

Real Estate Strategic Outlook: Italy

Italian Economic outlook

Stabilising activity and a strong outlook for Milan

Italy's near-term outlook points to modest but steady growth, with GDP rising 0.5% this year and projected to rise 0.6% in 2026. The new US-EU trade deal should ease recent policy uncertainty, while inflation below 2% should support solid consumption momentum. Medium-term prospects are supported by investment and gradual productivity gains. Milan is anticipated to remain a key economic driver, with growth of around 1.2% in 2025-2029, led by a strong business-service base that could continue to drive demand across office, logistics and residential markets.

Milan Core Sectors: Offices, Logistics, Resi

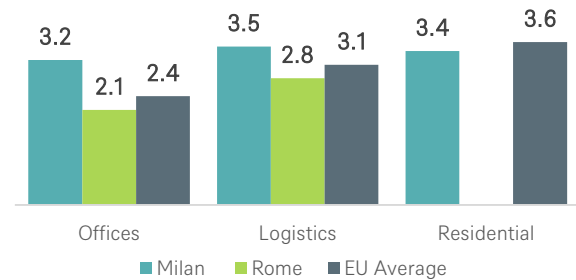
Strong fundamentals underpin broad-based growth

Milan's office market continues to benefit from flight-to-quality, with high-spec buildings in prime locations commanding strong rents and outperforming secondary stock. Leasing activity remains steady, and limited Grade-A supply should ensure offices remain highly resilient. Prime Grade A offices show a vacancy rate of just 3%¹, compared with 10% for the broader stock, while rental growth is projected at 3.2%² p.a. over 2025-29, one of the strongest in Europe.

Complementing the office market, logistics is supported by structural demand from e-commerce, nearshoring, and broader supply-chain diversification. Land scarcity around key hubs is keeping vacancy low, supporting rental growth, while infrastructure upgrades and ongoing take-up of modern space are reinforcing Milan's position as a leading logistics hub for both national and cross-border distribution.

Meanwhile, residential fundamentals remain positive, with tight supply and rising demand supporting rental growth. Purpose-built student accommodation (PBSA) is expanding rapidly, with over 10,000 new beds planned in Italy by 2027 to meet growing student demand. Some of the best opportunities may be found in major university cities with high student populations but limited existing PBSA stock, such as Milan, Rome, Bologna, Turin and Florence, where modern, well-located assets could achieve stable occupancy and rental growth. Across the residential spectrum, constrained new supply and stable occupancy continue to underpin strong investor interest in PBSA.

Milan Rental Growth in Key Sectors, 2026-30 (% p.a.)



Source: DWS, Q4 2025

Retail Snapshot

Recovery and investor interest appear to drive selective growth

Retail in Milan and broader Italy is showing signs of a clear recovery, with improved leasing activity and growing investor interest. Footfall has picked up, supported by rising tourism and consumer spending, while well-located assets continue to attract domestic and international retailers. As retail formats adapt to omnichannel trends and improved experience-led offerings, selective rental growth is expected. We currently favor retail parks and neighbourhood retail, especially grocery and services focused assets and portfolios.

Outlook

Milan's real estate market remains strong. We see potential opportunities in prime offices (particularly repositioning or conversion plays rather than new supply), modern logistics, and purpose-built student housing (PBSA). Office demand is concentrated in Grade A buildings, making repositioning, refurbishment, or conversion strategies potentially more attractive than speculative new builds. Logistics could benefit from structural e-commerce growth, while PBSA may offer upside given the ongoing demand-supply mismatch. In Rome, opportunities appear more selective, with the office market fragmented and upside more limited; logistics and PBSA continue to look relatively attractive.

¹ CBRE, November 2025

² DWS Forecasts, November 2025

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