

*Milan, September 29<sup>th</sup> 2020*

## **A GREAT DEAL OF TURMOIL IN THE MARKET: DEMAND HOLDS OUT (DESPITE COVID)**

Tirelli & Partners Società Benefit has presented today the **Observatory on Luxury Homes** with the figures referring to the first half year of 2020. The report analyses the highest segment of Milan's real estate market. By luxury homes we mean houses located in the following areas:

- Quadrilatero
- Old town
- Brera - Garibaldi
- Magenta
- Venezia - Manin - Giardini - Duse
- Residual area (homes which reflect the same parameters but are not situated in the areas mentioned)

which meet one of these requirements:

- Buying and selling psm value exceeding 7,000 euros or whose overall value is over 1 million euros
- rent over 200 euros / sqm or overall yearly rent exceeding 40,000 euros

### **Adjustments due to health emergency**

The first half year of 2020 includes the three months of nearly complete shutdown due to health emergency. By handling with a halved activity range the indicators covering such period cannot but record a negative sign. Attesting the undeniable is worthless to us, so the whole period of confinement between February 24<sup>th</sup> and May 17<sup>th</sup> has been removed from this survey. The report therefore shows the market trend over the three months of regular activity.

## Quality offer is increasingly scarce

In a market characterized by a highly limited stock of homes on sale, health emergency and preventative measures have caused a further decrease in the number of homes available. Milan thus confirms itself as a market steered by salespeople and their expectations and not as a 'buyers' market' as in most of the other Italian and powerful cities in the world. The average **absorption rate**, i.e. the quota representing the homes sold compared to the ones on offer, is still rising and exceeds **23%**. In Brera, the most requested area, this figure reaches 49%. The demand is highly over the offer – steadfast, but very selective in terms of quality. In June the qualitative survey carried out among our customers highlighted the following elements to be crucial: the presence of a private outdoor space, a wide-ranging panoramic view – over the greenery if possible, a higher overall size, brightness, proximity to commodity shops, silence and quiet, the availability of spaces aimed to Home Working and physical exercise.

The variations of the **prices required** are minimal (**+0.4%** if compared to the previous half-year). The **average discounts** are kept around **6%** but for quality homes the closing price is often close to the request. The **average timing of sales** is considerably falling, amounting to **6 months** (6.8 in the previous six months), but the best homes are sold far more quickly, in a month or often even less than that.

## The most expensive properties: prices and areas

In the six months – or rather in the full operation quarter, the most significant sale took place in Brera. All the other most important homes sold have a terrace.

District	Overall price	Surface	Price per sqm	State of use	Type of housing	Features
	(€)	(sqm)	(€)			
Brera	€5,600,000	480	€ 11,42	New	Attic	5 <sup>th</sup> floor with a terrace
Magenta	€4,550,000	370	€ 12,30	New	Flat	3 <sup>rd</sup> floor with a terrace
Quadrilatero	€3,800,000	225	€ 16,89	To renovate	Flat	3 <sup>rd</sup> floor with a terrace

## **Lease: steadiness and good perspectives**

The rental market shows two opposite trends according to the duration of the contract. On one hand the short term is suffering from the travel restrictions, and the segment with longer terms confirms an **absorption rate** around 30%, with the **average discount** getting lower, reaching the all-time low 5.5%. The average **time to lease** is fractionally increasing, anyway under 7 months. As far as the **rents** are concerned, the **medium** ones are stable, whereas the gap between the highest and the lowest rents is increasing.

## **Forecast**

Making predictions ignoring the current health situation is worthless. The hypothesis of a new shutdown would affect all sectors and have severe social and economic consequences.

The scenario everybody is hoping for is that of a 'new normal'. COVID-19 will keep on impacting people's lives and the economy but we all wish for a smooth prosecution of the new lifestyle begotten after the confinement.

In such scenario we might expect a further stabilization of the market of luxury homes. The quality of the supply will continue to dictate prices, rents, timing of sales and discounts.

That which has a quality will keep on meeting a decisive, solid, selective and international demand.

That which has less is bound to suffer and the adjustment of prices shall not always be enough to raise attention to the product. The effect of COVID-19 is clearly likely to progressively spread and a few ranges of the demand will have to quit their investment projects or at least decide to give up on them due to the worsened economic forecast.

We are expecting a strengthening of the demand for investment – real estate does not only preserve the asset value, but it also offers an interesting return if compared with the other asset classes.

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## **Tirelli & Partners srl Società Benefit**

*Tirelli & Partners SB is an atelier devoted to luxury residential properties and a real estate consulting company.*

*Founded in 1987 as a boutique for homeowners, buyers and hosts of luxury homes in Italy and the world, the company stands out for the quality of their service, being it residential or commercial, and their commitment to the customer.*

*Since 2003 it has published the Observatory on Luxury Homes on a semi-annual basis.*

*In 2020 Tirelli & Partners has become Società Benefit and has been the first Italian real estate company to achieve B Corp® certification.*