

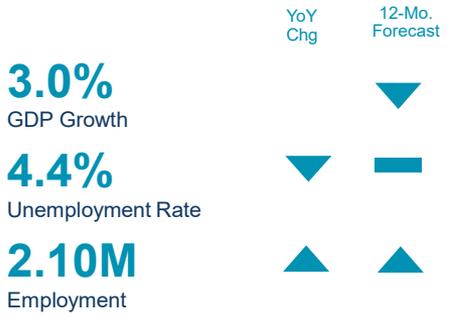
ECONOMY OVERVIEW

Milan's economic growth over the summer reflected a return to spending patterns more in line with the pre-pandemic norm while GDP trend slowed down in Q3, with growth estimate standing at +3% on yearly basis. The labor market is still robust and dynamic, further supported by the influx of skilled workers from the rest of Italy which guarantees a supply of labor for companies. Unemployment rate declined to less than 4.5%. Service-sector firms are increasingly reintroducing in-person activities: with a rate of ca 70% Milan is one of the European markets with the highest rate of employees back to work since the pandemic. Although increasing inflation, driven by rising food and energy bills will undermine Milanese consumers purchasing power, above-average incomes compared with other major Southern European cities will cushion the blow to local businesses in the coming quarters. Longer term, Milan's growth will be supported by favorable demographic trends, a skilled workforce, robust tourism further enhanced by a new inflow of investments linked to both the projects funded by the PNRR fund and the planned 2026 Winter Olympics.

OCCUPIER AND INVESTMENT FOCUS

The third quarter sets a new record in the occupier market, with a take up of 108,000 sqm (+26% on Q3 2021 and +60% on the average of the last decade) bringing the total figure for the first 9 months of the year to the peak value of **370,000 sqm** absorbed, 42% more than the equivalent Q1-Q3 in 2021 and the **highest ever registered**. Consciousness and sense of responsibility towards the environment have grown, with quality, efficiency, wellness and ESG's becoming the key drivers of demand. Companies focus on assets that are designed to improve the well-being of their employees, boasting green areas, common spaces and services. Moreover, there is a trend for location as a complete ecosystem: with good transport connections, services and a context already established by other tenants. Projects under development are all oriented towards these criteria and this choice meets occupier preference as demonstrated by the number of pre-lease transactions for such projects (35% of take-up). The dynamism of demand is accompanied by an increase of prime rents, +3% Q/Q in almost all submarkets, with the CBD reaching 680 €/sqm/year. The quarter also marked a record value in terms of investment, the highest since the outbreak of the Covid-19 pandemic: 1.35 €Bn transacted in the quarter (tripling figures of Q3 2021) and 2.56 €Bn YTD (more than doubling the same period of last year). Reflecting the new macroeconomic conditions (increasing debt and volatile commodity costs), quarterly yield grew by 25 bps on Q2, standing at 3.25% for prime office space in the CBD. Milan remains the most active office market accounting for ca. 74% of the total office volume YTD.

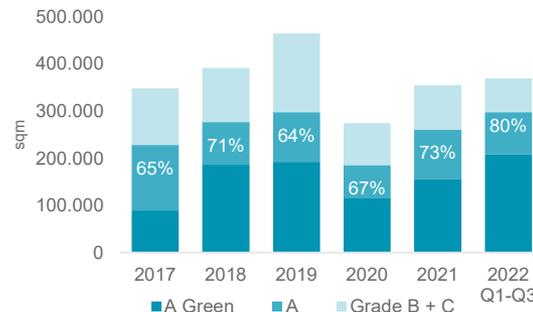
MILAN PROVINCE ECONOMIC INDICATORS Q3 2022



OUTLOOK

Leasing-side, the number of ongoing negotiations suggests a very strong trend for the end of the year; the threat concerning rising energy costs and inflation could have a potential impact especially for secondary and inefficient dislocated spaces in peripheral areas. Within this context, the need to reduce energy consumption could represent a new impulse that will lead to an increase in the use of co-working spaces. From a capital markets perspective, Milan remains the most interesting market and investors are adapting to the reality of rising rates, reacting differently to the changed scenario but generally remaining active.

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	4.7 %	110,000	187,000	680	3.25 %
Centre	10.4 %	25,000	55,000	500	3.75 %
Semi Centre	5.5 %	70,000	160,000	450	4.25 %
Periphery	15.3 %	94,000	308,000	300	4.75 %
Hinterland	14.2 %	71,000	118,000	250	5.50 %
TOTALS	10.6 %	370,000	828,000	680	3.25%

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
Milano Sesto	Hinterland	Bank	29,000	Pre-lease
Gioia20 Est	CBD	Consulting	27,900	Pre-lease
Lorenzini 8	Periphery	Fashion	20,900	Pre-lease
Milano 2 – Cellini and Donatello Bld	Hinterland	Education	12,000	New Lease
Pharo – Gattamelata 34	Semi-centre	IT / Communications	11,300	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MLN
Cortile della Seta	Centre	Savills IM Sgr/Generali	17,700	Circa 350
Via Montebello 18	Office	Kryalos Sgr OBO Blackstone / Kryalos Sgr OBO Milan Trophy RE Fund 4	17,000	235
3 Asset Portfolio	CBD, Periphery	A2A / Henderson Park	26,000 + 36,000(buildable area)	Over 200
Mazzini 9/11	CBD	BNP Paribas / Amundi RE Italia Sgr	10,600	120
HQ 2 – Viale Piero e Alberto Pirelli 25	Periphery	Savills IM / Antirion Sgr	31,000	c.a. 70

ANNA STRAZZA

Senior Consultant, Research
+39 02 63799278
anna.strazza@cushwake.com

ALESSANDRO SERENA

Partner, Head of Office Agency Italy
Landlord Advisory Group
+39 02 63799265
alessandro.serena@cushwake.com

CARLO VANINI

MRICS International Partner
Head of Capital Markets Italy
+39 02 63799302
carlo.vanini@cushwake.com

(*) 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

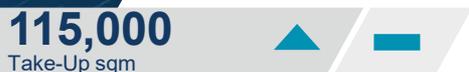
With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for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

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ROME PROVINCE ECONOMIC INDICATORS Q3 2022



ECONOMY

Rome's economy grew over the summer, positioning output well above the pre-pandemic peak in the third quarter. Higher energy costs for businesses and consumers will bring Rome's economy to a fourth-quarter contraction in output and little to no growth in the first quarter of 2023. Tourism has proven key in securing a spending windfall for leisure/hospitality from foreign and local travelers. The return of more international spenders than the number seen in 2021 helped tourism-reliant businesses make up for pandemic-related losses. This helped Rome to bounce back effectively in terms of retail sales volume despite a secular downward trend. Labor market continued to improve leading to a lower unemployment rate Q/Q, in the range of 5.5%. The knock-on effects from the energy crunch will keep energy bills high, subduing consumer spending on gas, electricity, and other goods and services.

OCCUPIER AND INVESTMENT FOCUS

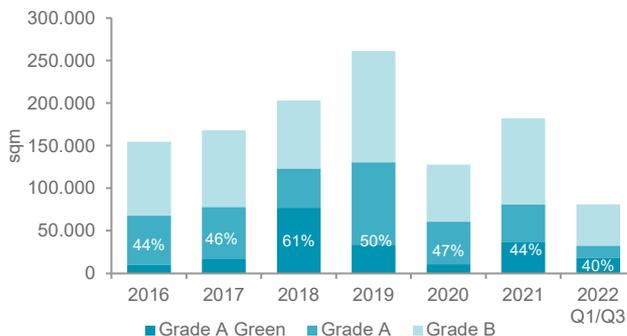
The Rome occupational market recorded circa **35,000 sqm of take up** during the third quarter of 2022, in line with the ten-year average but below figures for Q3 2021. This is due the fulfilment of a large pre-let transaction (27,000 sqm signed in 2018); disregarding this transaction Q3 2022 figures recorded an increase of 22% on Q3 2021. Since the beginning of the year a total of 115,000 sqm were occupied again in line with the ten-year average. Prime rents are consolidating with a potential upside given the scarcity of product available. In the CBD and Centre submarkets there is a rise in tenant interest for spaces around the seat of Government, linked also to the deployment of funds from the NRRP (National Recovery and Resilience Plan). Moreover, some high-tech companies are considering consolidating in secondary locations and are looking for quality and environmentally certified properties, which at present are scarce. Serviced offices are continuing to increase their footprint, especially in areas close to metro and train stations and present a valuable opportunity for landlords who are leasing portions of their assets.

On the **investment** side, prime yields have moved out by 25bp in all submarkets and market depth has significantly decreased with many newcomers postponing their entrance to the market. A number of deals have been stopped and, overall, most of the investors put their investment strategies in the city on-hold, reconsidering their position over the next 6-9 months.

OUTLOOK

While a positive end of year is expected in the occupational sector in line with figures recorded in 2021, a very selective market is expected on the investment side. The outcome of Rome's bid for the EXPO 2030 and the election result could influence the city's mood.

TAKE UP BY GRADE



OVERALL VACANCY & PRIME RENT



Sources: Moody's.

Note: GDP variation Q3 2022 on Q3 2021

Unemployment rate and Employment are est. at Sep 2022

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



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		34,700	0	525	3.50 %
Centre	3.50%	9,200	0	380	4.00 %
Semi Centre	10.80%	20,500	0	330	5.75 %
Greater Eur	8.90%	30,300	12,500	360	4.25 %
Periphery	21.10%	21,000	0	140	8.25 %
TOTAL	10.10%	115,700	12,500		

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA (SQM)	TYPE
Via Veneto 89	CBD	Consulting/Business Services	16,000	Pre-let
Via Carucci 131	GREATER EUR	IT/Communications	8,100	Expansion
Via Ostiene 131 L	SEMI CENTRE	Gas/Energy	5,000	New Lease
Via Cantalupo in Sabina 29	PERIPHERY	Sport Association	4,700	New Lease
Torri Moretti – Piazzale Flaminio 2	CBD	Consulting/Business Services	4,300	New Lease
Via P. di Dono 3A	GREATER EUR	IT/Communications	4,000	New Lease
Via Montello 10	CENTRE	Engineering	3,900	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA(SQM)	PRICE/€ MLN
KPMG HQ - Via Curtatone 3	CENTRE	DeA Capital Sgr Fondo Omicron/ DeA Capital Sgr OBO Allianz	20,000	173.5
Palazzo Mancini – Via del Corso 270	CBD	Kryalos Sgr OBO Blackstone/ UnipolSai	11,500	140
IFAD HQ Via P di Dono 44	GREATER EUR	Prelios Sgr OBO Goldman Sachs/Castello Sgr	35,000	128
Via Salandra 18	CBD	AXA REIM/ Colliers GI Fondo Casa delle Professioni	8,300	34.3
HiGreen Via Ravà	GREATER EUR	Savills Sgr/Corum AM		19,9

GWENDOLYN FAIS

Research Consultant

+39 06 4200791

gwendolyn.fais@cushwake.com

MANFREDI MORGANTI

MRICS, Partner

Head of Office Agency Rome

+39 06 42007955

manfredi.morganti@cushwake.com

VERONICA NILSSON

Architetto MRICS Partner

Capital Markets

+39 06 42007923

veronica.nilsson@cushwake.com

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