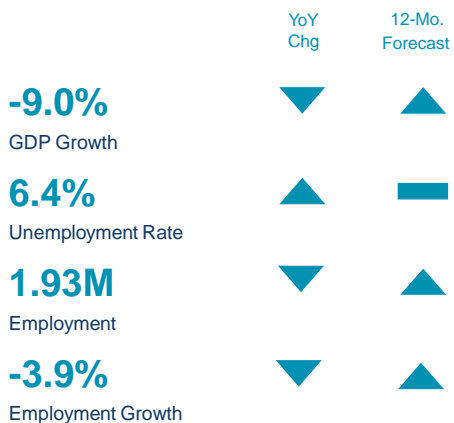


MILAN PROVINCE ECONOMIC INDICATORS 2020 (FORECAST FULL YEAR)



Sources: C&W elaborations based on ISTAT and Oxford Economics..

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

ECONOMY

Despite the partial slowdown of the Covid-19 pandemic, the level of uncertainty is still high and the economic forecasts are likely to change during the year. As the current economic crisis is unprecedented, Italian GDP saw a record fall in Q2, but it is likely to rebound in the remaining quarters. Milan, located in the Italian main contagion area, will see its economy contract together with the whole country. After several years of moderate growth, Milan will register a GDP and employment decrease in 2020. However, being the country's business and financial core, and provided its international relevance, the city is expected to recover to its standards soon.

OCCUPIER AND INVESTMENT FOCUS

After a continuous growth over the last few years, absorption figures reached a record high in 2019. Due to the spread of the Covid-19 pandemic, the first half of 2020 followed with a 29% decrease in take-up, with a total of approx. 163,000 sqm, mostly characterized by small-medium transactions and two pre-lets which accounted for 40% of the overall take-up.

Levels of demand for grade A space continue to be at an all-time high, representing 78% of the total take up. This highlights companies' propensity to identify efficient spaces that can improve the wellbeing of their employees and therefore improve productivity. New health and safety measures linked to the Covid-19 pandemic are set to become a new driver for future office space.

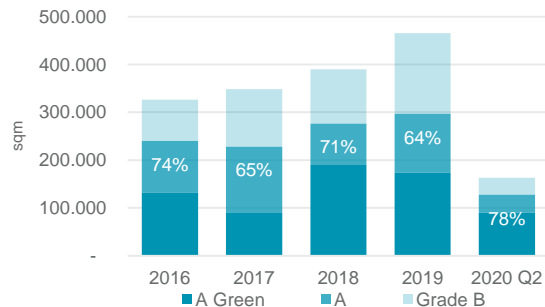
The development market remains strong, despite completion dates for some projects being moved back by over 3 months due to the interruption of construction works.

On the investment side Milan has seen a decrease of 12% in volumes invested, compared to H1 2019, reaching 1.3 €Bn transacted since the beginning of the year. Several important deals have been closed thanks, mainly, to assets on the market before the pandemic. Core and Core + product continue to be the focus of international investors, while opportunistic and value add opportunities may encounter financial hitches. Overall repricing, for non core products, is linked to uncertainty in the occupier market.

OUTLOOK

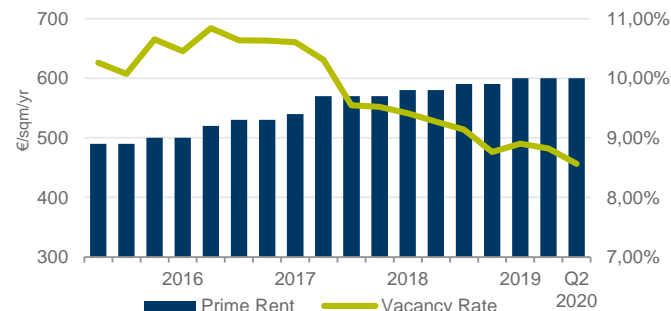
The availability of existing grade A spaces continues to remain limited while demand for such spaces is constantly increasing. There are several important projects being developed and new decentralized clusters are being established, generating new market opportunities for both occupiers and investors. Year-end take-up is estimated to drop by 27%, compared to 2019. However, absorption is expected to remain above the 10-year average. Prime rents are expected to remain stable, though sustained by tenant incentives, which are increasing.

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	3.8 %	50,000	245,000	600	3.25 %
Centre	6.5 %	8,000	78,000	480	4.00 %
Semi Centre	2.0 %	15,000	174,000	370	4.50 %
Periphery	12.6 %	77,000	378,000	280	4.75 %
Hinterland	13.7 %	13,000	107,000	240	5.75 %
TOTALS	8.6 %	163,000	982,000	600	3.25%

KEY LEASE TRANSACTIONS H1 2020

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Spark 1 & 2 Via Bonfadini	Periphery	Gas / Energy	41,300	Pre Lease
Via Melchiorre Gioia 22	CBD	Banking	24,300	Owner Occupier
Via Rimini 34	Periphery	Public Sector	7,200	Owner Occupier
The EDGE Via Alessio di Tocqueville	CBD	IT/Communications	6,100	Pre Lease
Corso di P.ta Vigentina 9	Centre	Insurance	4,500	Owner Occupier

KEY SALES TRANSACTIONS H1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Gioia 22	CBD	COIMA SGR / UBI Banca	33,000	Confidential
Portfolio UBI	-	UBI Banca / COIMA SGR	-	Confidential
Via Orefici 13/ Via Cantù	Centre	Hines UK / DEKA	10,000 (Office&Retail)	210
Via Armorari 4	CBD	Crédit Agricole / Kryalos Sgr	10,800	140
Il Quinto – San Donato	Hinterland	Kryalos Sgr / Vittoria Assicurazioni	-	c.a. 100

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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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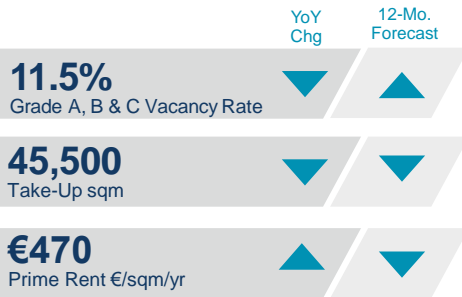
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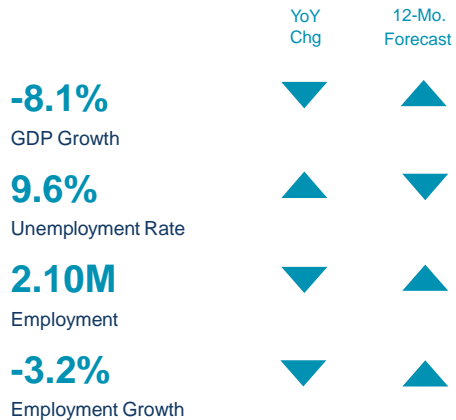
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ROME

Office Q2 2020



ROME PROVINCE ECONOMIC INDICATORS 2020 (FORECAST - FULL YEAR)



Sources: ISTAT and Oxford Economics.

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

ECONOMY

Despite the partial slowdown of the Covid-19 pandemic, the level of uncertainty is still high and the economic forecasts are likely to change during the year. As the current economic crisis is unprecedented, Italian GDP saw a record fall in Q2, but it is likely to rebound in the remaining quarters. Rome, although being located far from the main contagion area, will see its economy contract – but on a lesser scale compared to the whole country. After several years of positive performance, GDP and employment will decrease in 2020. However, provided a gradual return to normality, the economy is expected to recover soon.

OCCUPIER AND INVESTMENT FOCUS

Occupational figures for the second quarter shrunk considerably compared to the same period of 2019, reaching 45,500 sqm from the beginning of the year; this can be attributed for the most part to factors unrelated to the pandemic such as the absence of large transactions which characterised 2019 (the best year on record).

Overall company strategies are shifting; in some cases there has been a re-evaluation of space required, with a tendency to keep administration activities in smart/home working for the near future. With regards to the public sector – one of the city's key tenants - some important decisions could be made in the near future with regards to the spaces occupied as well as the improvement in quality to adhere to the new health and safety requirements.

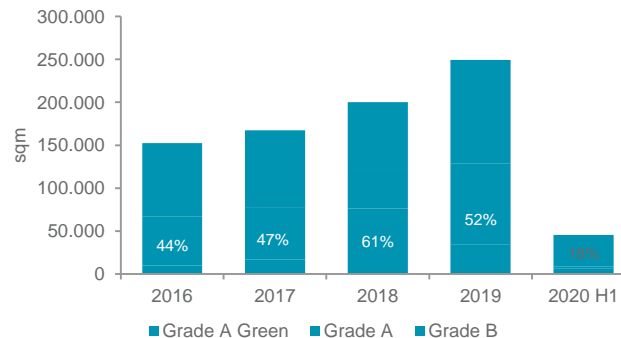
As tenant incentives increase, lease duration is also undergoing a change: 7+6 as well as 9+6 are becoming more frequent, with incentives in the form of free rents, linked to years of tenant commitment – two months free rent every additional year on contract.

On the investment side, Rome is perceived as a more resilient market with anti-cyclical occupiers (such as the Public Sector) compared to Milan and other EU cities, more susceptible to market cycles. Investment volumes are in line with 2019 figures, standing at 240€MI invested since the beginning of the year.

OUTLOOK

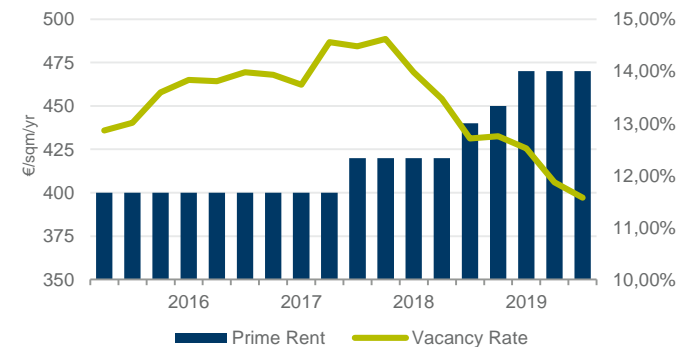
As the majority of demand remains for top quality grade A space in core locations, a rise in availability of lower quality buildings is expected, widening the gap between prime and secondary assets. End of year figures, while considerably lower to 2019, are estimated to register a 25% decrease on the 10 year average. Prime rents are expected to remain at current levels, though sustained by incentives.

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	5.3%	4,100	0	470	3.75 %
Centre		8,800	0	350	4.25 %
Semi Centre	13.2%	5,300	10,000	300	6.00 %
Greater Eur	10.8%	15,000	12,500	350	4.25 %
Periphery	21.0%	12,300	0	160	8.00 %
TOTAL	11.5%	45,500	22,500	470	3.75 %

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA (SQM)	TYPE
Via dei Magazzini Generali 38	SEMI CENTRE	Services	3.500	New Lease
Via Vincenzo Bona 101	PERIPHERY	Energy/Gas	2.650	New Lease
Via Montanelli 5	CENTRE	Services	2.500	New Lease
Via Giovanni Giolitti 212-A-B-C	CENTRE	Other	2.445	End User
WOLIBA Ed D - Via Laurentina 449	GREATER EUR	Pharmaceuticals\Chemicals	2.400	New Lease
Via dell'Arte 25	GREATER EUR	Automotive	2.200	Expansion
Piazza Cola di Rienzo 27-29	CENTRE	Media/Advertising	2.000	New Lease
Via Mosca 32	GREATER EUR	Consulting\Business Services	1.980	New Lease
Via delle Sette Chiese 142-146	GREATER EUR	Consulting\Business Services	1.491	New Lease
Via Laurentina 449	GREATER EUR	Energy/Gas	1.350	Expansion
Via Tiburtina 1072	PERIPHERY	Services	1.200	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA(SQM)	PRICE/€ MLN
Piazza Augusto Imperatore 22-36	CBD	Atlantica Properties/ Edizione Property	15.200	c.a.120
Villino Rattazzi e Villino Spierer	CBD	Colony Capital/ InvestiRE Sgr	4.000	37,5
Via Veneto 54	CBD	Kryalos Sgr/DeA Capital Sgr	3.400	36

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