

11.1% ▲ ▬
Grade A,B&C Vacancy Rate

412,000 ▼ ▬
Take-Up sqm

€700 ▲ ▬
Prime Rent €/sqm/yr

MILAN PROVINCE ECONOMIC INDICATORS Q4 2023

0.3% ▼ ▼
GDP Growth

5.03% ▼ ▲
Unemployment Rate*

2.48M ▼ ▼
Employment

Sources: Moody's (2023 on 2022 change and 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 faced stagnation in 2023, impacted by rising prices, declining sentiment, and the European Central Bank's tightening measures. A dynamic labour market has weathered recent challenges well, posting a marginal increase in the unemployment rate. Milanese consumers experienced a shock to purchasing power due to high prices and tight credit standards, but above-average incomes compared to other southern European cities mitigated the impact. Rising real wages and declining interest rates are expected to drive a consumer spending recovery in 2024. The tourism-dependent industries, including accommodation, food services, arts, and entertainment, are anticipated to benefit from continued tourism and business travel, boosted by preparations for the 2026 Winter Olympics. Milan's economy is expected to grow cautiously next year, relying on above-average disposable incomes as a shield against high prices and tight credit. Longer-term growth is anticipated due to favorable demographic trends, a skilled workforce, and a resilient tourism sector.

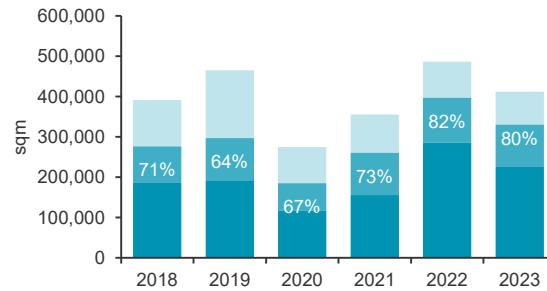
OCCUPIER AND INVESTMENT FOCUS

The year ends positively for the occupier market; take-up for the fourth quarter is 143,000 sqm, bringing the total value for the year to 412,000 sqm, above the 10-yr average (+14%) but below the record of last year (-15%). This result has been possible thanks to the delivery of a single asset over 45,000 sqm, related to a BTS transaction. Moreover, on top of the total yearly volume of leased space, there are 34,000 sqm of sub-leased space (i.e. high-quality spaces, recently leased which represent a "plug & play" solution), which represent a real competition for prime assets and leading the total year absorption to 446,000 sqm. The main demand drivers are ESG criteria and talent attraction / retention. An increasing attention to environmental issues is influencing occupier and investor strategies and therefore impacting developers who are aiming at the construction of highly performing buildings with one or more green certification. Moreover, the growing emphasis on sustainability has led to the emergence of 'green leases', which incorporate commitments from both the tenant and the landlord to operate the building with environmentally sustainable principles (including carbon emissions, waste reduction, and adherence to energy efficiency regulations). On the investment front, along with the macro-economic situation, one reason which impacted on the fall in investment volumes is the cautious posture of international investors due to the strong impact of smart working on the office market fundamentals in other countries; domestically, investors are focusing on core products, possibly with long-term leases or solid tenancy and sustainable rental levels. Recent interest rate rises have increased financing costs and the attractiveness of debt issues. Total office market volume in the fourth quarter was weaker than in the same period last year, but much higher than the previous quarter with 624€Mn, leading to an annual volume of 1.1€Bn, still the lowest of the past 10 years (-68% compared to the 10-year average). Milan, particularly the central areas, is the only city that maintains a certain interest from investors, covering 69% of the quarterly sector's volume (with 431€Mn) and 66% of the annual sector's volume (with 730€Mn). Quarterly yield grew by 25 bps on Q4, standing at 4.25% for prime office space in the CBD, reflecting the macro-economic conditions and the general uncertainty and instability of the markets, mainly due to the cost of money.

OUTLOOK

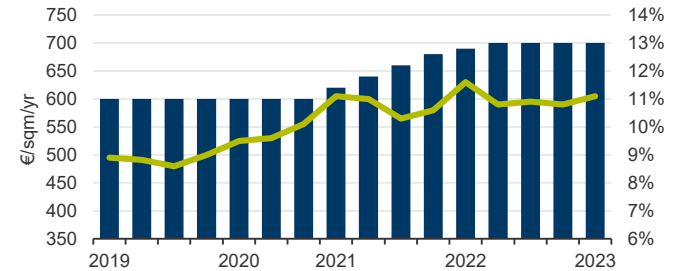
Market fundamentals are expected to remain positive, with tenants looking to reorganize their spaces and looking for additional amenities within buildings and in accordance with ESG guidelines. Demand concentrates in accessible areas with good infrastructures. The availability and cost of money will certainly affect the investment market in the first part of 2024, but the more promising announcements about rate cuts will generate some enthusiasm in the market. Prime office products in Milan will continue to be attractive, but the gap between central and peripheral locations will increase further.

TAKE UP BY GRADE



■ Grade A Green ■ Grade A ■ Grade B + C
Note: Percentages refer to the share of grade A-A Green take up on total take up.

OVERALL VACANCY & PRIME RENT



■ Prime Rent — Vacancy Rate



MARKET STATISTICS (*)

SUBMARKET	OVERALL VACANCY RATE (Grade A,B&C)	Q3 TAKE-UP(SQM)	YTD TAKE-UP(SQM)	UNDER CNSTR (SQM)	PRIME RENT €/sqm/yr	PRIME YIELD (NET*)
CBD	5.9 %	20,000	96,000	245,000	700	4.25 %
Centre	9.7 %	4,000	16,000	53,000	530	4.75 %
Semi Centre	3.4 %	20,000	99,000	221,000	480	5.50 %
Periphery	17.5 %	31,000	108,000	339,000	350	6.50 %
Hinterland	14.8 %	68,000	93,000	53,000	250	7.00 %
TOTALS	11.1 %	143,000	412,000	911,000	700	4.25 %

KEY LEASE TRANSACTIONS

PROPERTY	SUBMARKET	TENANT SECTOR	AREA(SQM)	TYPE
ENI HQ	Hinterland	Gas	45,000	Pre-lease
City Wave	Semi-centre	Banking & Finance	30,000	Pre-lease
Largo Tazio Nuvolari 1	Periphery	Manufacturing	8,900	Sale
Via Monte Rosa 91	Semi-centre	Consulting/Business Services	8,000	New Lease
Via Vittor Pisani 19	CBD	Services	6,500	Pre-lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQM)	PRICE/€ MN
Piazza San Fedele 1-3	CBD	Qatar Investment Authority/Union Investment	9,900	210
Piazza Affari 2	CBD	Cromwell Property/Radial	10,000	93.6
Via Sasseti 27	CBD	Unipol/Banca Sella	6,900	59
San Babila Center - Vittorio Emanuele II 24-28	CBD	Goldman Sachs AM/Private	7,600	51.5
Via Forlanini 23	Periphery	BNP Paribas REIM SGR/Corum AM	16,000	50
Via Dante 9	CBD	AXA RE IM Sgr/Generali	4,800	46

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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.

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com

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ROME PROVINCE ECONOMIC INDICATORS Q4 2023



ECONOMY

Rome's economy slowed in the latter half of 2023, with tourism and domestic services losing momentum. The unemployment rate nevertheless remains low. The city has benefited from its substantial office-using service sector, a return of tourism backed by spending from both foreign and local visitors on leisure and hospitality, and other related sectors such as transport. Inflation is expected to fall, especially in energy and electricity, offering respite to consumers. Record-low consumer sentiment has given way to a more optimistic outlook for willingness to spend, though tighter credit conditions will restrict spending capacity on large purchases and in real estate. Despite challenges, tourism revenues are projected to benefit businesses in the sector. While Rome expects economic stagnation in 2024 due to restrained consumers and tight lending, long-term prospects remain positive with population growth, a significant office sector, and strong tourism supporting high employment levels among European cities.

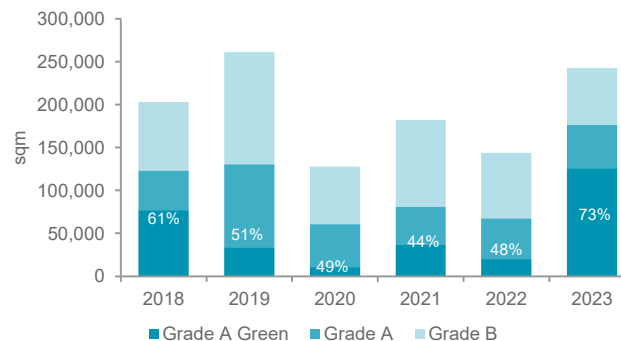
OCCUPIER AND INVESTMENT FOCUS

The last quarter of the year closed with circa 65,000 sqm leased, doubling the figure recorded in the same quarter last year; bringing the total value for the year to 243,000 sqm, the second best result in the last 10 years after the market's record in 2019, thanks to the fulfillment of sizeable pre-let transactions during the first half of the year. The majority of transactions, ca. 64%, are for small spaces (<700 sqm), but during the year there was an increase in transactions for spaces between 1,000-3,000 sqm, which accounted for 20% of the total, all for spaces in central submarkets. In particular, the CBD sub-market continues to gather occupier's attention, with 20% of spaces transacted in the year; the chronic lack of quality assets continues to push rents up, prime rents have risen by 10% YY, standing at 575 €/sqm/yr. If we consider the total absorption per area, Greater Eur has been the most active area with 48% of spaces transacted in the year, this value includes a big pre-let transaction at the beginning of the year for roughly 50,000 sqm. Investments volumes in office spaces in Rome in Q4 was more robust than the same period of previous year with 173€Mn, leading to an annual volume of 268€Mn, still one of the lowest values of the past 10 years (-61% compared to the 10-year average). In the last quarter of the year, Rome experienced a surge of activity with 7 transactions completed, which is more than half of the total for the year. The vast majority of the volumes transacted were attributed to domestic investors, with minimal participation from international investors. Reflecting this trend, the presence of private investors was also very strong in 2023. Most of the transactions involved vacant properties to be repositioned or converted. Additionally, there were a significant number of sales to end-users.

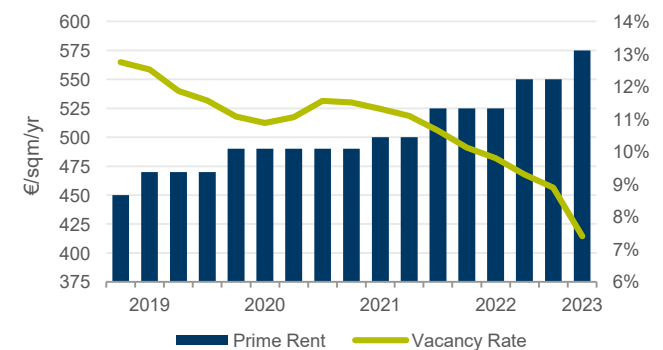
OUTLOOK

Absorption for the coming year is expected to have a positive trend, with figures above the average of the last 10 year. Central sub-markets will remain the preferred locations for tenant demand. The availability and cost of money will continue to affect the investment market in the first part of 2024, but the more promising announcements about rate cuts will generate some enthusiasm in the market. Investors will continue to look for properties that have already been revalued according to current market sentiment and especially smaller lot sizes.

TAKE UP BY GRADE



OVERALL VACANCY & PRIME RENT



Sources: Moody's, Rome Metropolitan Area (GDP Growth estimate 2023 on 2022; Unemployment Rate and Employment 2023)

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)	Q4 TAKE-UP(SQM)	TAKE-UP(SQM)	UNDER CNSTR (SQM)	PRIME RENT €/sqm/yr	PRIME YIELD (NET*)
CBD		13,600	48,000	20,000	575	4.75 %
Centre	2.3%	6,500	44,000	30,000	380	5.00 %
Semi Centre	6.9%	1,900	7,000	0	280	6.75 %
Greater Eur	6.9%	37,500	117,000	0	360	5.50 %
Periphery	15.6%	5,100	27,000	0	150	9.50 %
TOTAL	7.4%	64,600	243,000	50,000	575	4.75 %

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
Viale Beethoven 11	GREATER EUR	IT/Communications	9,000	New Lease
I92-Piazzale dell'industria 20	GREATER EUR	Public Sector	6,000	New Lease
LAURO - Via Laurentina 760	GREATER EUR	Manufacturing	5,350	New Lease
Via Abruzzi 10	CBD	Banking	4,900	New Lease

KEY SALES TRANSACTIONS

PROPERTY	SUBMARKET	SELLER / BUYER	AREA(SQM)	PRICE/€ MN
TAR – Via Flaminia 189	CENTRE	Tristan/ TAR	15,500	57.3
Via Barberini 11	CBD	Apollo/ Private	9,500	40
Via Barberini 3	CBD	Apollo/Fabrica Sgr	7,700	31
Via Torino 38-40	CBD	Apollo/Private	7,000	Est 27
Via Flaminia 53	CBD	Apollo/ Private	6,800	19.5

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