

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
10.9% Vacancy Rate	▲	▼
87,000 Q Absorption, SQM	▼	—
€720 Prime Rent, SQM/YR <i>(Overall, All Property Classes)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.6% Milan GDP Growth	▲	▲
3.8% Milan Unemployment Rate	▼	▲
3.73% 10-Yr Treasury Yield	▼	▼

Source: Moody's Italy, October 7 update (GDP Growth estimate Q3 2024 on Q3 2023; Unemployment Rate Q3 2024; 10-Yr Gov Bond at Q3 2024).

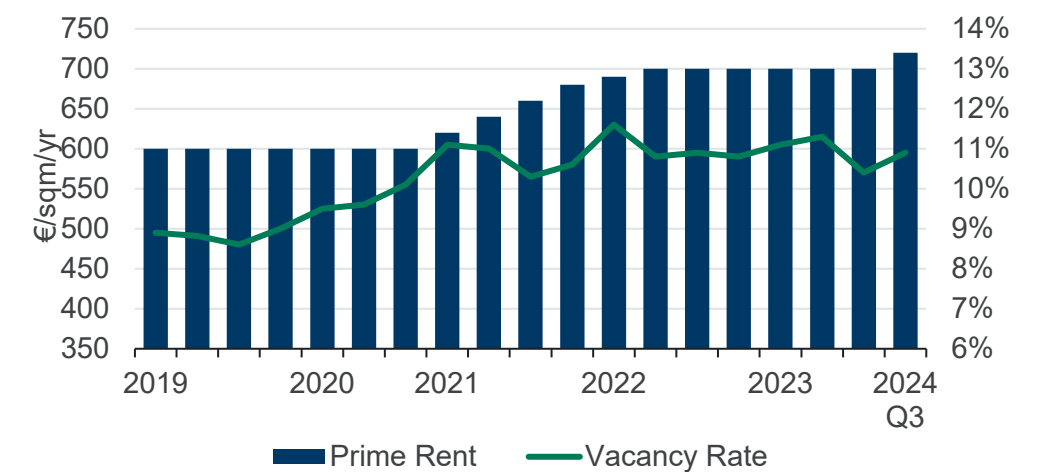
ECONOMY

Italy is managing to maintain a steady growth trajectory for its economy amidst a backdrop of cautious optimism and persistent global uncertainties. According to preliminary estimate by ISTAT (June 2024), Italy's economy showed moderate growth in the first nine months 2024, despite facing several challenges. The GDP growth by the year end is still expected by approximately 1%, supported by both domestic and foreign demand. Private consumption saw a slight increase, driven by a stronger labor market and rising real wages. The employment rate improved, with a slight decrease in the unemployment rate to 7.1%. Inflation rates began to stabilize, moving closer to the European Central Bank's targets, with a notable decrease in the household spending deflator. Despite these positive trends, the international economic environment remained uncertain, influenced by ongoing geopolitical tensions.

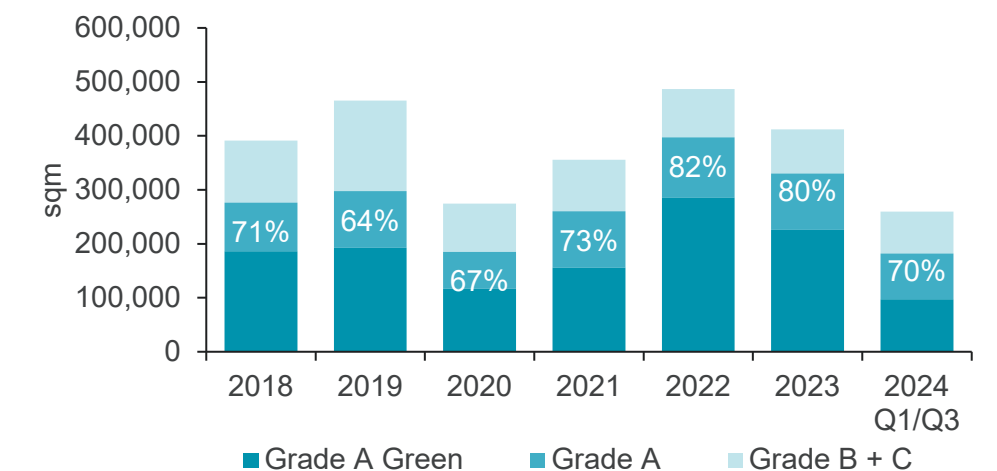
OCCUPIER

In the third quarter of the year, the Milan office market has registered an absorption of 87,000 sqm, -10% compared to Q3 of last year (96,000sqm), bringing the total absorption for Q1-Q3 to 260,000 sqm, being in line with the same period last year. On top of the leased spaces, there are further 2,000 sqm of sub-leased space in Q3, for a total of 10,000 sqm since the beginning of the year and bringing the total absorption to 270,000 sqm. Sustainability has become a pivotal factor in occupiers' leasing decisions, alongside a strong preference for spaces located in well-connected areas with good access to amenities. Market activity continues to be defined by a reduction in the average size of transactions, with a predominance of small to medium-sized deals. In the first nine months of this year, compared to the same period last year, the share of transactions for spaces below 1,000 sqm increased by 13%, while transactions for spaces between 1,000 sqm and 3,000 sqm rose by 24%. Limited availability, particularly in central areas, continues to exert upward pressure on prime rental rates.

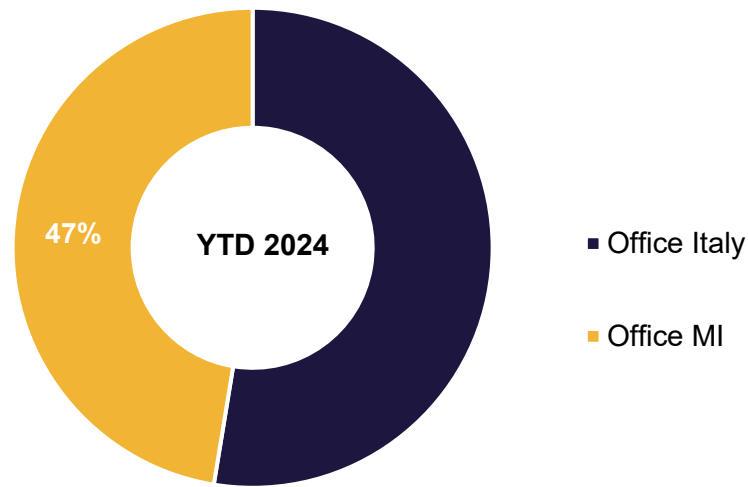
OVERALL VACANCY & PRIME RENT



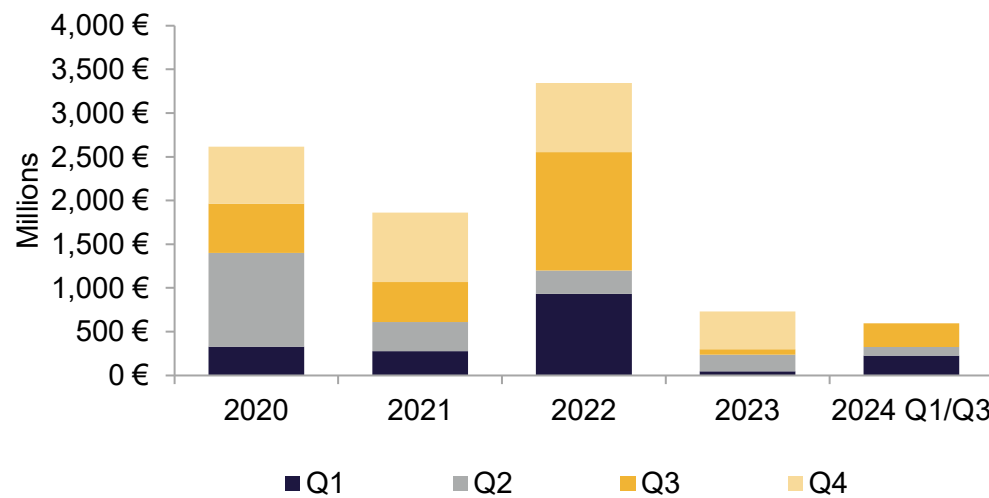
TAKE UP BY GRADE



MILAN vs. ITALY OFFICE INVESTMENT VOLUME



MILAN OFFICE INVESTMENT VOLUME



The scarcity of space in the CBD and central districts, where demand is most concentrated, has intensified competition for available properties. As a result, companies are increasingly willing to lease lower-quality spaces rather than secure a prime location. Meanwhile, there has been a decline in pre-lease transactions, driven by a limited development pipeline and uncertainty surrounding delivery timelines for future projects (recording in Q1-Q3 24 a decrease of 75% compared to the same period last year).

INVESTMENT

The investment market in Milan maintained solid momentum in the third quarter, recording a transaction volume of 269 €Mn, consistent with the first quarter of the year and more than double that of the previous quarter. This brings the total volume for the first three quarters to nearly 600 €Mn, tripling the volume recorded during the same period last year, which had marked the lowest level in the past decade. Investor’s capital remains extremely selective and focused on centrally located Core / Core plus assets, which accounted for 56% of the quarter’s transactions. In this context, Value Add products remain very attractive, supported by an occupier market with solid fundamentals, especially for sustainable assets in prime locations facing limited availability.

PRICING

The availability of Grade A Green office spaces is extremely limited, making up just 19% of the overall Milan market. This figure drops to only 5% in the CBD and Centre sub-market, where demand and competition for these high-quality spaces are most concentrated. As a result, rents have risen by 3% in the CBD and 2% in the Centre, reaching €720/sqm/year and €550/sqm/year, respectively. On the Investment side, the strong attention to rental levels/capital values has brought prime yields to remain compressed in central areas on assets with potential future upside. As a consequence, investment activities are therefore polarized between top locations at the right price and secondary discounted. In Q3 Prime yield kept stable at 4.25% in the CBD.

OUTLOOK

- Corporate demand in Milan is expected to remain active, with a continued focus on central areas. On the other hand, the increasing focus on sustainability and energy-efficient buildings, which is fueling demand, contrasts with the decreasing availability of new spaces that meet that corporate requirements.
- “Location” will continue to be the determining factor for future demand, consequently, this limited supply is anticipated to drive rental growth for both prime and secondary spaces in central areas. Moreover, it is also prompting tenants to consider a “stay” strategy, opting to remain in their current locations after landlords renovate and upgrade the spaces, rather than relocating.
- Additionally, the sublease market is projected to expand as a result of reorganization policies by many companies, particularly in sectors such as banking.

MARKET STATISTICS

SUBMARKET	OVERALL VACANCY RATE	CURRENT QTR OVERALL ABSORPTION (SQM)	YTD OVERALL ABSORPTION (SQM)	UNDER CNSTR (SF)	PRIME RENT (€/SQM/YR)	PRIME YIELD (NET**)
CBD	5.8%	26,000	96,000	146,000	720	4.25 %
Centre	7.9%	5,000	16,000	44,000	550	5.00 %
Semi Centre	3.5%	10,000	31,000	230,000	480	5.50 %
Periphery	17.0%	29,000	65,000	200,000	320 *	6.75 %
Hinterland	15.1%	17,000	52,000	29,000	250	7.25 %
TOTALS	10.9 %	87,000	260,000	649,000	720	4.25 %

(* Prime Rent for the peripheral office market in Milan has been revised following a redefinition of the southern boundaries between the semi-central and peripheral areas. This adjustment reflects a major urban redevelopment project which is taking place on the site of a former railway yard that previously separated the district from the semi-central area.

(**) Yields are calculated on a net basis as: 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.

KEY LEASE TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	TENANT SECTOR	SQM	TYPE
3	Via G.B.Pirelli 35	CBD	IT\Communications	11,170	Lease
3	Largo Metropolitana 5 -Rho	Hinterland	Business Services	9,000	Lease
2	Via Gaetano Negri 8	CBD	IT\Communications	6,000	Lease
1	Segreen Business Park - Building W	Hinterland	IT\Communications	4,900	Lease
2	Via G.B. Pirelli 35	CBD	Fashion	4,200	Lease
2	Bodio Center - Bodio 5	Semi-centre	IT\Communications	3,490	Lease
2	Darwin Bld. L	Semi-centre	Education	3,150	Lease
3	Viale del Ghisallo 12	Periphery	Manufacturing	3,000	Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE / € MN
1	Corso Europa 2	CBD	BNP Paribas / Campari Group	10,000	110
3	Time Bld. – Via Filzi 29	CBD	Invesco / Fabrica	12,100	84.5
1	Palazzo di Fuoco Viale Monza 2	Semi-Centre	Kryalos / Corum	10,500	70
2	Piazzale Luigi Cadorna 5/7	Centre	Private / Private	8,600	56
3	Via Rizzoli 8	Periphery	Oman Sovereign / Private	23,000	53
3	Via Bagutta 20	CBD	Artisa / Private	2,600	40
2	Via dell'Orso 6/8	CBD	Cir spa / Merope	4,000	38

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MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
6.7% Vacancy Rate	▼	▼
56,000 Q Absorption, SQM	▲	—
€575 Prime Rent, SQM/YR <i>(Overall, All Property Classes)</i>	—	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+1.3% Rome GDP Growth	▲	▲
5.9% Rome Unemployment Rate	▼	▼
3.73% 10-Yr Treasury Yield	▼	▼

Source: Moody's Italy, October 7 update (GDP Growth estimate Q3 2024 on Q3 2023; Unemployment Rate Q3 2024; 10-Yr Gov Bond at Q3 2024).

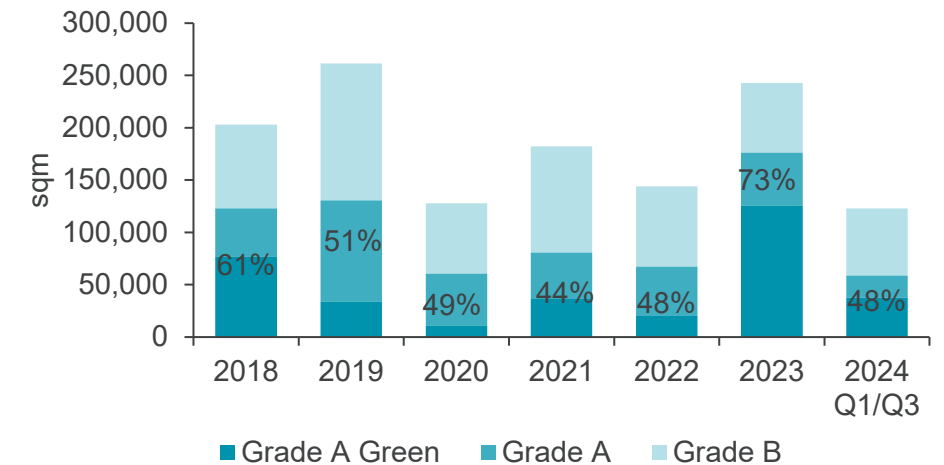
ECONOMY

Italy is managing to maintain a steady growth trajectory for its economy amidst a backdrop of cautious optimism and persistent global uncertainties. According to preliminary estimate by ISTAT (June 2024), Italy's economy showed moderate growth in the first nine months 2024, despite facing several challenges. The GDP growth by the year end is still expected by approximately 1%, supported by both domestic and foreign demand. Private consumption saw a slight increase, driven by a stronger labor market and rising real wages. The employment rate improved, with a slight decrease in the unemployment rate to 7.1%. Inflation rates began to stabilize, moving closer to the European Central Bank's targets, with a notable decrease in the household spending deflator. Despite these positive trends, the international economic environment remained uncertain, influenced by ongoing geopolitical tensions.

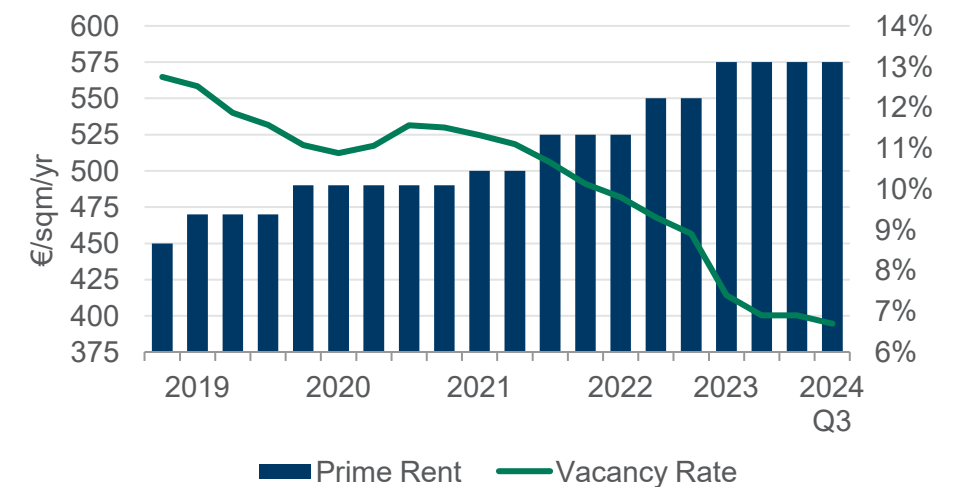
OCCUPIER

In the third quarter of the year, the Rome office market has registered an absorption of 56,000 sqm, doubling the figure from the same period last year. This result was largely driven by two significant transactions that together accounted for almost 50% of the total quarterly volume. Cumulative absorption from Q1 to Q3 reached 123,000 sqm, aligning with the 10-year average for the same period, but remaining below the volume recorded last year (which had been supported by major pre-lease transactions in the first part of the year). Sustainability has become a pivotal factor in occupiers' leasing decisions, but the market is constrained by a shortage of high-quality spaces. This is evident in the limited share of A/A Green grade transactions, which has remained around 48% since the beginning of the year. In fact, companies are now more willing to compromise on space quality rather than to lose prime locations. The quarter's market activity, characterised by a return of large transactions (for space >15,000sqm), remains however dominated by small and medium-sized

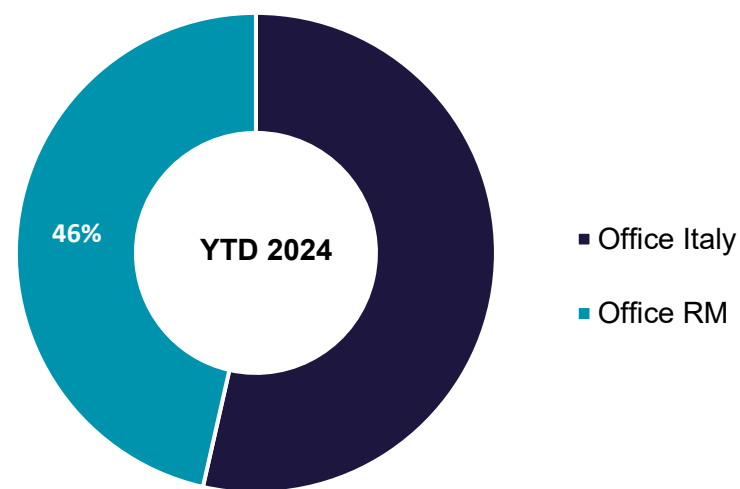
TAKE UP BY GRADE



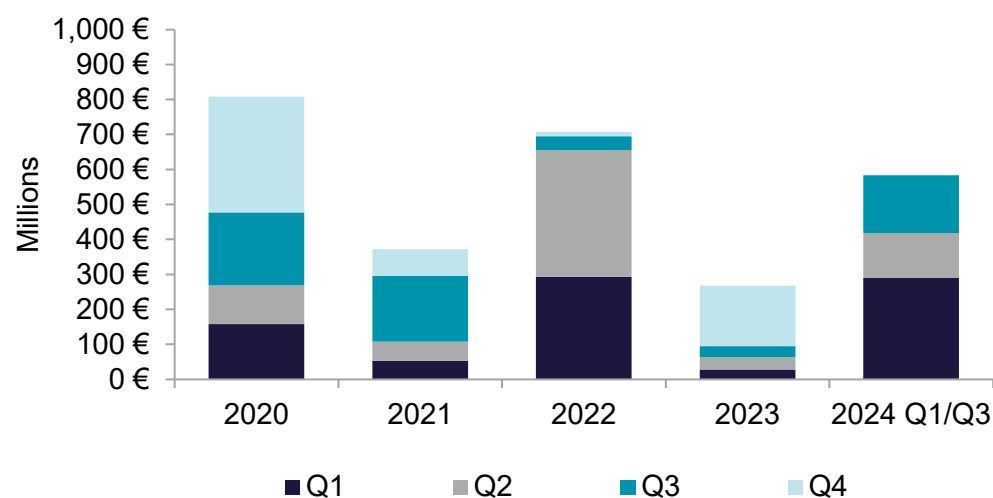
OVERALL VACANCY & PRIME RENT



ROME vs. ITALY OFFICE INVESTMENT VOLUME



ROME OFFICE INVESTMENT VOLUME



transactions, with 68% of transactions involving space of less than 1,000sqm. Tenants continue to focus mainly on the CBD and Greater EUR areas, which together accounted for almost 70% of quarterly acquisitions, rising to 81% when looking at annual figures.

INVESTMENT

The investment market in Rome keeps a good trend in the third quarter with circa 165 €Mn invested. This value represents a 29% increase compared to the previous quarter and circa 38% of the quarterly overall Italian volume of the sector. This brings the total volume for the first three quarters to nearly 585 €Mn, representing 46% of the overall Italian office market, in line with Milan’s volume (47%). Capital remains extremely selective and focused on Core / Core Plus assets centrally located. Value Add products continue to be attractive, supported by an occupier demand focused on sustainable assets in prime locations facing limited availability. Strong interest from end users in vacant properties centrally located, as confirmed by the biggest transaction of the quarter, as well as from investors on vacant asset to be repositioned or converted. The mismatch between Sellers and Buyers’ expectations is, in any case, limiting the evolution of this market’s trend.

PRICING

The availability of Grade A Green office spaces (in line with sustainability and ESG criteria) is extremely limited, making up just 7% of the overall Rome market. This figure is focused in the Greater Eur sub-market, while in the CBD is close to zero. If we consider the CBD and Centre sub-markets, where demand and competition for these high-quality spaces are most concentrated, the availability of Grade A green and A spaces rises to 2.1%. Consequently, these spaces achieve significantly higher rental rates (+26% over grade B buildings in CBD/Centre) stimulating opportunities for upgrading and refurbishing poor quality spaces to reflect occupiers’ interest in efficient and valuable spaces. During the quarter, the market conditions have maintained prime rents stable at 575€/sqm/yr in the CBD. On the Investment side, the strong attention to rental levels/capital values has brought prime yields to remain compressed in central areas on assets with potential future upside. In Q3 Prime yield kept stable at 5.25% in the Centre.

OUTLOOK

- Corporate demand in Rome is expected to remain active, with a continued focus on central areas and an absorption in line with the average of the last 10yrs.
- “Location” will continue to be the determining factor for future demand, consequently, the limited supply is anticipated to drive rental growth for prime spaces in central areas.
- Investors’ appetite for offices is stable, but very selective; main focus remain on central locations and on assets with future reversion or potential repositioning.

MARKET STATISTICS

SUBMARKET	OVERALL VACANCY RATE	CURRENT QTR OVERALL ABSORPTION (SQM)	YTD OVERALL ABSORPTION (SQM)	UNDER CNSTR (SF)	PRIME RENT (€/SQM/YR)	PRIME YIELD (NET*)
CBD	2.0%	24,000	41,000	21,000	575	4.75 %
Centre		4,000	17,000	45,000	400	5.00 %
Semi Centre	7.4%	3,000	7,000	0	300	6.75 %
Great Eur	6.3%	22,000	45,000	117,000	370	5.75 %
Periphery	13.8%	3,000	13,000	3,000	150	9.50 %
TOTALS	6.7%	56,000	123,000	187,000	575	4.75 %

(Overall, All Property Classes)

(*) Yields are calculated on a net basis as: 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.

KEY LEASE TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	TENANT SECTOR	SQM	TYPE
3	Severo 246	Greater Eur	Public Sector	12,280	Lease
2	Via Silvio d'Amico 40	Greater Eur	Public Sector	5,200	Lease
1	Via Achille Campanile 73-85	Greater Eur	IT/Communications	4,830	Lease
2	Via Veneziani 56	Periphery	Co-working	3,260	Lease
3	Viale Castrense 9	Semi-centre	Media/Advertising	2,880	Lease
1	Viale Egeo 100-106	Greater Eur	Education	2,630	Lease
3	Via Barberini 11	CBD	Public Sector	2,460	Lease
3	Palazzo Italia – Via Marconi 25	Greater Eur	Banking	2,200	Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD

QUARTER	PROPERTY	SUBMARKET	SELLER/BUYER	SQM	PRICE / € MN
1	Via Vittorio Veneto 89	CBD	Prelios / Deka Immobilien Gmbh	23,000	269
3	Corso Italia 41	CBD	National Agency for Cybersecurity / Colliers GI	30,000	125
2	Fondo Sapphire Portfolio (share 51%)	CBD	Zurich; Morgan Stanley / COIMA	40,600	103
2	Villino Morani - Via Sicilia 136	CBD	Private / Indian Embassy	2,300	25
1	Via Arno 64	Center	Prelios / Embassy of Algeria	3,500	21
3	Via Vincenzo Lamaro U2-U3	Periphery	Investire / Serileasing Spa	39,000	15.5
3	Via dei due Macelli 6-11	CBD	Kryalos / Caltagirone Group	2,530	13.3

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