



10.2%

Grade A,B&C Vacancy Rate

YoY
Chg12-Mo.
Forecast

260,000

Take-Up sqm



€600

Prime Rent €/sqm/yr

MILAN PROVINCE ECONOMIC
INDICATORS Q3 2021YoY
Chg12-Mo.
Forecast

4.8%

GDP Growth



5.9%

Unemployment Rate



2.10M

Employment

ECONOMY OVERVIEW

The vaccination campaign has proven extremely effective at pushing down hospitalizations and new infections. With restrictions almost totally lifted, the economy is operating at a nearly normal level supporting GDP's growth, especially in Milan that, with +4,8% in Q3, is outpacing the already encouraging +3,0%. Milan has benefited from a milder drop in employment compared with other cities, as its large office-based sector, including pivotal financial services, adapted quickly to remote work arrangements. From September and the coming months, Milan's large service industry will be a key growth driver as employees gradually to the office, spending on transport, food and other services. The city's economy is forecast to perform better than most comparable European cities in the long term supported by favorable demographic trends, a skilled workforce, and tourism.

OCCUPIER AND INVESTMENT FOCUS

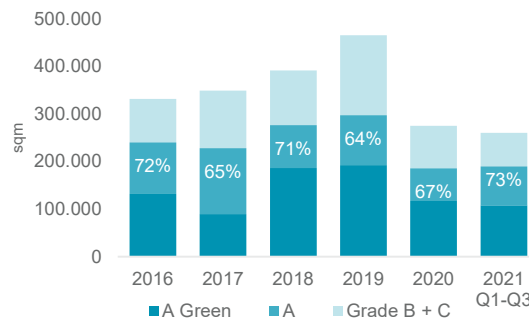
The Milan office market recorded a year-to-date take up of 260,000 sqm, a very positive result and an even more positive forecast for the year end expected to reach a volume higher than the average of the last 10 years, returning to the healthy values of the 2017-2019 period. The market remains characterized by small/medium transactions: 98% for spaces <6,000 sqm and only 4 transactions, generated before the pandemic, are over 10,000 sqm. The demand for operational spaces has decrease, while the demand for representative offices in central locations has grown, in particular in CBD and Centre which accounted for 47% of Q1-Q3 absorption. The general uncertainty of the market seems to affect more periphery and hinterland locations. The increase in the number of vaccinated people and the slowdown of the infection rate is leading to a gradual return of workers to the office. However, in this time of uncertainty, most companies are choosing a hybrid scheme and changing the organization of their offices not by reducing the occupied area but by dedicating more space to services and wellness. In addition, new health and safety requirements and the increasing focus on employees' wellbeing is leading companies to choose high quality buildings with high standards, resulting in an absorption of more than 70% for Grade A spaces, most of which are certified green.

On the investment side, Milan attracted the 78% of volume invested in the office sector since the beginning of the year. Core products and iconic buildings have been the preferred product and catalyst for investment.

OUTLOOK

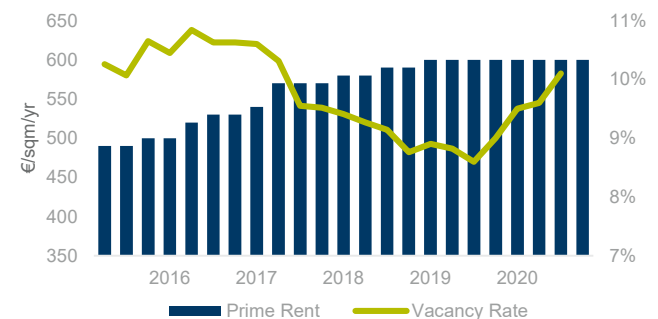
Prime rental level in central locations are expected to grow, as a consequence of some transactions being closed for prestigious Grade A Green buildings. Prime yields are expected to remain stable supported by the even higher interest for core product.

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



Sources: ISTAT and Moody's.

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



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	5.9 %	72,000	141,000	600	3.00 %
Centre	13.5 %	51,000	54,000	480	3.50 %
Semi Centre	3.4 %	30,000	121,000	400	4.25 %
Periphery	14.2 %	65,000	292,000	280	4.50 %
Hinterland	14.2 %	42,000	108,000	240	5.25 %
TOTALS	10.2 %	260,000	716,000	600	3.00%

KEY LEASE TRANSACTIONS 2021

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Corso Italia 23	Centre	Consulting	35,000	Pre-Lease
Symbiosis	Periphery	Gas\Energy	19,600	Sale
Piazza San Fedele 1/3	CBD	Fashion	11,000	Pre-Lease
Via Vittor Pisani 22	CBD	Insurance	9,800	Owner Occupier
Gaetano de Castilia 23	CBD	Delivery	6,500	Lease

KEY SALES TRANSACTIONS 2021

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Torre Libeskind (50% shares)	Semi-Centre	Generali / ENPAIA	-	160
The 16 – Broletto 16	CBD	Invesco / Davy Global Fund Management OBO Deko Immobilien	12,000	c.a.120
Viale Sarca 235	Periphery	COIMA RES / Amundi	31,000	82,5
Torre Velasca	Centre	Unipol / Hines	-	ca. 80
Ceresio 7/9	Semi-Centre	Dsqared2 / Deko Immobilien	7,000	Conf.

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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

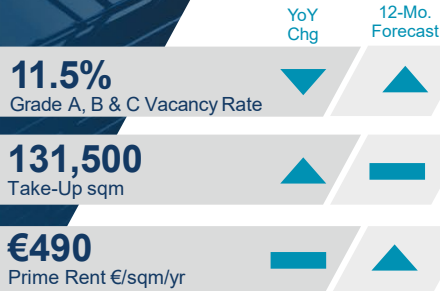
With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for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

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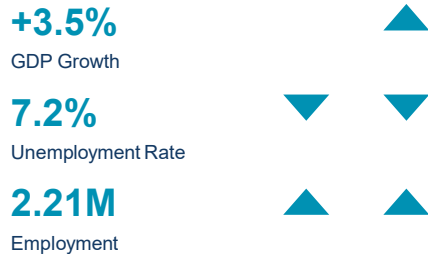
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ROME PROVINCE ECONOMIC INDICATORS Q3 2021



Sources: ISTAT and Moody's.

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

ECONOMY

The vaccination campaign proceeds smoothly and the declining health risks allowed the economy to operate at a nearly normal level supporting GDP's growth even more than the national level, that recorded an encouraging +3,0% in Q3. Consumer sentiment is rebounding and now that people can move freely around the city spending on nondurable goods is expected to ramp up as households release their pent-up demand. The easing of the restrictions for international travels are gradually helping the recovery of tourism-based services, so important to the City with third-highest tourists' arrivals in Europe after London and Paris. While Italy will be among the largest net beneficiaries of the special Recovery and Resilience Facility funded by the EU, Rome will count on a large share of the amount. Rome GDP's is expected to recover slightly faster than the entire country with a return to pre-pandemic levels in the first quarter of 2022, instead of mid 2022. Additionally, the recent local elections for the new Mayor confirmed the weakening of the populist and anti-European parties and brought more positivity to the city.

OCCUPIER AND INVESTMENT FOCUS

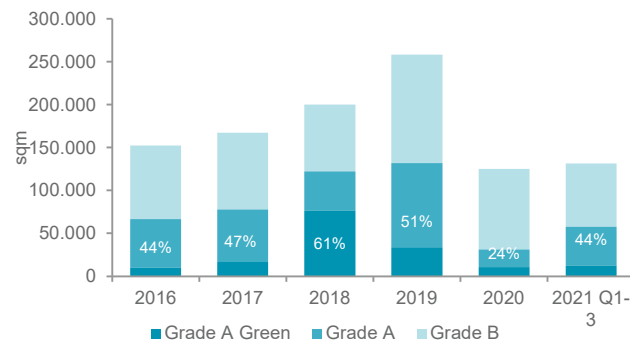
Compared to 2020 we are witnessing a recovery in all market fundamentals. In fact, during the third quarter another large pre-let was fulfilled (27,000 sqm in the Greater Eur, signed in 2018) bringing total take up to 131,300 sqm since the beginning of the year; this marks a 90% increase on 2020 figures but still a decrease (-37%) compared to 2019 the best year on record. Disregarding these large pre-lets, recorded figures are still circa 23% below the ten year average. Demand from tenants is there, however the chronic shortage of quality product available in the medium/short term jeopardizes this positive momentum.

On the investment side, the scarcity of transactions does not indicate a low interest in the market: many deals were concluded at the end of last year and some mainly "value add" opportunities on the market did not reach the pricing desired. As with Milan, demand is centered on high quality assets, but there remains a great selectivity on behalf of investors and, outside core locations (CBD and Eur Core or areas that have a dynamic that can be explained), the market becomes extremely thin, with few buyers. In Rome the mismatch between buyers' and sellers' price expectations of secondary properties is historical and recurring: moreover, some assets are evaluated under different future use scenarios, and potential buyers may consider an opportunity not as "office" but as another asset class with different dynamics and hence prices.

OUTLOOK

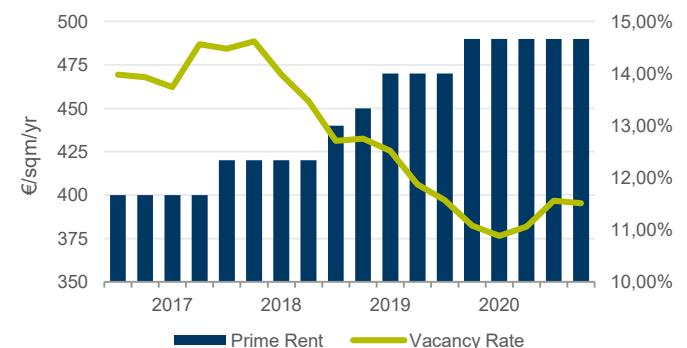
The end of year forecast is for stable yields and a slight increase in rents in core submarkets. Take up, though below 2019 figures, is expected to be in line with the 10 year average (160,000 sqm).

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

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CBD	5.7%	30,400	0	490	3.50 %
Centre		25,000	0	360	4.25 %
Semi Centre	18.3%	5,500	0	300	6.00 %
Greater Eur	9.4%	47,200	12,500	350	4.00 %
Periphery	20.9%	23,200	0	160	8.00 %
TOTAL	11.5%	131,300	12,500		

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA (SQM)	TYPE
Via Sciangai 53	GREATER EUR	Consulting\Business Services	27,700	Pre-let
Via Curtatone 3	CENTRE	Consulting\Business Services	16,600	Pre-let
Palazzo Mancini – Via del Corso	CBD	Fashion	8,800	Pre-let
Via degli Aldobrandeschi 300	PERIPHERY	Gaming	6,400	Expansion
Hi Green – Via Ravà 75	GREATER EUR	Finance	5,100	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA(SQM)	PRICE/€ MLN
I Villini – Via Piemonte	CBD	Colony Capital/Merope Asset Management	17,000	100
Torri Moretti – Piazzale Flaminio	CBD	BentallGreenOak/Castello Sgr	-	54,8
Via Boncompagni 15	CBD	Gruppo Marseglia/Banca IBL	4,300	46
Via C. Colombo 70	Greater Eur	Private Italian/Quinta Capital Sgr	8,000	10

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