

10.2%

Grade A,B&C Vacancy Rate

YoY Chg

12-Mo. Forecast



476,000

Take-Up sqm



€600

Prime Rent €/sqm/yr



MILAN PROVINCE ECONOMIC INDICATORS 2019 (FULL YEAR)

YoY Chg

12-Mo. Forecast

0.7%

GDP Growth



6.0%

Unemployment Rate



2.03M

Employment



1.2%

Employment Growth



Sources: ISTAT and Oxford Economics.

Note: Employment data refers to workplace based employment, individuals who work within the urban area.

ECONOMY

Despite a combination of factors negatively affected the Italian economy in 2019, Milan experienced a countertrend, undergoing one of the best periods in terms of economic and financial performance. GDP growth has been positive (+0.7%) against the national trend (+0.2%). Unemployment rate decreased, reaching 6.0% (almost 4 points lower than the Italian average) and forecasts expect the same trend for 2020. Employees increased by 24,030 over the year, the overall number representing now the 62.8% of the entire population. Milan continues its growth as the center of one of the four motors for Europe.

OCCUPIER AND INVESTMENT FOCUS

A positive economic framework is boosting occupier demand: Q4 confirmed the strong upward trend of the office leasing sector which began at the onset of the year, marking a record in terms of annual volume – the highest within the last decade and around 51% above the 10-year average.

The co-working sector is expanding, particularly in Milan. Workplace strategies becoming such as quality, image and flexibility of the spaces which must encourage collaboration, stimulate efficiency, increase satisfaction at work and contribute to work/life balance, have become increasingly important for companies. These factors are leading to the increase of flexible office spaces, the intensification of tech use and the gradual transformation of traditional office buildings into open and multi-purpose workplaces.

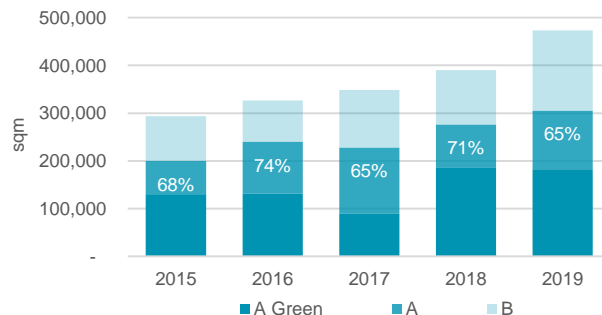
Despite the increase of speculative activity, the overall vacancy rate recorded a decrease, also due to the fact that some developments are leased before completion. The lack of supply of good-quality ready-to-use product and the demand for consolidation by major corporates are the two factors driving pre-let deals, which accounted for 24% of the take up.

In the investment market Milan confirmed its leadership in the country, with attention mainly focused on CBD, consolidated business districts and emerging locations subject to urban renovation. The 2019 has been the record year, with a volume of € 3.65 mln transacted, doubling the 2018. Prime yield in Milan further decreased in the last semester, reaching 3.25%.

OUTLOOK

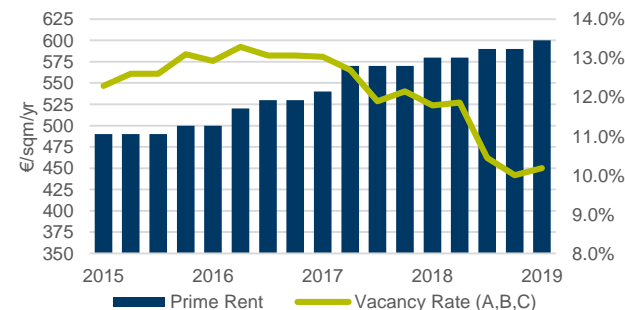
The outlook for the leasing markets remains positive, but at a lower level than this exceptional year. Grade A availability is forecast to reach the lowest level in the next years, given the high demand from operators for quality space and at risk of not matching expected demand). Prime headline rents are expected to slightly grow during the next year.

TAKE UP BY GRADE



Note: Percentages refer to the share of grade A-A Green take up on total take up.

OVERALL VACANCY & PRIME RENT





## MARKET STATISTICS

SUBMARKET	OVERALL VACANCY RATE (Grade A,B&C)	YTD OVERALL TAKE-UP(SQM)	UNDER CNSTR (SQM)	PRIME RENT €/sqm/yr	PRIME YIELD (NET*)
CBD	5.0 %	129,000	196,000	600	3.25 %
Centre	7.0 %	37,000	77,000	480	4.00 %
Semi Centre	3.2 %	79,000	100,000	350	4.50 %
Periphery	16.4 %	122,000	270,000	280	4.75 %
Hinterland	13.8 %	109,000	42,000	240	5.75 %
<b>TOTALS</b>	<b>10.2</b>	<b>476,000</b>	<b>685,000</b>	<b>600</b>	<b>3.25%</b>

## KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
U1 Viale Milanofiori & Str 4, 4	Hinterland	Consulting/Business Services	31,500	Pre Lease
The Sign Via Schievano 6	Periphery	Consulting/Business Services	15,900	Pre Lease
Urban Cube Viale Sarca, 223	Periphery	Media/Advertising	15,900	Pre Lease
Corso Como Place (Tower) Via Nino Bonnet, 10	Cbd	Consulting/Business Services	14,300	Pre Lease
Via della Moscova, 33	Cbd	Fashion	11,300	Pre Lease

## KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Galleria Passarella	Cbd	Goldman Sachs / DEA Capital Real Estate SGR	15,000	290
Sky Complex	Periphery	Risanamento /REAM SGR -Landlease	95,000	262.5
Palazzo dell'Informazione	Cbd	DeA Capital Real Estate SGR / Rovati Family	26,500	175
Pirellino – Via Pirelli 39	Cbd	Comune di Milano / Coima	30,000	194
Via Santa Margherita 12	Cbd	Kryalos SGR /Mediobanca	6,500	102.5

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(\*) NOTES:

(\*) Yields are calculated on a net basis as reported below:

Net Yield = NOI (1) / PP (2)

1. Net Operating Income - after deducting all non-recoverable expenditure

2. Purchasing Price – excluding transfer costs, tax and legal fees

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

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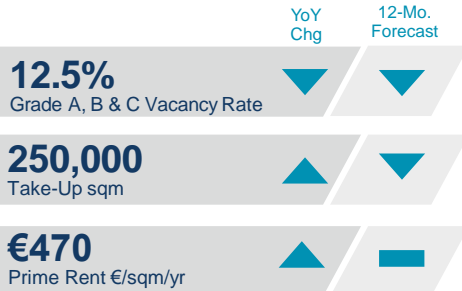
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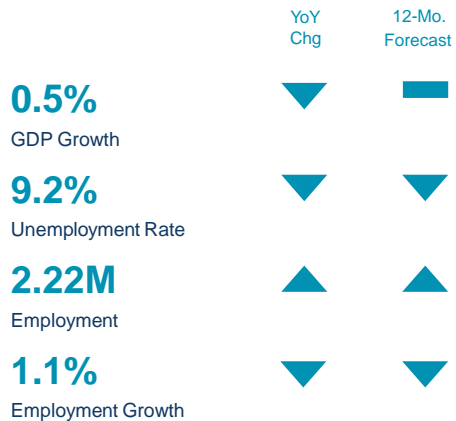
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# ROME

Office Q4 2019



## ROME PROVINCE ECONOMIC INDICATORS 2019 (FULL YEAR)



Sources: ISTAT and Oxford Economics.

\*Note: Employment data refers to workplace based employment, individuals who work within the urban area.

## ECONOMY

Even though a combination of factors negatively affected the Italian economy in 2019, the Province of Rome was impacted to a lesser extent. Indeed, GDP growth has been positive (+0.5%) against the national trend (+0.2%). Unemployment rate decreased, reaching 9.2% - lower than the Italian average, 9.8% - and forecasts expect the same trend for 2020. Employees increased by 23,629 over the year, the overall number representing now the 50.7%\* of the entire population. As the Italian economy recovers from the past recession, the Province of Rome is already showing remarkable improvements.

## OCCUPIER AND INVESTMENT FOCUS

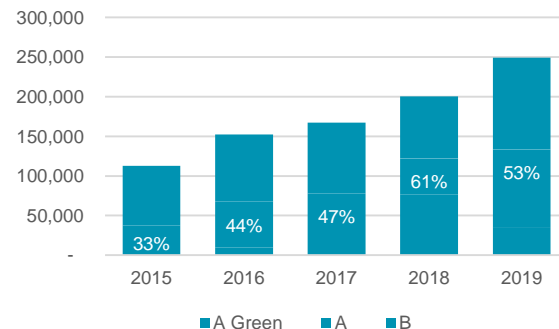
For the fifth consecutive year, the Rome market has recorded a growth marking a record in terms of absorption, reaching around 250,000 sqm by year end. Although not on the seismic scale of Milan, Rome is also experiencing some profound changes: while in more central areas, particularly favoured by tourism, some buildings are undergoing conversions to hotels, there are a number of value-add investments, improving the office stock in more core locations as well as other areas with a consolidated urban context and existing infrastructure. Even if the bulk of the market continues to be driven by existing office occupiers relocating as new opportunities open up, the co-working sector has continued to increase its market presence. And the public sector, one of the city's key tenants, absent over the past few years, has returned with the relocation and consolidation of several offices into a new HQ of over 50,000 sqm in the Centre as well as 30,000 sqm in the Greater Eur.

On the investment side, following the peak in 2018 (€1,2Mln), the market contracted by circa 30% in 2019, due to the absence or postponement of large transactions. The city still shows a lower permeability to the influx of capital than Milan, as market dynamics are perceived as more difficult to interpret.

## OUTLOOK

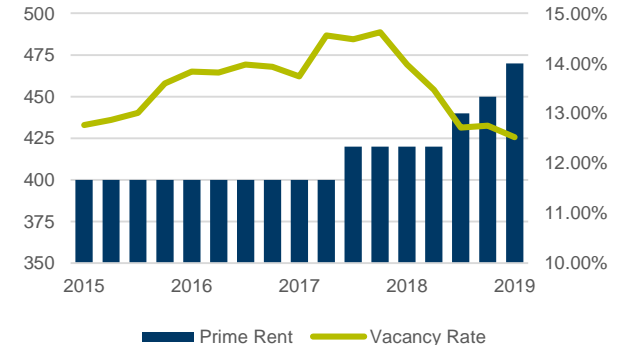
A positive 2020 for both occupier dynamism and investment appetite. While focus remains on core markets there will be an increased interest in emerging locations (Eur Colombo and Eur Tintoretto) where some asset will start the repositioning activities. Additionally some important redevelopment projects will be actively proposed on the market creating a more dynamic environment.

## TAKE UP BY GRADE



Note: Percentages refer to the share of grade A-A Green take up on total take up.

## OVERALL VACANCY & PRIMERENT





## MARKET STATISTICS (\*)

SUBMARKET	OVERALL VACANCY RATE (Grade A,B&C)	YTD OVERALL TAKE-UP(SQM)	UNDER CNSTR (SQM)	PRIME RENT €/sqm/yr	PRIME YIELD (NET*)
CBD	5.80%	20,000	0	470	3.75 %
Centre		86,700	0	350	4.25 %
Semi Centre	13.3%	32,400	0	300	6.00 %
Greater Eur	11.4%	78,700	12,500	350	4.25 %
Periphery	22.60%	32,500	0	160	8.00 %
<b>TOTALS</b>	<b>12.70%</b>	<b>250,000</b>	<b>12,500</b>	<b>470</b>	<b>3.75 %</b>

## KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA (SQM)	TYPE
Piazza Dante 25	Centre	Public Sector	50,000	New Lease
Via Luigi Pianciani 20	Centre	Co-working	17,700	New Lease
Via del Giorgione 121	Greater Eur	Public Sector	15,000	New Lease
Palazzo Italia – Piazza Marconi	Greater Eur	Insurance Agents, Brokers & Service	9,400	New Lease
Via Veneto 54	Cbd	Co-working	4,000	New Lease
Palazzo Marignoli - Via del Corso	Cbd	Co-working	2,800	New Lease

## KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Fondo Anastasia – Via P. di Dono 44 Via Colombo 90	Greater Eur	Prelios Sgr / Goldman Sachs	N/A	Est. 160
Via Boncompagni 71	Cbd	Torre Sgr/Savills Sgr	25,000	105
Viale Beethoven 11	Greater Eur	Private Italian / DeA Capital Sgr	20,000	Est 90
Via Abruzzi 25	Cbd	IMMSI / InvestiRe Sgr	11,200	62,5
Edificio 2A - Via del Giorgione 121	Greater Eur	ICAL 4 srl /INAIL	15,000	59,5

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