%	Specialised and rising
M to N Professional and administrative	1.65	1.62	1.57	20.9%	Specialised, easing
R to U Arts, other services, households	0.97	1.13	1.14	10.3%	Rising to above average
G to I Trade, transport, hospitality	1.00	0.99	0.99	25.6%	Average
F Construction	0.73	0.76	0.77	5.2%	Below average
B to E Industry and utilities	0.79	0.73	0.72	11.8%	Below average, falling
O to Q Public admin, education, health	0.77	0.72	0.71	13.7%	Below average
A Agriculture	0.09	0.09	0.09	0.3%	Negligible

Table C9. Shift-share decomposition, Milan, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
M to N Professional	+69.5	+10.5	+37.7	+21.3	+32.0	+11.8	+23.1	-2.9
G to I Trade, transport, hosp.	+64.2	+14.2	+17.9	+32.1	+18.6	+15.1	-13.1	+16.5
R to U Arts, other, households	+48.1	+5.4	-3.6	+46.3	-3.4	+6.4	-15.9	+6.1
J Technology	+16.1	+3.3	+2.5	+10.3	+14.4	+3.5	+6.5	+4.4
O to Q Public services	+12.7	+8.1	+2.0	+2.6	+15.7	+7.9	+3.9	+3.9
L Real estate	+1.7	+0.6	-0.2	+1.3	+1.3	+0.6	-2.1	+2.8
A Agriculture	+0.6	+0.2	+0.1	+0.3	-0.2	+0.2	-0.3	-0.1
K Finance	-2.2	+2.9	-8.0	+3.0	+5.8	+2.6	-3.8	+6.9
F Construction	-2.4	+2.9	-15.4	+10.1	+19.7	+2.6	+13.1	+4.0
B to E Industry, utilities	-6.5	+7.7	-13.0	-1.2	+7.4	+7.0	-3.8	+4.2
Total	+201.8	+55.8	+20.0	+126.0	+111.3	+57.9	+7.6	+45.8

Source for Tables C8 and C9: Eurostat regional accounts, Milan and Italy, employed persons, as compiled in the Milan and Rome data workbook; authors' calculations, which reconcile to the workbook's own shift-share. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. Real estate's quotient of 1.60 applies to only 1.1% of Milan's jobs and finance's 1.89 to 4.5%, while trade, transport and hospitality (25.6%) and professional and administrative services (20.9%) are the largest employers; technology combines a quotient of 2.45 with a 6.4% share.

What the decomposition shows. Milan's own competitive gain, the regional shift, explains most of its job growth: 126,000 of 202,000 new jobs before 2019 and 45,800 of 111,300 after. National growth contributed about 56,000 to 58,000 jobs in each period, and Milan's favourable mix of fast-growing national sectors, above all professional services, added 20,000 before 2019 and 7,600 after. Finance is the clearest case of local strength: national finance employment fell 6.7%, but Milan gained share in both periods. Technology gained share in both periods. Professional services, the largest office-using sector, grew strongly but slightly below its national rate after 2019.

C4.4 Forces behind growth and the five-year outlook

Preliminary conclusion: Milan's growth has been driven by its role as Italy's business, finance and technology centre, which keeps attracting firms and jobs from the rest of the country, rather than by population growth or rising real pay.

1. **Hub functions and specialisation.** Technology, finance, professional services and real estate are highly concentrated in Milan and their concentration has held or risen, supporting output per worker 32% above the Italian level.
2. **Job growth across almost all sectors.** Milan gained jobs share in eight of ten sectors after 2019, and employment kept rising in 2025.
3. **Little population growth.** The population is barely above its 2012 level, so job growth has relied on higher employment rates and commuting from outside the metropolitan city.

4. **Falling real pay.** Business pay has not kept up with inflation since 2015, although Milan's fall was smaller than Italy's.

Firm attraction and research commercialisation. Algorithmiq established its global headquarters in Milan in May 2026 and raised EUR 18 million. This is a concrete example of international firm attraction, although the company retains significant operations in Finland and the announcement does not quantify additional Milan jobs or occupied space. Bocconi also confirms that Tech Europe Foundation connects Bocconi, Politecnico di Milano, ION, FSI and the Milan Chamber of Commerce to support research commercialisation and business formation (Algorithmiq; Bocconi).

Productive investment and geography. The European Commission approved EUR 211 million in Italian aid for CamGraPhIC in April 2026, locating the project in Bergamo and Pisa. This illustrates the wider industrial ecosystem, but cannot be counted wholly as investment in Milan metropolitan city. Aid approval is not evidence of completed investment. These examples strengthen the evidence for specific business demand mechanisms; they do not establish the dominant cause of metropolitan growth or change the interpretation in Table 4b.

Will these forces persist? The hub functions are durable, and Assolombarda expects Milan province to grow faster than Lombardy and Italy in 2026. The main constraints are the renewed rise in inflation and interest rates, the end of recovery-plan spending in 2027, and a stalled population, which limits labour supply and housing demand from new residents.

C5. Milan: growth prospects and real estate markets

Over the next five to ten years, Milan's growth pattern most clearly supports prime and newly refurbished offices, hotels and logistics; it supports housing demand, but falling real pay limits affordability.

Table C10. Asset classes and Milan's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Offices	Strong, polarised	Technology, finance and professional services specialised and growing	Grade A in the CBD and well-connected new districts	9.6% vacancy in older stock
Rental housing	Moderate	Jobs +17% since 2012; rents EUR 22.4 per m² per month	Purpose-built rental near transport	Real pay down 5.4%; affordability
Logistics	Strong	Lombardy is Italy's largest logistics market; trade and transport gaining share	Last-mile and regional distribution	Industry share falling
Hotels	Strong	Business and leisure demand; hospitality jobs gaining share	Central and well-connected hotels	Cyclical
Social infrastructure	Moderate	Public services gaining share since 2019, but under-represented	Healthcare and education	Public funding

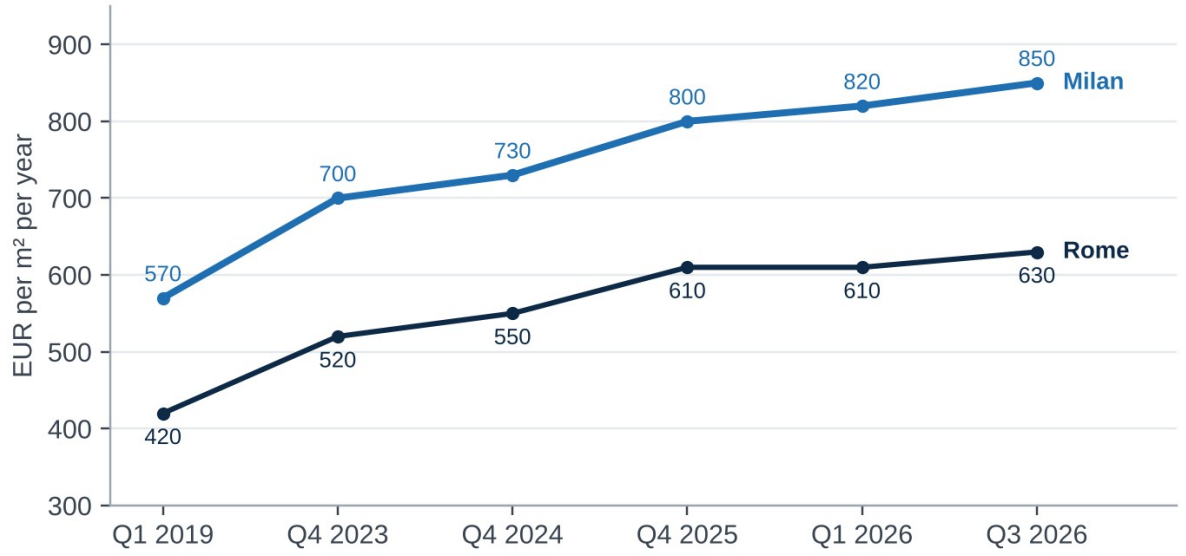
What the growth evidence does not support. Speculative development of secondary offices, or buying older offices without a refurbishment plan and budget, remains unsupported. Manufacturing employment trends alone do not justify general industrial development, but a falling employment share does not exclude demand for specialist research or production premises. These merit further underwriting only where a local occupier, location, space requirement and delivery programme can be verified. The Bergamo and Pisa project does not establish this demand within Milan metropolitan city. Venture funding and headquarters announcements likewise do not establish net additional occupied space.

C6. Milan: the office market

Milan's office market is polarised: Grade A space is scarce and prime rents are at record levels, while overall vacancy has edged up, mostly in older buildings.

Figure C4. Prime office rents have risen by about half since early 2019 in both cities

Prime office rents, Milan and Rome CBD (EUR per m² per year). Periods are not evenly spaced.



Sources: Gabetti, Office Market Overview Q1 2019; JLL, annual releases for 2023, 2024 and 2025 and Q1 2026; Colliers, Office Q3 2026; as compiled in the Milan and Rome data workbook. Providers' definitions of prime rent differ.

Table C11. Milan office market indicators

Indicator	Value	Period	Source
Vacancy, whole market	9.6% (Savills 9.2%)	Q2 2026	JLL; Savills
Vacancy, Grade A	3.6%	Q2 2026	JLL; Savills
Vacancy, Grade A in CBD Porta Nuova / Historic Centre	0.6% / 0.8%	H1 2026	Savills
Prime rent	EUR 850 per m² per year	Q3 2026	Colliers (Dils EUR 900; JLL EUR 830 in Q2)
Prime yield	4.00%	Q2 to Q3 2026	Colliers, Savills, BNP Paribas RE
Take-up, January to September	About 214,000 to 220,000 m²	2026	CBRE, Colliers, Dils
Take-up, full year	426,000 / 370,000 / 395,000 m²	2023 / 2024 / 2025	JLL
Office investment	EUR 340 million (-59%)	H1 2026	BNP Paribas RE

Sources: JLL, H1 2026 office leasing release, 18 July 2026, and annual releases; Savills, Italian Office Spotlight, 22 July 2026, as reported by idealista; Colliers, Office Q3 2026, 22 October 2026, and CBRE, Q3 2026 release, as compiled in the workbook; Dils, Q3 2026 market release, as reported by Qualitytravel, 9 October 2026; BNP Paribas Real Estate, Italy Investment Review H1 2026. Providers' figures differ because of definitions and coverage.

Demand and supply. Take-up was about 214,000 to 220,000 m² in the first nine months of 2026, down about 22% on 2025 (Dils), and average deal size has fallen (JLL). Annual take-up has been about 370,000 to 430,000 m² since 2023. Up-to-date pipeline figures were not available to the authors, so the volume of new Grade A supply should be checked with local brokers before any investment.

Rents. The prime rent was EUR 850 per m² per year in Q3 2026 (Colliers), up from EUR 700 at the end of 2023 and EUR 570 in early 2019, a rise of about 49%, well ahead of consumer prices, which rose about 19% between 2019 and 2024 (HICP). Providers differ: Dils reports EUR 900 and JLL EUR 830 in the Duomo area and EUR 800 in Porta Nuova.

A two-tier market. Overall vacancy has edged up from about 8% at the end of 2023 to 9.6% in mid-2026 (JLL), while Grade A vacancy is 3.6% and below 1% in the CBD. The spread between Grade A and older stock, not overall oversupply, is the main feature of the market. It is consistent with occupiers moving to better buildings, but confirming that would need leasing and absorption data by building grade, which brokers and owners hold.

C7. Milan: housing and capital markets

Housing. Asking prices for homes in Milan were about EUR 5,700 per m² in August 2026, up 3.5% over 12 months, but they have stalled: they fell 1.7% in Q3 2026 (idealista). Asking rents were EUR 22.4 per m² per month in Q3 2026, the highest of any Italian city, and rose 0.9% in the quarter. On these asking figures the indicative gross yield is about 4.7%, the authors' calculation; actual transaction prices and achieved rents may differ. The Bank of Italy reports that Lombardy's housing sales and prices accelerated in 2025.

Household demand and supply. Milan's population barely grows, but households keep forming as their average size falls: on the authors' calculation about 3,700 in 2024, almost all from smaller households, against 3,552 residential building permits in the metropolitan city (0.97). Over 2013 to 2024, however, permits covered only 0.60 of household growth, so the 2024 balance follows a long shortfall. New ordinary long-term leases in the city equal about 26% of household income in the metropolitan city, and the price of an 80 m² home is about 6.3 years of household income (2024), the highest of the three Italian metros (Section 3.4).

Capital markets. Italian property investment reached about EUR 10.6 billion in the first nine months of 2026, up 30%, with offices at about EUR 1.4 billion and living at nearly EUR 1 billion (Dils). In H1 2026 Milan attracted EUR 1.45 billion of retail investment but only EUR 340 million in offices, down 59% (BNP Paribas Real Estate).

Table C12. Milan pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, CBD	4.00%	Mid-2026	Colliers, Savills and BNP Paribas RE; Savills reports a 25 bps fall in H1, BNP no change
Prime high-street retail yield	3.90%	Q2 2026	BNP Paribas RE
Prime logistics yield, Italy, Grade A	5.40%	Q2 2026	BNP Paribas RE
Indicative gross residential yield, asking basis	About 4.7%	Q3 2026	Authors' calculation on idealista
Investment volume, Italy	About EUR 10.6 bn (+30%)	January to September 2026	Dils

Reading for the investor. A 4.00% prime office yield is only 150 basis points above the ECB deposit rate of 2.50%, and Savills reports that it compressed by 25 basis points in H1 2026. With inflation back above 4% and the ECB raising rates, there is little room for further compression and some risk of reversal. Observation dates differ: the policy benchmark is the ECB deposit rate of 2.50% effective from 16 September 2026, while the property yield retains the period stated in its source table. These arithmetic differences are not contemporaneous spreads, financing costs or property risk premia.

C8. Milan: strategy appraisal

Strategy A offers secure income in the tightest part of the market, and its main risk is the price paid; Strategy B targets the shortage of Grade A space but carries construction cost and letting risk; Strategy C has strong demand but faces affordability limits. All figures are illustrative.

Table C13. Value sensitivity to yield, Milan CBD (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: Grade A CBD office	4.00%	+14.3%	+6.7%	-5.9%	-11.1%

Source: authors' calculations on the 4.00% prime yield reported by Colliers, Savills and BNP Paribas RE (mid-2026).

A 25 basis point move changes value by about 6% to 7%, and a 50 basis point move by about 11% to 14%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. The risk at today's yields lies in the direction of rates, which are now rising, and in how little room is left for compression, not in the arithmetic of the change. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level.

Table C14. Summary assessment of the Milan strategies

Factor	A: core CBD office	B: refurbishment to Grade A	C: rental housing
Market tightness	Grade A vacancy below 1% in the CBD	Grade A vacancy 3.6%; overall 9.6%	High rents; stalled prices
Demand base	Technology, finance and professional services, specialised and growing	Same, seeking modern space	Job growth; little population growth
Pricing	Yield 4.00%; rent EUR 850	Yield and rent depend on location and quality achieved	Gross yield about 4.7% (asking)
Main risk	Paying a full price at 4.00% as rates rise	Construction cost and lease-up	Affordability; falling real pay
Verdict	Prioritise for underwriting, subject to entry price	Underwrite selectively, in well-connected locations	Underwrite selectively

From growth to space. Table C14a traces each material source of Milan's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table C14a. From growth to space: Milan

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Purpose-built rental near transport	Building permits covered 0.97 of new households in 2024 and 0.60 over 2013 to 2024 (permits count homes authorised, not finished)	**Construction.** The shortfall comes from steadily shrinking households rather than population growth. An 80 m² home costs 6.3 years of household income, the highest of the Italian metros, and real pay fell 5.4%.
Technology, finance and professional services jobs	Grade A offices in the CBD and new districts	Grade A vacancy 3.6%; market vacancy 9.6%, concentrated in older stock; 39 projects, about 394,000 m², due by 2029 (Savills)	**Adaptation, then construction.** Demand is for Grade A and the surplus is in older stock, so refurbishment to Grade A has market support (Strategy B). The pipeline due by 2029 will compete with refurbished space, so further speculative construction is not supported until it is let.
Output	Specialised, high-value space	As above	**Quality more than quantity.** Output per worker is 32% above the Italian level and Milan's share of national GDP rose from 10.0% to 10.8%, but real pay fell, so output gains are not reaching household budgets.
Visitors	Central and well-connected hotels	Not measured	**Not assessed.** Hospitality jobs are gaining share; the Olympics are a one-off.
Trade and transport	Last-mile and regional distribution	Not measured	**Not assessed.** Lombardy is Italy's largest logistics market.

Sources: Sections C4 to C8 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Milan's office demand can largely be met by upgrading the buildings it already has; its housing demand cannot, because shrinking households keep adding demand that new permits have not matched.

Recent evidence and what it supports testing. JLL recorded about 134,000 m² of take-up in H1 2026, about 60% of it in Grade A, and CBRE recorded 82,000 m² in Q3 2026. Savills records 214,000 m² for January to September 2026, 23% less than a year earlier, with Grade A at 75% of the total, and expects 39 projects, about 394,000 m², to be delivered by 2029. In housing, OMI recorded 29,173 ordinary long-term lettings in the municipality of Milan in 2025, at an average of €206 per m² a year, the highest in Italy, for an average dwelling of 68.6 m² (Rapporto Immobiliare 2026, Table 54). In the authors' judgement, this supports testing central Grade A offices and selective upgrades against the delivery pipeline, and using the OMI benchmark to screen unit sizes for rental housing, with achieved rents and lease-up verified at comparable new schemes.

Part C-II. Rome



The Colosseum from Via dei Fori Imperiali, Rome. Illustration adapted from a photograph by stefanorometours, Wikimedia Commons · CC BY 2.0

C9. Rome: metropolitan growth patterns

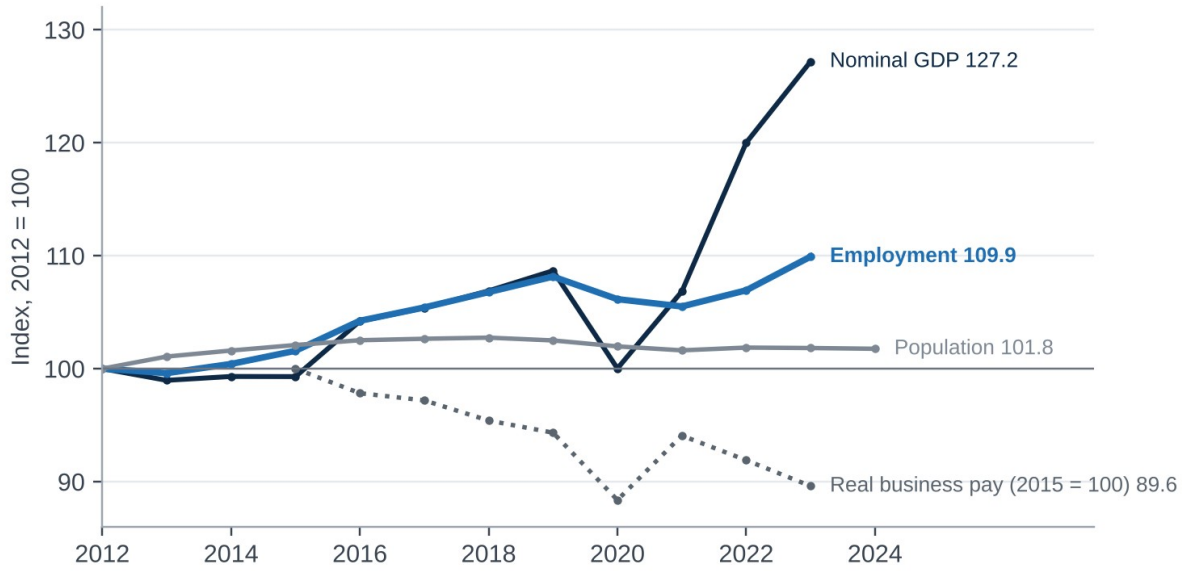
Rome's analysis uses the same data as Milan's: the Eurostat regional accounts for employment, GDP and population, and ISTAT's Frame register for business pay.

C9.1 Summary growth indicators

Rome grew faster than Italy in jobs until 2019 but not since, and its output grew more slowly than Italy's: between 2012 and 2023 employment rose 9.9% and nominal GDP 27.2%, while population rose 1.8% to 2024 and real business pay fell 10.4% between 2015 and 2023.

Figure C5. Jobs grew until 2019; output fell behind Italy's and real pay fell

Summary growth indicators, Rome metropolitan city, 2012 to 2024 (index, 2012 = 100; pay 2015 = 100)



Sources: Eurostat regional GDP, employment and population; ISTAT Frame; Eurostat HICP for Italy; as compiled in the Milan and Rome data workbook; authors' calculations. GDP is nominal; business pay is deflated by the HICP.

Employment. Employment rose from 2.02 million to 2.22 million between 2012 and 2023. It grew 8.1% to 2019, fell 1.8% in 2020 and recovered more slowly than Milan's, ending 2023 only 1.6% above 2019, against 2.9% for Italy. Across Lazio, employment rose 0.6% in 2025, with all of the gain among workers aged 50 and over (Bank of Italy).

Population. The metropolitan city grew from 4.15 million to 4.22 million (+1.8%). As in Milan, all the growth came before 2019, and the 2024 figure is 0.7% below 2019, subject to the same caution about the census rebasing.

Output and pay. Nominal GDP rose from EUR 158.3 billion to EUR 201.3 billion, below Italy's growth of 31.2%, and Rome's share of national GDP fell from 9.7% to 9.4%. GDP per resident was EUR 47,600 in 2023, 31% above the Italian level (ISTAT), and GDP per employed person about EUR 91,000. Lazio's real GDP in 2025 was still 1.4% below its 2007 level, while Italy's was 1.9% above (Bank of Italy). Mean business pay was EUR 30,200 in 2023, 6% above the Italian mean; after inflation it was 10.4% below its 2015 level, a larger fall than Italy's, and it fell in both periods.

Forecasts. Lazio's real GDP grew 1.2% in 2024 (ISTAT) and 0.6% in 2025, slightly above Italy, with about a third of 2025 growth attributed to the Jubilee year (Bank of Italy, as reported by Il Foglio). The Bank of Italy describes the indications for 2026 as deteriorating, with firms expecting lower investment and rising energy prices weighing on household incomes. The authors did not find a published numerical GDP forecast for Lazio or Rome for 2026; the national forecast is 0.9% (Assolombarda, October 2026). ISTAT's August 2026 projections have the Centre of Italy losing about 40,000 residents by 2030.

Table C15. Historical and forecast growth, Rome

Indicator	History	Forecast	Forecast source
Population	+1.8%, 2012 to 2024; -0.7% since 2019	Centre of Italy declining slightly to 2030	ISTAT, August 2026 (macro-area)
Employment	+9.9%, 2012 to 2023; Lazio +0.6% in 2025	Not available at metro level	
Real GDP	Lazio +1.2% (2024), +0.6% (2025)	No numerical regional forecast found; Italy +0.9% (2026), +0.8% (2027)	Banca d'Italia (qualitative); Assolombarda, October 2026
Real business pay	-10.4%, 2015 to 2023	Euro area inflation 3.0% (2026), 2.5% (2027)	ECB staff projections, September 2026

Sources: history as Figure C5; ISTAT, Conti economici territoriali, December 2025; Banca d'Italia, L'economia del Lazio, June 2026, and Il Foglio, 11 June 2026; ISTAT, Previsioni della popolazione, base 1/1/2025, 31 August 2026; Assolombarda, Booklet Economia Previsioni n. 9, October 2026; ECB staff projections, September 2026.

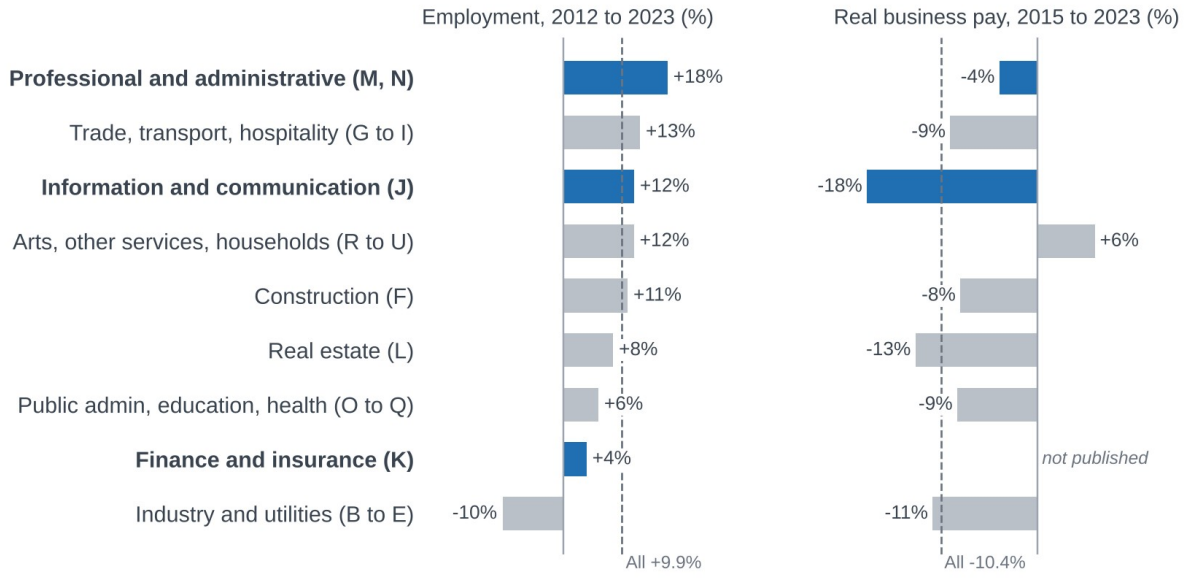
Reading for the investor. Rome is a large, high-income metro with a strong public, cultural and tourism base, but since 2019 it has not been gaining jobs share and its output has grown more slowly than Italy's. Occupier demand for prime space therefore depends more on the shortage of quality space, and on tenants upgrading, than on employment growth.

C9.2 Growth and pay by sector

Professional and administrative services (+18%), trade, transport and hospitality (+13%) and technology (+12%) led job growth between 2012 and 2023, while industry shrank (-10%).

Figure C6. Professional services led job growth; real pay fell in almost every sector

Employment by sector, 2012 to 2023, and real mean business pay by sector, 2015 to 2023, Rome (% change). Office-using sectors in blue.



Sources: Eurostat regional accounts (employment); ISTAT Frame (pay, business local units only; finance not published); Eurostat HICP; authors' calculations.

Table C16. Employment by sector, Rome

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Italy jobs growth	LQ 2023
M to N Professional	326.7	384.4	+17.7%	+23.7%	1.30
G to I Trade, transport, hospitality	487.2	550.5	+13.0%	+7.4%	0.96
J Technology	116.7	130.7	+12.0%	+14.1%	2.25
R to U Arts, other, households	282.6	316.4	+12.0%	-3.3%	1.57
F Construction	113.8	126.2	+10.9%	+1.6%	0.84
L Real estate	16.6	18.0	+8.4%	-4.6%	1.17
O to Q Public services	461.0	488.4	+5.9%	+8.3%	1.15
K Finance	68.7	71.4	+3.9%	-6.7%	1.34
A Agriculture	17.4	17.9	+2.9%	+3.3%	0.22
B to E Industry, utilities	127.2	114.1	-10.3%	-0.8%	0.31
All sectors	2,017.9	2,218.0	+9.9%	+6.0%	1.00

Source: Eurostat regional accounts (employed persons including self-employed), Rome and Italy, as compiled in the Milan and Rome data workbook; authors' calculations.

Table C17. Business employees and real pay by sector, Rome

Sector	Staff growth 2015 to 2023	Mean pay 2023 (EUR)	Real pay 2015 to 2019	Real pay 2019 to 2023	Real pay 2015 to 2023	Italy real pay 2015 to 2023
M to N Professional	+19.7%	27,780	-0.9%	-3.3%	-4.1%	-4.3%
J Technology	+14.2%	42,945	-11.8%	-7.5%	-18.4%	-13.1%
B to E Industry, utilities	+6.6%	39,439	-4.8%	-6.9%	-11.3%	-6.6%
L Real estate	+22.5%	28,759	-6.9%	-6.7%	-13.2%	-8.0%
F Construction	+39.3%	29,721	-1.5%	-7.0%	-8.3%	-5.3%
G to I Trade, transport, hospitality	+19.7%	27,816	-3.6%	-6.0%	-9.4%	-10.5%
P to Q Education, health (businesses)	+34.4%	21,283	-2.7%	-6.1%	-8.7%	-9.3%
R to S Arts, other services	+20.9%	28,677	-5.5%	+12.5%	+6.2%	-4.0%
All business sectors	+20.0%	30,181	-5.7%	-5.0%	-10.4%	-8.7%

Source: ISTAT Frame (business local units; gross wages divided by employees from the same table), Rome and sum of Italian provinces; Eurostat HICP for Italy, 2023 prices; authors' calculations. Finance and public administration are not covered. Mean pay includes part-time employees and is affected by changes in the mix of jobs.

Jobs growth with falling real pay. Rome added jobs in most sectors while real business pay fell in all but arts and other services, often by more than nationally. This is consistent with the supply-induced pattern in Section C2, but does not establish an independent labour-supply shift. Inflation and changes in hours or worker composition also matter, especially after 2019. Technology's real pay fell 18%; a shift towards lower-paid activities is possible but unverified. Professional-services employment grew more slowly than nationally and pay fell broadly in line with Italy. The business-pay premium over Italy is 6%, against Milan's 35%.

C9.3 Specialisation and competitiveness

Table C18. Location quotients by sector, Rome (Italy = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
J Information and communication	2.37	2.22	2.25	5.9%	Highly specialised, easing
R to U Arts, other services, households	1.41	1.50	1.57	14.3%	Specialised and rising
K Finance and insurance	1.25	1.29	1.34	3.2%	Specialised and rising
M to N Professional and administrative	1.42	1.38	1.30	17.3%	Specialised, falling
L Real estate	1.06	1.11	1.17	0.8%	Above average, rising
O to Q Public admin, education, health	1.22	1.16	1.15	22.0%	Above average, easing
G to I Trade, transport, hospitality	0.95	0.96	0.96	24.8%	Close to average
F Construction	0.79	0.83	0.84	5.7%	Below average
B to E Industry and utilities	0.36	0.31	0.31	5.1%	Under-represented
A Agriculture	0.23	0.21	0.22	0.8%	Under-represented

Table C19. Shift-share decomposition, Rome, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
G to I Trade, transport, hosp.	+65.9	+15.0	+18.9	+32.1	-2.6	+15.9	-13.7	-4.8
M to N Professional	+53.4	+10.0	+35.9	+7.4	+4.3	+10.9	+21.3	-27.9
R to U Arts, other, households	+38.0	+8.7	-5.8	+35.1	-4.2	+9.2	-22.8	+9.4
O to Q Public services	+19.9	+14.2	+3.5	+2.2	+7.5	+13.8	+6.8	-13.2
J Technology	+3.8	+3.6	+2.8	-2.6	+10.2	+3.5	+6.4	+0.4
L Real estate	+2.0	+0.5	-0.2	+1.7	-0.6	+0.5	-1.8	+0.6
K Finance	+1.5	+2.1	-5.9	+5.3	+1.2	+2.0	-2.9	+2.1
A Agriculture	+0.1	+0.5	+0.4	-0.8	+0.4	+0.5	-0.8	+0.7
F Construction	-6.0	+3.5	-18.6	+9.1	+18.4	+3.1	+15.4	-0.1
B to E Industry, utilities	-14.2	+3.9	-6.6	-11.5	+1.1	+3.2	-1.8	-0.4
Total	+164.4	+62.1	+24.3	+78.1	+35.7	+62.7	+6.1	-33.1

Source for Tables C18 and C19: Eurostat regional accounts, Rome and Italy, employed persons, as compiled in the Milan and Rome data workbook; authors' calculations, which reconcile to the workbook's own shift-share. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. Rows may not sum to totals because of rounding.

Quotients and shares. Rome's technology quotient of 2.25 applies to 5.9% of its jobs and finance's 1.34 to 3.2%; trade, transport and hospitality (24.8%) and public services (22.0%) are the largest employers.

What the decomposition shows. Before 2019, Rome gained 78,100 jobs over the national trend, led by trade, transport and hospitality (+32,100) and arts, other services and households (+35,100), with professional services (+7,400) and finance (+5,300) also gaining. After 2019 the regional shift turned to -33,100: Rome's sector mix should have added jobs, but professional and administrative services added only 4,300 jobs when national growth implied about 32,000, and public services fell 13,200 short of the national trend. Technology and finance, Rome's main specialised office sectors, held or gained share.

Where the region is competitive. Rome is highly specialised in technology (quotient 2.25) and increasingly in finance (1.34) and real estate (1.17), the sectors that occupy prime offices, and its concentration in these has held since 2019. Its weakness since 2019 is in the larger, more volume-driven professional and administrative services group and in public services. The data do not identify the causes; firm-level or sub-sector data would be needed.

C9.4 Forces behind growth and the five-year outlook

Preliminary conclusion: Rome's growth has been carried by its role as Italy's capital and its tourism and cultural economy, with a specialised technology and finance core, but its broader services economy has lost momentum since 2019.

1. **Capital-city functions.** Public administration, education and health employ nearly 490,000 people and are above the Italian average in concentration, but they have lost share since 2019.
2. **Tourism and culture.** Trade, transport and hospitality, and arts and other services, drove the gains before 2019; foreign tourist arrivals in Lazio rose 27.8% in the 2025 Jubilee year (Bank of Italy).

3. **A specialised office core.** Technology, finance and real estate are concentrated in Rome and held their share after 2019.
4. **Falling real pay and stalled population.** Business pay fell faster than in Italy, and population has not grown since 2019.

Will these forces persist? Capital functions and tourism are durable, but the Jubilee boost is over, recovery-plan spending ends in 2026 and 2027, and the Bank of Italy sees 2026 deteriorating. The office market's strength rests on a shortage of quality space rather than on employment growth.

C10. Rome: growth prospects and real estate markets

Table C20. Asset classes and Rome's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Offices	Moderate to strong for Grade A	Technology, finance and real estate specialised; chronic shortage of quality space	Grade A in the CBD and EUR	Employment lagging Italy since 2019
Hotels	Strong	Tourism; hospitality and culture gaining share before 2019	Central hotels	Post-Jubilee normalisation
Rental housing	Moderate	Large market; asking prices +6.0%	Purpose-built rental near transport	Real pay down 10.4%
Logistics	Moderate	Large consumer market	Last-mile	Industry under-represented and shrinking
Social infrastructure	Moderate	Large public services base	Healthcare and education	Public services losing share

What the growth evidence does not support. Secondary office space without refurbishment, and development that depends on Rome's employment growth outpacing Italy's, which it has not done since 2019.

C11. Rome: the office market

Rome's office market is small and tight: vacancy is below 7% and Grade A vacancy is 1.6%, and rents have risen as fast as Milan's since 2019, although from a lower level.

Table C21. Rome office market indicators

Indicator	Value	Period	Source
Vacancy, whole market	Below 7%	Q2 2026	JLL
Vacancy, Grade A	1.6%	Q2 2026	JLL
Prime rent, CBD	EUR 630 per m² per year	Q3 2026	Colliers (JLL EUR 620 in Q2)
Prime rent, EUR	EUR 400 per m² per year	Q3 2026	Colliers
Prime yield	4.50% (Savills) or 4.75% (BNP Paribas RE)	Mid-2026	Savills; BNP Paribas RE
Take-up, January to September	About 102,000 to 108,000 m²	2026	CBRE, Colliers, Dils
Take-up, full year	250,000 / 168,000 / 135,000 m²	2023 / 2024 / 2025	JLL
Office investment	EUR 260 million (-34%)	H1 2026	BNP Paribas RE

Sources: JLL, H1 2026 office leasing release, 18 July 2026, and annual releases; Colliers, Office Q3 2026, and CBRE, Rome Q3 2026, as compiled in the workbook; Savills, Italian Office Spotlight, July 2026, as reported by idealista; BNP Paribas Real Estate, Italy Investment Review H1 2026; Dils, Q3 2026 market release, as reported by Qualitytravel. Providers' figures differ because of definitions and coverage.

Demand and supply. Take-up was about 102,000 to 108,000 m² in the first nine months of 2026, up about 9% (Dils), after falling from 250,000 m² in 2023 to 135,000 m² in 2025 (JLL). Low take-up reflects the shortage of suitable space as well as weaker demand: JLL reports a Grade A vacancy rate of 1.6%. Pipeline figures were not available to the authors.

Rents. The prime CBD rent was EUR 630 per m² per year in Q3 2026 (Colliers), up from EUR 520 at the end of 2023 and EUR 420 in early 2019, a rise of 50%. Prime rent in EUR, Rome's main business district outside the centre, was EUR 400.

A supply-constrained market. Unlike Milan's, Rome's overall vacancy has stayed at or below about 7% since 2023. With Grade A vacancy at 1.6%, tenants seeking modern space have little choice, which supports rents for refurbished and new buildings even though employment growth has been weak.

C12. Rome: housing and capital markets

Housing. Asking prices for homes in Rome were about EUR 3,800 per m² in August 2026, up 6.0% over 12 months, and rose 0.7% in Q3 2026 (idealista). Asking rents were EUR 19.2 per m² per month in Q3 2026, up 1.9% in the quarter. On these asking figures the indicative gross yield is about 6.0%, the authors' calculation, more than a point above Milan's.

Household demand and supply. Rome's population fell in 2024, yet on the authors' calculation about 5,100 households were added, all from smaller households, against 5,423 residential building permits (1.07). Over 2013 to 2024, permits covered only 0.51 of household growth. New ordinary long-term leases equal about 22% of household income and the price of an 80 m² home about 4.0 years of household income (2024). In the authors' judgement, this long shortfall means the rental housing case, not tested for Rome, merits testing (Section 3.4).

Capital markets. Rome attracted EUR 260 million of office investment in H1 2026, down 34%, and EUR 207 million in hotels (BNP Paribas Real Estate). The prime office yield is 4.50% according to Savills and 4.75% according to BNP Paribas Real Estate, 50 to 75 basis points above Milan's.

Table C22. Rome pricing indicators, 2026

Indicator	Value	Period	Source
Prime office yield, CBD	4.50% to 4.75%	Mid-2026	Savills; BNP Paribas RE
Prime high-street retail yield	4.00%	Q2 2026	BNP Paribas RE
Indicative gross residential yield, asking basis	About 6.0%	Q3 2026	Authors' calculation on idealista
Office investment, Rome	EUR 260 million (-34%)	H1 2026	BNP Paribas RE
Hotel investment, Rome	EUR 207 million	H1 2026	BNP Paribas RE

C13. Rome: strategy appraisal

Strategy A offers secure income in a market with almost no Grade A vacancy, at a higher yield than Milan; Strategy B targets the same shortage in EUR at lower rents, and depends on lease-up. All figures are illustrative.

Table C23. Value sensitivity to yield, Rome CBD (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: Grade A CBD office (Savills yield)	4.50%	+12.5%	+5.9%	-5.3%	-10.0%
A: same, on BNP Paribas RE yield	4.75%	+11.8%	+5.6%	-5.0%	-9.5%

Source: authors' calculations on prime yields from Savills (H1 2026) and BNP Paribas Real Estate (Q2 2026).

A 25 basis point move changes value by about 5% to 6%, and a 50 basis point move by about 9% to 13%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. The risk at today's yields lies in the direction of rates, which are now rising, and in how little room is left for compression, not in the arithmetic of the change. Absolute capital values are not shown. Prime yields are quoted on net income, so capitalising a gross headline rent at a prime yield does not give a usable value; an underwriting value needs the asset's net income after non-recoverable costs, vacancy and incentives, and must deduct capex, leasing and purchase costs. The percentage changes do not depend on the income level. Strategy B is not tested, as no prime yield for EUR was available to the authors.

Table C24. Summary assessment of the Rome strategies

Factor	A: core CBD office	B: refurbishment to Grade A, EUR
Market tightness	Grade A vacancy 1.6%	Same shortage of quality space
Demand base	Technology, finance and real estate, specialised; relocation into better space	Larger occupiers needing modern floorplates
Pricing	Yield 4.50% to 4.75%; rent EUR 630	Rent EUR 400
Main risk	Weak employment growth; thin investment market	Construction cost; lease-up at lower rents
Verdict	Underwrite selectively, subject to entry price	Underwrite only with a pre-let or strong covenant

From growth to space. Table C24a traces each material source of Rome's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table C24a. From growth to space: Rome

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Purpose-built rental near transport	Building permits covered 1.07 of new households in 2024, when population fell, and 0.51 over 2013 to 2024	**Construction, not tested.** The long shortfall points to a rental case, but real pay fell 10.4% and the edition does not test a rental strategy for Rome.
Technology, finance and real estate jobs	Grade A offices in the CBD and the EUR district	Grade A vacancy 1.6%; market vacancy below 7%; a chronic shortage of quality space	**Adaptation and construction.** Tenants seeking modern space have little choice, so demand cannot be absorbed by existing Grade A. Refurbishment in the EUR district with a pre-let is the supported route, although employment has lagged Italy since 2019.
Visitors	Central hotels	Not measured	**Not assessed.** The Jubilee drew over 33.4 million pilgrims and foreign arrivals in Lazio rose 27.8% in 2025, but that support ends in 2026.
Public investment	Specialised premises and infrastructure	Not measured	**Not assessed.** About EUR 7.75 billion of PNRR funding, also ending in 2026; the edition does not trace it to premises.
Income and output	Better space	Price of an 80 m² home 4.0 years of household income (2024)	**Little additional demand.** Real pay fell and Rome's share of Italian GDP fell from 9.7% to 9.4%.

Sources: Sections C9 to C13 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Rome is the case where weak growth can still require new space: the existing office stock cannot meet demand for modern buildings, so refurbishment is needed even though employment has lagged Italy since 2019.

Recent evidence and what it supports testing. JLL recorded 59,000 m² of take-up in H1 2026, 48% more than a year earlier, 45% of it in Grade A; IPI records 40,409 m² in Q3 and 103,283 m² in the first nine months, 58% of it in Grade A or A Green buildings; Grade A vacancy is 1.6% and the prime rent €620 per m² a year (JLL). OMI recorded 10,818 ordinary long-term lettings in the municipality in 2025, at €162.2 per m² a year and 80.1 m² on average; about two-thirds of new long-term contracts use regulated rents (canone concordato). In the authors' judgement, this supports testing scarce central offices and an EUR district refurbishment with a pre-let, while rental development stays at screening stage until metropolitan completions and local lease-up can be verified.

Part C-III. Florence



Skyline from Piazzale Michelangelo, Florence. Illustration adapted from a photograph by Dimoegy1999, Wikimedia Commons · CC BY-SA 4.0

C14. Florence: metropolitan growth patterns

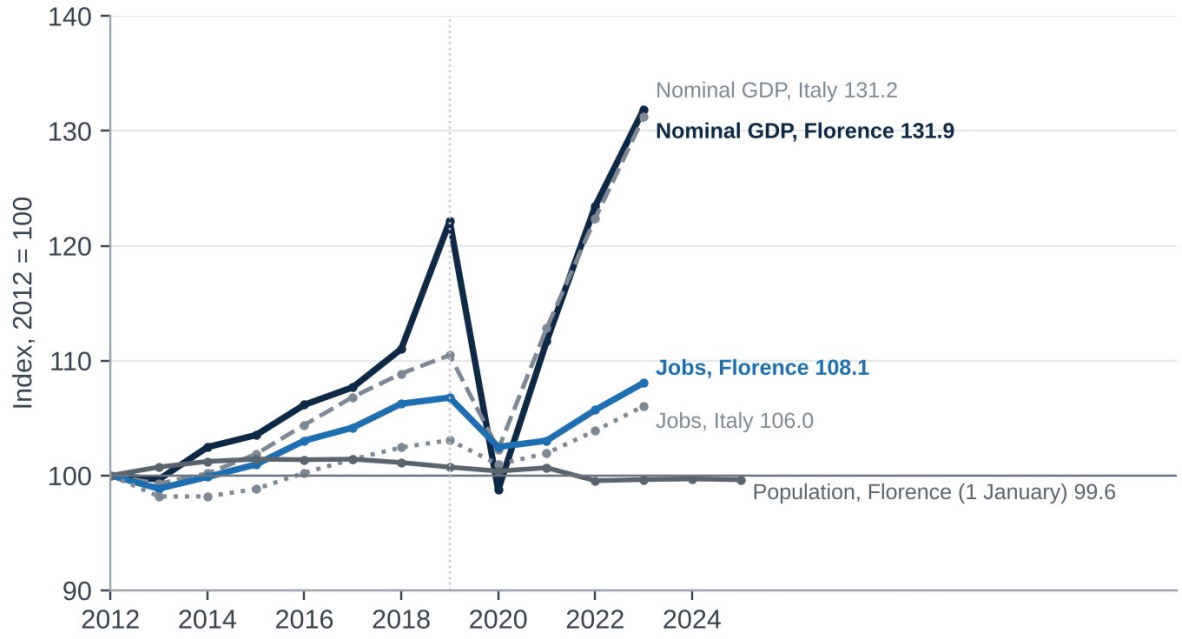
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (14.1), growth and pay by sector (14.2), specialisation and competitiveness against Italy (14.3), the demand- and supply-side drivers of growth (14.4) and the forces behind growth (14.5).

C14.1 Summary growth indicators

Florence grew faster than Italy in jobs and output until 2019, fell further in 2020 and has grown more slowly since; its population has been broadly flat.

Figure C7. Florence outgrew Italy until 2019, then fell back

Summary growth indicators, Metropolitan City of Florence (ITI14) and Italy, 2012 to 2023 (index, 2012 = 100)



Sources: Eurostat regional accounts (employed persons and nominal GDP) and population on 1 January, as compiled in the Florence data workbook; authors' calculations. Population to 2025. GDP is nominal.

Population. The metropolitan population was 991,721 on 1 January 2012 and 988,068 on 1 January 2025 (-0.4%), against a fall of 1.9% for Italy, so its share of the national population was stable at about 1.7%. It grew 0.1% a year between 2012 and 2019 and fell 0.3% a year between 2019 and 2023. The city of Florence fell from 369,885 residents at the start of 2019 to 361,625 at the end of 2025 (-2.2%, ISTAT; 2025 provisional), while the other 40 municipalities were broadly unchanged, at about 627,000.

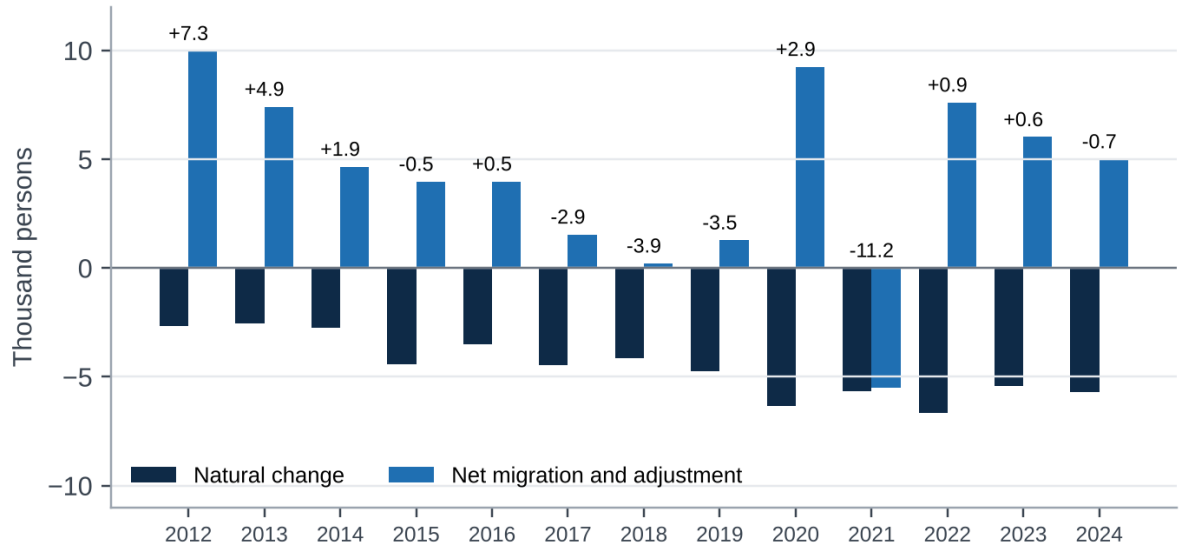
Employment. Jobs rose from 491,200 in 2012 to 530,800 in 2023 (+8.1%, against +6.0% for Italy). They grew 6.8% to 2019, against 3.1% for Italy, fell 4.0% in 2020 and grew 1.2% between 2019 and 2023, against 2.9% for Italy. More recent data are for residents, not jobs: the number of employed residents was 469,829 in 2025, down 0.1%, and the unemployment rate rose 0.9 points to 3.6% (ISTAT estimates, as reported by the Florence Chamber of Commerce).

Output and income. Nominal GDP rose from EUR 35.0 billion in 2012 to EUR 46.1 billion in 2023 (+31.9%, in line with Italy's 31.2%), but the path differed: it grew 22.1% to 2019, against 10.5% for Italy, fell 19.2% in 2020, against 7.4%, and by 2023 was 8.0% above 2019, against 18.8%. Florence's share of Italian GDP rose from 2.14% in 2012 to 2.37% in 2019 and fell back to 2.15% in 2023. Output per job was EUR 86,900 in 2023, 6% above the Italian level, down from 14% above in 2019. Prometeia estimates that the area's real GDP grew 1.0% in 2025 and expects 0.5% in 2026. Average declared income per taxpayer in the city of Florence was EUR 26,570 in 2019 and EUR 30,869 in 2024 (+16.2%), against consumer price growth of 16.7% (FOI excluding tobacco), so it was about 0.4% lower in real terms; the Italian average rose from about EUR 21,800 to EUR 25,820 (+18.4%), about 1.5% in real terms. Florence's income was about 22% above the Italian average in 2019 and 20% above in 2024.

Where population change comes from. Population change is the sum of natural change and net migration. Deaths have exceeded births in every year since 2012, by between 2,500 and 6,700 a year, and by 5,400 to 6,700 a year since 2022, so migration is all that keeps the population stable (Figure C8 and Table C25). Net migration fell close to zero in 2017 to 2019 and was negative in 2021, a year with large statistical adjustments.

Figure C8. Deaths exceed births; migration only offsets them

Components of population change, Metropolitan City of Florence, 2012 to 2024 (thousand persons; labels show total change)



Source: Eurostat, demographic balance, as compiled in the Florence data workbook. Net migration includes statistical adjustment, including census revisions.

Table C25. Components of population change, Florence, 2024 and 2025

Area	Year	Births	Deaths	Natural change	Net migration	of which domestic	of which from abroad	Population change
Metropolitan City of Florence	2024	5,921	11,642	-5,721	+5,004	n.a.	n.a.	-717
City of Florence	2025	2,123	4,208	-2,085	+2,005	-1,300	+3,305	-80
Other 40 municipalities	2025	n.a.	n.a.	-3,486	+3,992	+278	+3,714	+506

Sources: Eurostat, demographic balance (demo_r_gind3), and ISTAT municipal population balances for 2025 (provisional), as compiled in the Florence data workbook. The metropolitan figures include statistical adjustment; the 2025 municipal figures include registrations and cancellations for other reasons, so the components do not sum exactly to the change.

Jobs per resident. The area had 0.54 jobs per resident in 2023, against 0.44 for Italy, which points to commuting into Florence from neighbouring areas such as Prato and Pistoia, as well as higher employment. The ratio rose 6.0% between 2012 and 2019 and 2.3% between 2019 and 2023, against 3.6% and 4.3% for Italy.

Synthesis by period. Table C26 summarises growth in each period and the type of growth it indicates.

Table C26. Synthesis of growth patterns by period, Florence (average annual % change)

Area	Period	Population	Jobs	Real income per taxpayer	Nominal output	Indicative mechanism	Main forces
Florence	2012-19	+0.1	+0.9	n.a.	+2.9	Demand-side evidence; mechanism unconfirmed	Professional services, manufacturing, tourism and other services
Florence	2019-23	-0.3	+0.3	-0.1 (2019-24)	+1.9	Slow growth, below Italy; real income flat	Pandemic shock to tourism; fashion downturn; professional services still growing
Italy	2012-19	-0.1	+0.4	n.a.	+1.4	National reference	
Italy	2019-23	-0.3	+0.7	+0.3 (2019-24)	+4.4	National reference	

Sources: Eurostat population on 1 January, employed persons and nominal GDP for ITI14 and Italy, as compiled in the Florence data workbook; MEF declared income per taxpayer for the city of Florence (tax years 2019 and 2024, via Regione Toscana open data and La Nazione) and for Italy (as reported by Il Fatto Quotidiano and by the Emilia-Romagna regional statistics office), deflated by ISTAT's FOI index excluding tobacco; authors' calculations. Real income is for the city, not the metropolitan area, and includes pensions and self-employment income. Growth types follow the framework in Section C2 and are indicative.

Forecasts. In October 2026 the Bank of Italy projected Italian GDP growth of 0.9% in 2026, 0.7% in 2027 and 0.8% in 2028, with consumer price inflation of 3.2%, 2.4% and 1.7%, employment growth of 0.9%, 0.6% and 0.5%, and unemployment rising from 5.8% to 6.0%. Prometeia expects the Florence area's real GDP to grow 0.5% in 2026. The Bank of Italy reports that Tuscan firms expect stable turnover in 2026 and lower investment, and links the outlook to the rise in energy prices after the conflict in the Gulf. A population forecast for the metropolitan area was not available to the authors.

Table C27. Historical and forecast growth, Florence

Indicator	History	Forecast	Forecast source
Population	-0.4%, 2012 to 2025	Not available for the metropolitan area	
Jobs	+8.1%, 2012 to 2023	Italy: employment +0.9% (2026), +0.6% (2027), +0.5% (2028)	Bank of Italy, October 2026
Output	Nominal +31.9%, 2012 to 2023	Florence real GDP +0.5% (2026); Italy +0.9% (2026), +0.7% (2027), +0.8% (2028)	Prometeia, as reported by the Florence Chamber of Commerce (May 2026); Bank of Italy, October 2026
Real income	City, per taxpayer: -0.4%, 2019 to 2024	Italy inflation 3.2% (2026), 2.4% (2027), 1.7% (2028)	Bank of Italy, October 2026

Sources: history as Figure C7 and Table C26; Florence Chamber of Commerce, economic dashboard, May 2026 (Prometeia estimates); Banca d'Italia, macroeconomic projections for Italy, October 2026, as reported by Teleborsa, 16 October 2026.

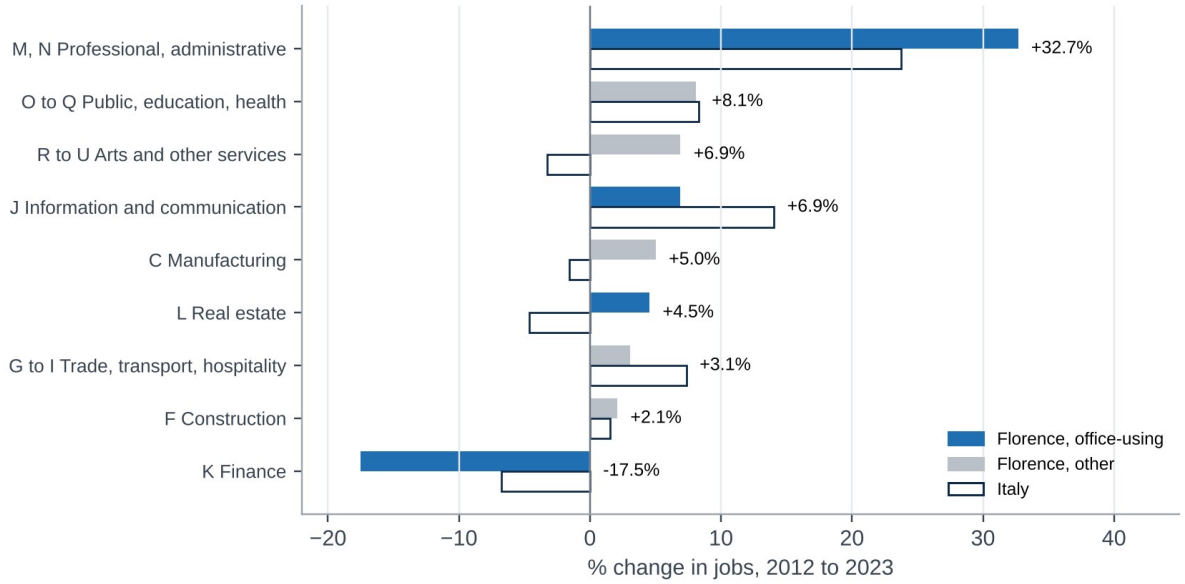
Reading for the investor. Florence's growth before 2019 was stronger than Italy's, but the pandemic hit its visitor economy harder than most, and the recovery has been slower than the national one. Real incomes have not risen and the population is flat, so growth alone does not provide a broad wealth effect. Demand for real estate in Florence depends more than in most metros on visitors, students and international buyers, not only on residents.

C14.2 Growth and pay by sector

Professional and administrative services led job growth; manufacturing grew while it shrank in Italy; finance shrank and trade, transport and hospitality grew more slowly than in Italy.

Figure C9. Professional services led job growth; finance shrank

Jobs by sector, Metropolitan City of Florence and Italy, 2012 to 2023 (% change). Office-using sectors in blue.



Source: Eurostat regional accounts (employed persons including self-employed), ITI14 and Italy, as compiled in the Florence data workbook; authors' calculations.

Table C28. Jobs by sector, Metropolitan City of Florence

Sector	Jobs 2012 (000)	Jobs 2023 (000)	Jobs growth	Italy jobs growth	Share of jobs 2023	LQ 2023
G to I Trade, transport, hospitality	129.8	133.8	+3.1%	+7.4%	25.2%	0.97
O to Q Public administration, education, health	89.3	96.5	+8.1%	+8.3%	18.2%	0.95
C Manufacturing	85.7	90.0	+5.0%	-1.6%	17.0%	1.13
M, N Professional and administrative	60.9	80.8	+32.7%	+23.7%	15.2%	1.14
R to U Arts and other services	52.1	55.7	+6.9%	-3.3%	10.5%	1.15
F Construction	28.8	29.4	+2.1%	+1.6%	5.5%	0.81
K Finance and insurance	16.0	13.2	-17.5%	-6.7%	2.5%	1.04
J Information and communication	11.6	12.4	+6.9%	+14.1%	2.3%	0.89
L Real estate	4.4	4.6	+4.5%	-4.6%	0.9%	1.25
All sectors	491.2	530.8	+8.1%	+6.0%	100.0%	1.00

Source: Eurostat regional accounts (employed persons including self-employed), ITI14 and Italy, as compiled in the Florence data workbook; authors' calculations. Rows exclude agriculture and energy, water and mining, so they do not sum to the total.

Table C29. Average daily pay by sector and sex, Florence and Italy, 2023 (EUR per paid day)

Sector	Florence, women	Florence, men	Italy, women	Italy, men	Florence as % of Italy, women	Florence as % of Italy, men
K Finance and insurance	144.2	195.1	147.3	216.7	98	90
J Information and communication	98.5	129.6	109.7	145.0	90	89
M Professional and technical	84.1	125.7	86.3	132.8	97	95
R Arts and recreation	81.3	123.4	73.9	107.5	110	115
C Manufacturing	97.5	120.4	95.3	119.0	102	101
L Real estate	79.6	109.4	77.9	129.7	102	84
G Trade	82.4	101.2	75.6	99.0	109	102
F Construction	79.9	96.7	79.9	92.3	100	105
P Education	76.5	88.9	72.5	81.6	106	109
N Administrative and support	66.0	82.9	63.0	81.1	105	102
Q Health and social work	64.7	76.6	66.2	87.5	98	88
I Accommodation and food	61.5	72.8	54.9	65.6	112	111
All sectors	83.4	107.6	79.8	107.5	105	100

Source: INPS, provincial social report for Florence 2024 (Table C33), average daily earnings of private-sector employees by sector and sex, 2023, as compiled in the Florence data workbook; authors' calculations. Daily pay is per paid day, so it is not affected by part-time years but is by part-time hours. The workbook does not contain the paid days needed to combine women and men into one average, or earlier years, so changes over time cannot be shown.

Growth types by sector. Without a pay series, growth types by sector cannot be classified as in other editions. The pay levels show a pattern that fits a visitor economy. Pay in accommodation and food, arts and recreation, and education is about 6% to 15% above the Italian level, while pay in finance, information and communication and professional services, the office-using sectors, is 2% to 11% below it. Florence's high-paying office sectors are therefore not the source of a wealth effect. Professional and administrative services grew fastest (+32.7%, against +23.7% for Italy), and they include the business services that support tourism, fashion and manufacturing. Finance lost 17.5% of its jobs, much more than in Italy.

C14.3 Specialisation and competitiveness

Florence is specialised in manufacturing, professional services, real estate and arts and other services; it is not specialised in finance or technology.

Table C30. Location quotients by sector, Metropolitan City of Florence (Italy = 1.0)

Sector	LQ 2012	LQ 2019	LQ 2023	Share of jobs 2023	Reading
L Real estate	1.16	1.17	1.25	0.9%	Specialised, rising
R to U Arts and other services	1.06	1.13	1.15	10.5%	Specialised, rising
M, N Professional and administrative	1.09	1.12	1.14	15.2%	Specialised, rising
C Manufacturing	1.07	1.15	1.13	17.0%	Specialised
K Finance and insurance	1.19	1.09	1.04	2.5%	Average; specialisation lost
G to I Trade, transport, hospitality	1.03	0.98	0.97	25.2%	Average, falling slightly
O to Q Public administration, education, health	0.97	0.94	0.95	18.2%	Average
J Information and communication	0.97	0.86	0.89	2.3%	Low
F Construction	0.83	0.82	0.81	5.5%	Low

Source: Eurostat regional accounts, employed persons including self-employed, ITI14 and Italy, as compiled in the Florence data workbook; authors' calculations.

Table C31. Shift-share decomposition, Metropolitan City of Florence, 2012 to 2019 and 2019 to 2023 (thousands of jobs)

Sector	Change 2012-19	National	Mix	Local	Change 2019-23	National	Mix	Local
K-N Finance, real estate, business services	+11.8	+2.5	+5.5	+3.8	+5.5	+2.7	+3.1	-0.3
O-U Public and other services	+10.3	+4.3	-0.3	+6.3	+0.5	+4.4	-2.3	-1.6
B-E Industry excluding construction	+8.0	+2.8	-4.7	+9.9	-2.7	+2.8	-1.5	-4.0
G-J Trade, transport, hospitality, ICT	+6.1	+4.3	+5.3	-3.5	-1.3	+4.2	-2.7	-2.9
F Construction	-3.0	+0.9	-4.7	+0.8	+3.6	+0.7	+3.7	-0.8
A Agriculture	+0.1	+0.2	+0.2	-0.3	+0.7	+0.2	-0.4	+0.8
Total	+33.3	+15.1	+1.3	+16.9	+6.3	+15.1	0.0	-8.7

Source: Eurostat regional accounts, employed persons, six sector groups, ITI14 and Italy, as compiled in the Florence data workbook; authors' calculations, which reconcile to the workbook's own decomposition for 2019 to 2023. National, Mix and Local are the national effect, industry-mix effect and regional (local) shift. The regional shift is an accounting residual, not a causal estimate of competitiveness. Rows may not sum to totals because of rounding.

Quotients and shares. A quotient shows concentration, not size. Manufacturing is the clearest specialisation by size: 17.0% of jobs, 1.13 times the Italian share, and it grew while Italy's shrank. Professional and administrative services, arts and other services, and real estate are also concentrated and rising. Finance has lost its specialisation, and information and communication remains below the Italian share, unlike in Milan or Berlin. Trade, transport and hospitality, which includes tourism, is the largest group, but its share is about the Italian average and has fallen slightly.

What the decomposition shows. Florence's own competitive gain, the regional shift, explains 51% of its job growth before 2019 (16.9 thousand of 33.3 thousand), led by industry and public and other services. After 2019 the shift turned negative (-8.7 thousand): Florence added 6.3 thousand jobs, against 15.1 thousand had it grown at the national rate. Every broad sector except agriculture lost share, most of all industry, and trade, transport, hospitality and ICT. Trade, transport, hospitality and ICT lost share in both periods, even before the pandemic.

C14.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables C31a and C31b rate each driver for Florence. The ratings are the authors' judgement from the evidence shown.

Table C31a. Demand-side drivers of growth, Florence

Driver	Rating	Evidence
National economic influences	Weak, and Florence has lagged Italy since 2019	The Bank of Italy expects Italian GDP growth of 0.9% in 2026, 0.7% in 2027 and 0.8% in 2028; Tuscany grew 0.4% in 2025, against 0.5% for Italy, and its value added has grown less than Italy's since the pandemic, with stagnant labour productivity; Florence grew 8,800 jobs fewer than the national trend in 2019 to 2023 (Table C31)
Amenities, infrastructure and tax	Strong amenities; moderate infrastructure	A world-class cultural and historic centre; Florence airport handled 3.85 million passengers in 2025 (+9.4%) and Pisa 5.98 million (+7.8%); the Florence airport master plan is still going through approval; tax incentives are national
Clusters and innovation	Mixed	Pharmaceuticals made up 54.5% of exports in 2025 (+136%); leather goods 9.5% (+0.4%), clothing 6.0% (+6.5%), footwear 4.5% (+11.6%) and general machinery 7.0% (+1.5%); exports excluding pharmaceuticals fell 4.7%; Tuscan fashion activity remains below its level before the 2023 downturn; patent intensity is in line with Italy but below the Centre-North
Population growth	Weak	-0.4% between 2012 and 2025; deaths exceeded births by 5,400 to 6,700 a year in 2022 to 2024 (Table C25)
Visitor spending	Strong	More than 4.7 million tourist arrivals in the city in 2025 (+10%); overnight stays in the Florence area +8.4% in 2025 but 1.2% below 2019; Tuscany 55.5 million stays, 59% of them foreign; foreign visitors' spending in Tuscany fell about 4.4% in 2025 (Bank of Italy, as reported by IRPET)
Government spending	Moderate	Regional capital; public administration, education and health is 18.2% of jobs (LQ 0.95); local governments raised current and capital spending in 2025, mainly through PNRR projects

Sources: Banca d'Italia, macroeconomic projections, October 2026, and L'economia della Toscana, June 2026; Toscana Aeroporti, 2025 results press release (10 March 2026); Florence Chamber of Commerce, economic dashboard, May 2026 (ISTAT Coeweb exports); Il Post, 27 May 2026 (city arrivals); IRPET, Rapporto Turismo in Toscana 2025 (July 2026); authors' calculations (shift-share, location quotients).

Table C31b. Supply-side drivers of growth, Florence

Driver	Rating	Evidence
Immigration for non-wage reasons	Moderate	Net migration of +5,004 offset most of the natural decrease in 2024 (Table C25); in 2025 the city gained 3,305 residents from abroad and lost 1,300 to the rest of Italy; 16.2% of the city's residents were foreign citizens in April 2026; the national decreto flussi allows 497,550 non-EU workers over 2026 to 2028
Labour force participation	Weak (little room left)	Unemployment was 3.6% in 2025, up 0.9 points; employed residents fell 0.1%; the area already has 0.54 jobs per resident, against 0.44 for Italy
Public policy programmes	Weak	High housing costs and new short-let limits act on housing supply, not labour; the authors found no programme specific to Florence that adds labour

Sources: Eurostat demographic balance and ISTAT municipal balances, as compiled in the Florence data workbook; Comune di Firenze, statistical bulletin, May 2026; Florence Chamber of Commerce, economic dashboard, May 2026 (ISTAT estimates); Ministero del Lavoro, 16 October 2025.

How the drivers explain the growth pattern. Before 2019, tourism, fashion and leather manufacturing, pharmaceuticals and business services outgrew Italy and the local shift was positive, providing demand-side evidence. There is no comparable pay series for that period, so the aggregate mechanism and labour-supply elasticity remain unconfirmed. Since 2019, the pandemic and the luxury-fashion downturn weakened important demand sources. Visitors recovered, but employment and output grew more slowly than nationally and real declared income per taxpayer was flat. Ageing, housing costs and low unemployment may constrain labour supply, but the data do not isolate their contribution or make the income series a wage measure.

What could change the balance. A recovery in luxury fashion, under Kering's new management among others, and continued growth in pharmaceuticals would strengthen demand. Visitor numbers are already high, so further growth depends more on spending per visitor than on numbers. On the supply side, migration from abroad keeps the population stable, but high rents and the conversion of homes to tourist use limit the number of workers who can live in the city.

C14.5 Forces behind growth and the five-year outlook

Preliminary conclusion: Florence's economy rests on its visitor economy, its fashion and leather manufacturing and its pharmaceutical industry, supported by business services. It outgrew Italy until 2019 but has lagged since, with flat real incomes.

1. **Visitors.** Arrivals reached a record in 2025, and the luxury hotel offer is expanding, but overnight stays are about at their 2019 level.
2. **Fashion, leather and pharmaceuticals.** Manufacturing jobs grew while Italy's fell, but fashion is in a downturn and exports outside pharmaceuticals fell in 2025.
3. **Business services.** Professional and administrative services added about 20,000 jobs between 2012 and 2023, the largest gain of any sector.
4. **A flat, ageing population.** Deaths exceed births; migration from abroad only offsets them.

Will these forces persist? Florence's cultural appeal is permanent, and pharmaceutical exports are growing fast. The constraints are slow national growth, the fashion downturn, the policy limits on short-term lets and tourism, and an ageing population.

C15. Florence: growth prospects and real estate markets

Over the next five to ten years, Florence's growth pattern most clearly supports student housing and upscale hotels, which serve demand from outside the resident population; it supports long-let housing moderately, and offices only weakly.

Table C32. Asset classes and Florence's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Student housing	Moderate to strong	High rents; the university funds rent support for out-of-town students; institutional investors are building and converting	Purpose-built beds near university sites	Current student and bed numbers not verified; regulated-rate beds; planning
Hotels	Moderate to strong for upscale	Record arrivals; luxury rates well above 2019; limits on new short lets	Upscale and luxury hotels in the historic centre	Large hotel pipeline; stays only at 2019 level; tourism policy
Rental housing	Moderate	Second-highest rents in Italy; short lets to be limited	Long lets outside the historic centre, near the tram	Flat population and real incomes; affordability
Luxury retail	Moderate	Visitor spending; Via de' Tornabuoni among Italy's top streets	Prime high-street units	Weak luxury sales; few units trade
Logistics	Not assessed	Manufacturing base in the Florence and Prato plain	Light industrial and urban logistics	Current rents and yields for Florence not verified
Offices	Weak	Professional services growing; finance shrinking	Small, well-located modern space	Thin market; offices being converted to other uses

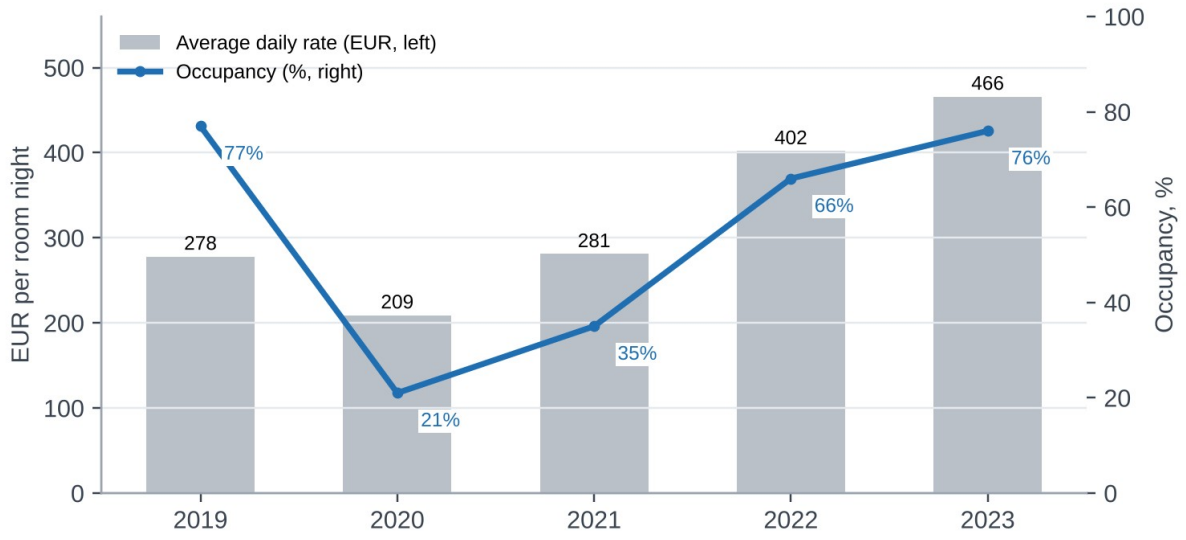
What the growth evidence does not support. Speculative office development or the refurbishment of older offices to Grade A: the office market is small, finance and technology are not specialisations, and investors are converting offices to student housing. Short-term rental investment in the historic centre is also not supported, since new short lets are banned there.

C16. Florence: hotels and the visitor economy

Florence's hotel market is supported by record visitor arrivals and very high luxury room rates, but a large pipeline of new rooms is opening.

Figure C10. Luxury room rates rose far above 2019 while occupancy recovered

Occupancy and average daily rate, upper upscale and luxury hotels, Florence, 2019 to 2023



Source: HVS, Florence Market Pulse, February 2024 (sample of about 3,000 rooms; 2023 partly preliminary). More recent figures for Florence were not available to the authors.

Table C33. Florence hotel and visitor indicators

Indicator	Value	Period	Source
Tourist arrivals, city of Florence	More than 4.7 million (+10%)	2025	City data, as reported by Il Post
Overnight stays, Florence area	+8.4% on 2024; -1.2% on 2019	2025	IRPET
Florence airport passengers	3.85 million (+9.4%)	2025	Toscana Aeroporti
Short-term lets	16,906 units, 56% of tourist beds	2026	City data, as reported by Il Post
Upper upscale and luxury hotels	Occupancy 76%; average daily rate EUR 466 (EUR 278 in 2019)	2023	HVS
Hotel supply	391 hotels and 14,883 rooms in 2019; about 2,000 rooms in the pipeline in 2024	2019 to 2024	HVS
Hotel investment, Italy	EUR 1.3 billion (-18%); EUR 170,374 per room	H1 2026	Cushman & Wakefield
Prime hotel yield, leased, Italy	4.5% to 5.0%	H1 2026	Cushman & Wakefield

Sources: Il Post, 27 May 2026; IRPET, Rapporto Turismo in Toscana 2025 (July 2026); Toscana Aeroporti, 2025 results press release (10 March 2026); HVS, Florence Market Pulse (February 2024); Cushman & Wakefield, Italy hotel MarketBeat H1 2026, as published by Hospitality Net. Italian hotel yields are national, not specific to Florence.

Demand. Arrivals in the city reached a record of more than 4.7 million in 2025, and overnight stays in the Florence area rose 8.4%, but stays were still 1.2% below 2019 (IRPET). Growth is driven by international visitors. Across Italy, RevPAR rose 11.3% in the first half of 2026, mainly through higher room rates (Cushman & Wakefield). Luxury hotels in Florence raised their average daily rate from EUR 278 in 2019 to EUR 466 in 2023, with occupancy back at 76% (HVS); more recent Florence figures were not available to the authors.

Supply. Florence had 391 hotels and 14,883 rooms in 2019, and the number fell by 38 hotels and about 1,000 rooms by 2022 (HVS). HVS counted a pipeline of about 2,000 rooms in early 2024, about 14% of supply, much of it already open. New luxury openings in 2025 and 2026 include The Hoxton (161 rooms), Collegio alla Querce (83 rooms), W Florence, Capella Florence (about 89 rooms) and La Réserve (Forbes Italia). At the same time, the city has banned new short-term lets in the historic centre, which has 35,593 homes, and in May 2026 extended the ban to nine further zones with 67,780 homes; existing lets must meet new standards by 2028.

Reading for the investor. The luxury segment has the strongest evidence: rates far above 2019 and short-let competition now capped. The risks are the volume of new luxury rooms, the dependence on international travel, and the fact that overnight stays have only returned to 2019 levels. Prime yields for leased hotels in Italy are 4.5% to 5.0%; Florence-specific yields were not verified.

C17. Florence: housing, offices and capital markets

Housing. Florence is one of the most expensive housing markets in Italy. Asking rents were EUR 21.7 per m² per month in Q3 2026, second only to Milan (EUR 22.4), up 1.1% in the quarter; a 70 m² flat costs about EUR 1,519 a month (idealista). Asking prices were about EUR 4,623 per m² in Q2 2026, the highest of Tuscany's provincial capitals, up 0.5% in the quarter. On these asking figures the indicative gross yield is about 5.6%, the authors' calculation; actual transaction prices and achieved rents may differ. Rents are high relative to incomes: average declared income per taxpayer was EUR 30,869 in 2024. The limits on short-term lets could return some homes to long lets from 2028, but how many is uncertain. Income varies widely within the city, from about EUR 42,800 per taxpayer around Piazzale Donatello to about EUR 22,200 in Le Piagge, Peretola and Brozzi (MEF, 2024).

Resident household demand. Resident demand also outruns supply. On the authors' calculation about 2,200 households were added in the metropolitan city in 2024, all from smaller households, against 442 residential building permits (0.20); over 2013 to 2024 permits covered 0.23 of household growth, the lowest of the thirteen metros. New ordinary long-term leases in the city equal about 24% of household income in the metropolitan city, and the price of an 80 m² home is about 4.2 years of household income (2024) (Section 3.4).

Student housing. Investors are adding purpose-built student beds. CDP Real Asset and Investire SGR began building 480 beds at regulated rates at Villa Monna Tessa near Careggi in January 2026, an investment of about EUR 40 million due to open for the 2027/2028 academic year. In July 2026 Investire's Student Living Italy 1 fund, for the Nido Livensa group, made its first investment of EUR 50 million to convert an office building in Via Caboto, near the Morgagni, Careggi and Novoli university sites, opening for 2028/2029. The University of Florence is spending EUR 1 million of its own funds on rent support for out-of-town students in 2026. In 2022, about 1,700 students eligible for regional student housing had no bed (as reported by gonews); more recent figures were not available to the authors.

Offices. The office market is small and thinly traded. Only 162 office units (cadastral category A/10) were sold in the city of Florence in 2024, down 12.2%, or 2.2% of the stock, and the OMI indicative value was flat at about EUR 2,290 per m² (Agenzia delle Entrate). Brokers do not publish regular office market reports for Florence comparable to those for Milan and Rome. The demand evidence is mixed: professional services are growing, but finance is shrinking and information and communication is under-represented. The conversion of offices in Via Caboto to student housing shows that some office stock is worth more in other uses.

Table C34. Florence pricing indicators, 2026

Indicator	Value	Period	Source
Asking rent, homes, Florence	EUR 21.7 per m² per month (+1.1% in the quarter)	Q3 2026	idealista
Asking price, homes, Florence	EUR 4,623 per m² (+0.5% in the quarter)	Q2 2026	idealista
Indicative gross residential yield, asking basis	About 5.6%	2026	Authors' calculation on idealista
Office sales, city of Florence	162 units (-12.2%); indicative value EUR 2,290 per m²	2024	Agenzia delle Entrate, OMI
Prime hotel yield, leased, Italy	4.5% to 5.0%	H1 2026	Cushman & Wakefield
Prime office yield, Milan and Rome	4.00% and 4.50%	H1 2026	Savills
Prime high-street rent, Via de' Tornabuoni	EUR 5,000 per m² per year	Early 2024	Scenari Immobiliari
ECB deposit rate	2.50%	29 October 2026	ECB, as reported

Sources: idealista, as reported by La Nazione, 7 July and 8 October 2026; Agenzia delle Entrate, OMI non-residential reports 2024 and 2025, as compiled in the Florence data workbook; Cushman & Wakefield, Italy hotel MarketBeat H1 2026; Savills, Italian Office Spotlight, as reported by idealista, 22 July 2026; Scenari Immobiliari, as reported by nss magazine, 13 March 2024; ECB decision of 29 October 2026, as reported by Trend.az. Florence-specific office, hotel and residential yields were not verified by the authors from a named source and are not shown.

Capital markets. Florence is one of the four Italian cities at the centre of the hotel investment market, with Rome, Milan and Venice (Finanza.com). Hotel investment in Italy was EUR 1.3 billion in the first half of 2026, down 18% on an exceptional first half of 2025 but 53% above the ten-year average, with foreign capital providing 67% (Cushman & Wakefield). The ECB raised its deposit rate in June and September 2026 and held it at 2.50% on 29 October, and Italian inflation was 4.2% in September 2026 (ISTAT).

Reading for the investor. A prime hotel yield of 4.5% to 5.0% is 200 to 250 basis points above the ECB deposit rate. With rates rising and inflation above 4%, there is little evidence of yield compression. Observation dates differ: the policy benchmark is the ECB deposit rate of 2.50% effective from 16 September 2026, while the property yield retains the period stated in its source table. These arithmetic differences are not contemporaneous spreads, financing costs or property risk premia.

C18. Florence: strategy appraisal

Strategy B has the clearest structural demand and the least competing supply; Strategy A has the strongest pricing but faces a pipeline of new rooms; Strategy C offers a reasonable gross yield on high rents, but flat incomes limit rent growth. All figures are illustrative.

Table C35. Value sensitivity to yield, Florence prime leased hotel (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: leased hotel, mid-point of Italian prime range (Cushman & Wakefield)	4.75%	+11.8%	+5.6%	-5.0%	-9.5%

Source: authors' calculations on the mid-point of the 4.5% to 5.0% prime yield for leased hotels in Italy reported by Cushman & Wakefield (H1 2026). It is a national figure, not a Florence-specific yield.

A 25 basis point move changes value by about 5% to 6%, and a 50 basis point move by about 10% to 12%. Because value is income divided by yield, a fall in the yield raises value slightly more than an equal rise reduces it. Absolute capital values are not shown. Prime yields are quoted on net income, so an underwriting value needs the asset's net income after operating costs, capex reserves and, for an operated hotel, the operator's fees, and must deduct capex, conversion and purchase costs. The percentage changes do not depend on the income level.

Table C36. Summary assessment of the Florence strategies

Factor	A: upscale or luxury hotel	B: purpose-built student housing	C: long-let rental housing
Market tightness	Luxury rates far above 2019; new short lets banned in the centre	High rents; few purpose-built beds; university funds rent support	Rents second highest in Italy
Demand base	International visitors; record arrivals	Students from outside Florence	Residents; flat population and real incomes
Pricing	Italian prime yields 4.5% to 5.0%	Yield not verified for Florence	Gross yield about 5.6% on asking figures
Main risk	New luxury rooms; dependence on international travel	Planning and conversion costs; regulated-rate requirements	Affordability limits rent growth; regulation
Verdict	Underwrite selectively, subject to entry price and the pipeline	Prioritise for underwriting, subject to entry price and planning consent	Underwrite selectively

From growth to space. Table C36a traces each material source of Florence's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table C36a. From growth to space: Florence

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Students	Purpose-built student beds near university sites	About 1,700 eligible students had no regional bed in 2022 (latest available); an office building in Via Caboto is being converted to student housing for 2028/2029	**Adaptation and construction.** Demand exceeds beds, and surplus offices are already being adapted to meet it. Current student and bed numbers were not verified.
Visitors	Upscale and luxury hotels	A pipeline of about 2,000 rooms (about 14% of supply) in early 2024, much of it already open; new short lets banned in the historic centre	**Construction largely under way.** Arrivals reached a record of more than 4.7 million in 2025 (+10%), but HVS reports that hotel occupancy and average rates both fell in 2025, so further hotel building needs evidence that demand keeps outgrowing the rooms now opening.
Households	Long-let homes outside the historic centre, near the tram	Building permits covered 0.20 of new households in 2024 and 0.23 over 2013 to 2024, the lowest in the series; homes have been converted to tourist use	**Construction, and recovery of homes from tourist use.** Population is flat, but households keep forming while new supply is minimal. In the authors' judgement, the limits on short lets could return some homes to long lets.
Professional services and manufacturing jobs	Small modern offices; light industrial space	No broker office series; 162 office units sold in the city in 2024 (-12.2%); industrial stock not measured	**Absorption in offices.** Office demand is weak enough for the existing stock to meet it, and some offices are worth more in other uses. Industrial space was not assessed.
Income	Better space	Price of an 80 m² home 4.2 years of household income (2024)	**Little additional demand.** Real declared income per taxpayer fell 0.4% in 2019 to 2024.

Sources: Sections C14 to C18 and 3.4, Tables 7 and 8, and the sources cited there. Judgements are the authors'.

Reading. Florence's demand comes mostly from outside its resident population, from students and visitors, and is being met partly by adapting buildings that have lost their original use: offices to student housing, homes to tourist lets. The city's own households have the weakest new supply in the series.

Recent evidence and what it supports testing. HVS reports that hotel occupancy and average rates both fell in 2025, after real revenue per available room more than 20% above 2019 in 2024, and that the remaining pipeline is a small number of luxury schemes. HVS also puts room-stock growth at 1.1% a year in 2018 to 2025, less than the pipeline cited in Section C16 implies; the two sources measure supply differently and have not been reconciled. OMI recorded 4,232 dwellings let on ordinary long-term contracts in the municipality in 2025, at an average of €167 per m² a year (Rapporto Immobiliare 2026, Table 54). In the authors' judgement, a hotel acquisition or conversion should be tested against the softer 2025 trading and the luxury openings, and student housing kept conditional on a campus-level count of competing beds, rents and occupancy.

C19. Risks, monitoring and review triggers

Table C37. Risks, indicators and suggested review triggers: Milan and Rome

Risk	Most exposed	What to monitor	Suggested review trigger
Interest-rate rises	Milan A and C; Rome A	ECB deposit rate; BTP and swap rates; prime yields	Prime CBD yield above 4.50% (Milan) or 5.25% (Rome)
Energy shock and inflation	All strategies	Italian inflation; energy prices	Inflation above 4% into mid-2027
Rome labour market	Rome A and B	Metro employment, regional shift	Regional shift still negative in 2024 and 2025 data
Obsolescence of older offices	Milan B; Rome B	Vacancy by grade; refurbishment costs	Grade A vacancy above 6% (Milan) or 4% (Rome)
Housing affordability	Milan C	Real pay; rents relative to incomes	Asking rents falling for two consecutive quarters
Hybrid working	All office strategies	Take-up per employee; utilisation	Take-up falling while employment rises

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Data refresh before any investment decision. Update office data to the latest quarter and reconcile providers' definitions; add pipeline data from local brokers; load the 2024 provincial accounts when Eurostat publishes them; check the population series for the census rebasing; and refresh the forecasts and ECB path.

Table C38. Risks, indicators and suggested review triggers: Florence

Risk	Indicator to monitor	Suggested review trigger
Tourism demand	Arrivals and stays; airport passengers	Overnight stays falling for two consecutive years
Hotel supply	Rooms opened and in the pipeline	Pipeline above 15% of existing supply
Short-let and housing policy	City regulations; regional tourism law	Limits extended to long lets or to hotels
Fashion and manufacturing	Exports excluding pharmaceuticals; furlough hours	A further year of falling exports excluding pharmaceuticals
Energy shock and rates	Energy prices; ECB deposit rate	Further ECB rate rises
Student demand	Enrolments; bed supply	Purpose-built beds growing faster than out-of-town enrolments

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The Florence figures should be refreshed quarterly. Florence-specific hotel performance, office and residential yields, and student enrolment and bed numbers should be obtained from a local partner with transaction, leasing and yield evidence before any investment.

C20. Sources

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