



MILAN PROVINCE ECONOMIC INDICATORS Q2 2023



Sources: Moody's (Q2 2023 on Q2 2022 change and Q2 2023 data for employment and unemployment rate).

Note: *compared to previous market beat, unemployment rate is no further referred to the municipality but to the Metropolitan area.

ECONOMY OVERVIEW

Milan's economy slowed down in the spring after a slight expansion in the first quarter of 2023. Rising prices, a decline in sentiment, and the ECB's tightening are dragging on economic performance. However, Milan's sectoral breakdown is skewed towards financial and business services, which boast more stable payrolls. A dynamic labor market has absorbed new or returning workers, and the unemployment rate has declined to less than 6% - one of the lowest rates among cities in southern Europe. A sustained influx of skilled workers from the rest of Italy counteracts human capital flight to other European cities and guarantees a supply of labor for companies. This is continuing to back robust fundamentals for the Milanese office sector. Despite that, Milan's large financial services industry is looking weaker after the recent turbulence in the U.S. and European banking sectors and continued monetary policy tightening. Overall, offices have emerged as a key worry for the global real estate market as the combined impact of rising rates and structural unicyclic issues such as the shift to hybrid working and pressure to upgrade buildings' energy efficiency. Despite the deep differences between the US and Italian markets, this new trend is affecting the Italian office investment market.

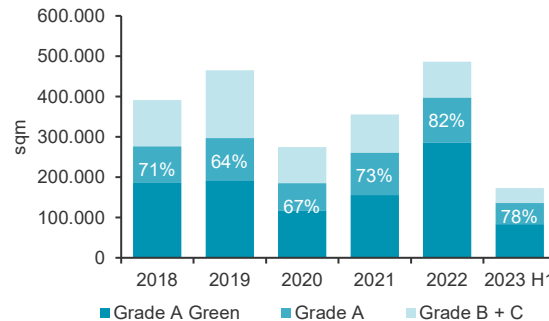
OCCUPIER AND INVESTMENT FOCUS

In the second quarter the Milan occupier market has registered an absorption of 92,000sqm - slightly higher than the first quarter but the total for H1 2023 (173,000sqm) is anyway significantly lower (-33%) than the exceptional value registered in H1 2022. On top of the total volume of leased space, there are 20,000sqm of sub-leased spaces (i.e. high quality spaces, recently leased which represent a "plug & play" solution), thus leading the total H1 absorption to 193,000sqm. Demand remains strong, especially because the way in which offices are used has changed and major companies feel the need to adapt to the new standards. Quality, energy efficiency and sustainability remain the key drivers of demand, as confirmed by the share of Grade A / A Green absorption which continues to account for approx. 80% of the total volume as in the latest years. Corporates tend to lease smaller spaces but of higher quality and eventually at higher rents, especially for green certified spaces reflecting ESG criteria, which registered an increase in rental values in the range of 10-20% on other high quality assets without green certifications. This supports the theory of sustainable improvement of real estate as well as being a reputational goal for companies. The competition keeps prime rents high at €700/sqm/yr. On the Investment side, the historically leading office sector has experienced a much more pronounced slowdown due to a cautious "wait-and-see" attitude resulting from the combination of uncertainty regarding future office use and the impact of economy on corporates. Numbers speak for themselves: the volume recorded in Q2 is €191 Mln, higher than the previous quarter but 28% down in respect to Q2 22 (the first quarter of capital market contraction); total value for H1 2023 is €247 Mln, considerably below H1 2022 volume (€1.2 Bn). After a 25 bps growth in the previous quarter, yields remain stable at 4%, reflecting the macroeconomic conditions and the general uncertainty and instability of the markets (mainly due to the cost of money after the further increase in ECB rates in June).

OUTLOOK

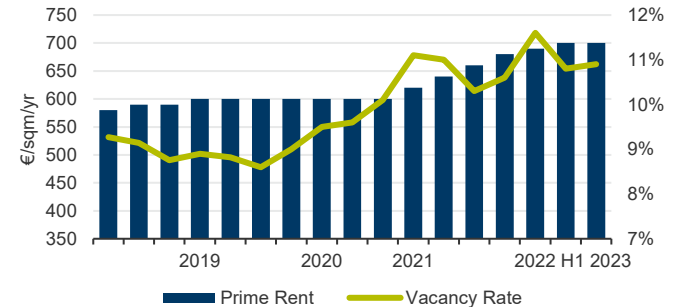
Investors are studying the current business environment to understand what the new equilibrium will be. Active buyers are few and move slow waiting to see where the medium-term interest rate is going. Repricing that started in Q4 2022 will likely continue until the end of the year with further interest rates hikes expected. On the other hand, on the leasing side, there is a strong competition for prime office spaces in the CBD and since availability is decreasing it is plausible that it will further increase, bringing an increase in rental values.

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	5.3 %	52,000	245,000	700	4.00 %
Centre	8.7 %	10,000	55,000	530	4.50 %
Semi Centre	4.6 %	49,000	256,000	470	5.00 %
Periphery	16.2 %	39,000	349,000	350	6.00 %
Hinterland	15.1 %	23,000	149,000	250	6.50 %
TOTALS	10.9 %	173,000	1,054,000	700	4.00 %

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
City Wave	Semi-centre	Banking & Finance	30,000	Pre-lease
Via Vittor Pisani 19	CBD	Services	6,500	New Lease
Via Filippo Sassetti 27	CBD	Banking & Finance	5,400	Sale
Via Arbe 49	Periphery	Insurance Agents, Brokers & Service	4,900	New Lease
Via Monte Rosa 91	Semi-centre	IT	4,700	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MN
Piazza Affari	CBD	Cromwell Property/Radial	10,000	93.6
Via Amoretti 78	Periphery	Savills/Corum AM	20,000	26.4
Via Ripamonti 99	Periphery	Private / Domo Media	4,800	18.5
Piazzale Marengo	Centre	COVIVIO / Private	2,500	15.0
Via Bensi 8	Periphery	Private / Private	5,200	12.5
Via Bonarelli 2	Hinterland	DeA Capital Sgr/ Private	8,700	12.1

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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

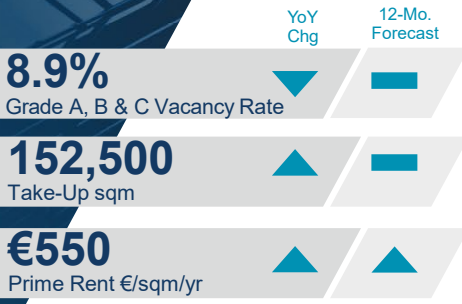
2. Purchasing Price - excluding transfer costs, tax and legal fees

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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ROME PROVINCE ECONOMIC INDICATORS Q2 2023



Sources: Moody's, Rome Metropolitan Area (GDP Growth estimate Q2 2023 on Q2 2022)

ECONOMY

After expanding through most of 2022, output ticked up tentatively in the first quarter of 2023, stabilizing in the second quarter. In its peer group in the Mediterranean, the economy has been an average performer. While output remains higher than the pre-pandemic peak, growth is stalling. The unemployment rate remains low compared with historical standards (7.6%). Since the pandemic, Rome has benefited from its sizeable office-using service sector, a return of tourism supported by spending by foreign and local travelers on leisure/hospitality, and other related sectors such as transport. Large institutions in the private and public sectors will continue to be stable sources of employment in the coming economic stagnation, especially in the context of a tight labour market, though rigidity in salaries will mean that many workers will see their real disposable incomes suffer. Rome's economy will stagnate in the coming quarters as squeezed consumers and restrictive lending rates slow growth. The Italian capital will post average performance among its southern European peers but will lag behind Milan. Longer term, population growth that exceeds the euro zone average, a large office-based sector, and strong tourism will drive employment growth, which will rank among the highest of European cities.

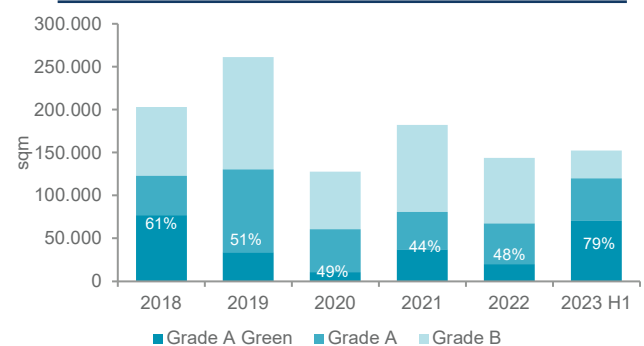
OCCUPIER AND INVESTMENT FOCUS

Take up for the Rome office market once again exceeded predictions during Q2, reaching circa 62,000 sqm. This result was due mostly to the fulfillment of another large pre-let transaction – 30,000 sqm in the Centre submarket, signed at the beginning of the Covid pandemic. Total take up figures for H1 reached just over 150,000 sqm close to figures recorded in 2019, the best year on record. Disregarding these larger transactions, half-yearly figures are in line with the 10-year average (83,000 sqm) while quarterly figure are circa 24% below . Overall trends endure: transactions continue to be polarized between Central markets and the Greater Eur, readily available quality product continues to be low and stock in strategic locations is decreasing due to conversion (hospitality or residential). The most active sectors during Q2 were the Energy sector followed by Consultancy and Banking sectors both representing 12% of take up. Similarly to last quarter, the improvement in market fundamentals was not reflected in **investment** volumes with only one transaction for owner occupation concluded during the quarter.

OUTLOOK

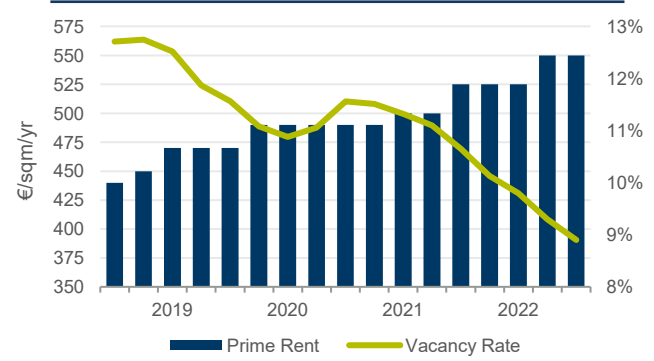
Location, building quality and sustainability & efficiency continue to be the main drivers of tenant demand: in the short-term prime rents could rise further due mostly to the lack of availability in the CBD. As buyers continue to take a wait-and-see approach, investment volumes are expected to remain low.

TAKE UP BY GRADE



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CBD		23,900	0	550	4.25 %
Centre	3.40%	36,700	0	380	4.75 %
Semi Centre	7.80%	4,600	0	280	6.25 %
Greater Eur	8.50%	72,700	0	360	5.00 %
Periphery	17.70%	14,600	0	150	9.00 %
TOTAL	9.30%	152,500	0		

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA (SQM)	TYPE
Torri EUR Viale Europa 242	GREATER EUR	Transportation Services	47,000	Pre-let
Piazza Giuseppe Verdi 9	CENTRE	Energy	30,000	Pre-let
Green Island Viale Oceano Pacifico 171-173	GREATER EUR	Services	13,600	New Lease
Via Abruzzi 10	CENTRE	Banking	4,900	New Lease
WOLIBA - Via Laurentina 449	GREATER EUR	IT/Communications	4,000	Expansion
Via del Tritone 132	CBD	Co-working	3,400	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA(SQM)	PRICE/€ MN
Via Torino 38-40	CBD	COIMA Sgr /Private Italian	7,640	Est 27
Via della Camilluccia 589 A	SEMI CENTRE	Private Italian/ Sports Association	4,000	18-20
Via Carciano 69	PERIPHERY	Savills Sgr/MBDA	4,200	9.4
Villino Almerici Via Piemonte 62	CBD	Finint Investment Sgr/ Blue Sgr	c.a. 1,000	8.5

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