

Office market in Italy - H2 2017

MACRO ECONOMIC INDICATORS

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population (2017)	60.589.445	
GDP annual growth rate (July 2017)	0,40%	↑
GDP forecast (2017)	1,20%	↑
GDP per capita 2017* (\$)	29.747	↓
unemployment rate (2017)	11,20%	↓
disposable household income (OECD annual growth rate)	1,31%	↑
inflation rate (Oct 2017)	1,10%	↑
*International monetary fund		
**Q-o-Q % : quarter on quarter % change		

INVESTMENTS

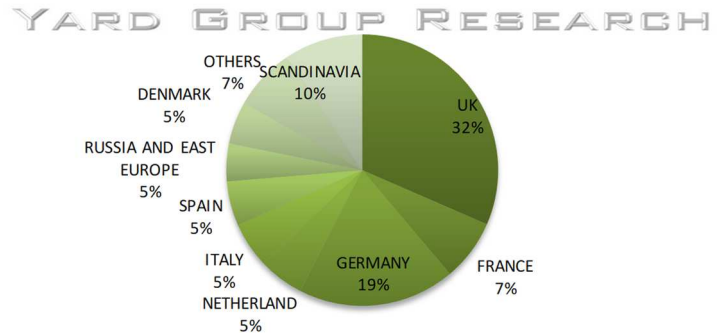
The office property market registers a positive performance in terms of number of transactions. It appears to be more dynamic, especially in central areas of big cities like Milan and Rome. The line chart on the right shows the normalized number of transactions in the last decade. 2017 confirms growth even if it does not exceed the figure registered last year, according to our estimate.

The office real estate investments show a dynamic trend, registering upturns for Germany, Italy and Spain. The Italian market is still appealing especially for international investors, despite the limited supply of grade A office spaces.

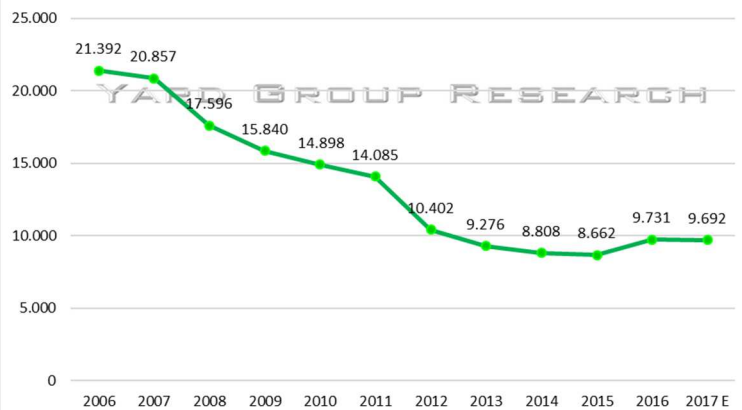
The office market indicators are reported in the table below:

OFFICE MARKET INDICATORS	
Discount on asking price % (new premises)	14,0%
Property for sale average time on market (ToM) months	9,5
Property for rent average time on market (ToM) months	6

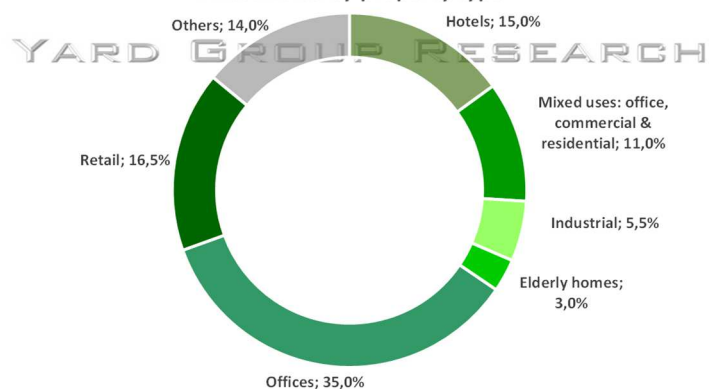
Real estate investments 2017



NTN OF OFFICE PROPERTIES



Investments by property type



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OFFICE SPACES IN MILAN AND ROME

The following table shows asking prices broken down by area, in Milan and Rome (€/sqm):

Town	CBD		semi centre		out-of-town submarket		periphery	
	min.	max.	min.	max.	min.	max.	min.	max.
Milan	4.939	6.557	3.214	4.496	2.199	3.064	1.512	2.124
Rome	4.573	6.573	3.317	4.357	2.517	3.537	1.568	2.412

Sale prices register a slight decrease compared to the previous year.

Rental values in Rome and Milan are reported in the table below:

MILAN OFFICE RENTAL VALUES AND YIELDS									
	CBD		semi centre		out-of-town submarket		periphery		
	min.	max.	min.	max.	min.	max.	min.	max.	
yields (%)	4,1	4,7	4,4	4,8	5,3	5,6	5,8	6	
rental value (€/sqm/year)	212	288	154	201	127	173	79	110	

Unlike sale prices, rental values register a mild upturn in Milan.

ROME - OFFICE RENTAL VALUES AND YIELDS									
	CBD		semi centre		out-of-town submarket		periphery		
	min.	max.	min.	max.	min.	max.	min.	max.	
yields (%)	5,2	5,6	5,3	5,6	5,5	5,8	6,1	6,4	
rental values (€/sqm/year)	260	346	182	244	147	195	101	147	

Milan

Office demand is still high in central locations whilst in out-of-town submarkets it registers a mild decrease. Rental values are slightly on the rise and time on market is about 6 months for rent and over 9 months for sale. Demand is still very selective and **office vacancy rate is about 12%**. Porta Nuova and City Life are the brand-new business districts. Porta Nuova is a sort of *Canary Wharf* where Unicredit, Amazon, Microsoft have their HQ and the most modern buildings are located here. City Life hosts the HQ of Generali and Allianz.

The office property market confirms its positive trend and the outlook is also promising. **Prime rents are about 500-520 €/sqm/year (class A office spaces) with yields of 3,5-4%.**

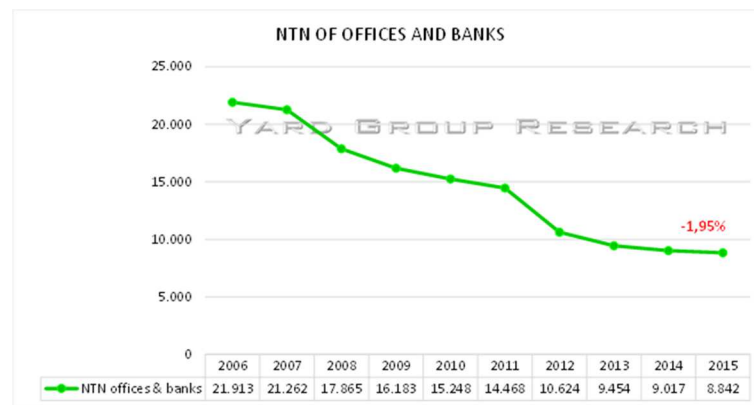
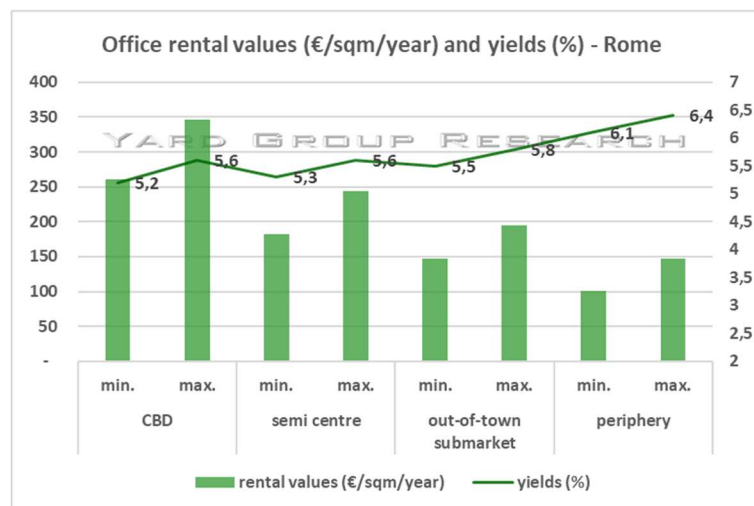
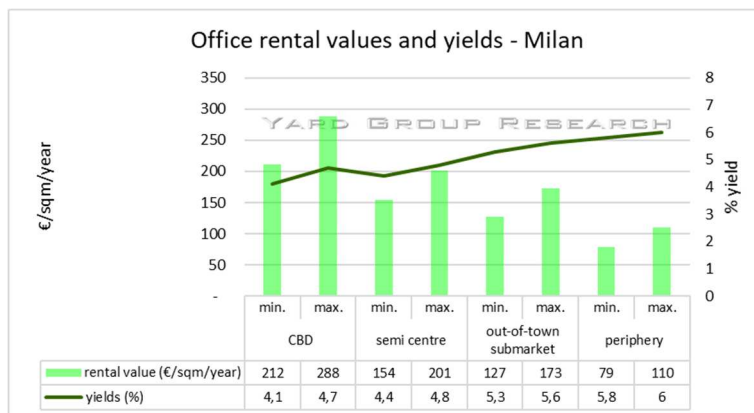
Rome

The Rome office market is more sluggish compared to the Milan market showing very few transactions and reduced letting activity. Class A office spaces are very limited.

Prime rents are stable in the historical centre and Eur district at about 400-430 €/sqm/year with yields at 4%.

Occupiers prefer lease re-gears and re-negotiations rather than relocation strategies. **Office vacancy rate is about 9%.**

The most significant transactions in Milan and Rome are reported in the following table.



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ASSET	DATE	PR	TOWN	VALUE (euro/)	USE	VENDOR	BUYER	Surface area sqm
Torre C3 e Torre E5	December 2017	MI	Milano	14,5	Office	-	Aedes SIIQ SpA	15.000,00
Office blds in Milan	December 2017	MI	Milano	48	Office	-	Kryalos Asset Management Fondo Richmond	11.000,00
Via Crocefisso 27	December 2017	MI	Milano	46,67	Office	-	Invesco Real Estate	8.500,00
Banco BPM Portfolio	December 2017	MI	Milano	31	Office	Banco BPM	Kryalos Asset Management	
Deloitte offices	December 2017	MI	Milano	115	Office	Bnp Paribas REIM Sgr pA	SIGNA	28.000,00
Building via Quaranta Milano	December 2017	MI	Milano	6,5	Office	DeA Capital Real Estate SGR	-	
Via Argelati 22	November 2017	MI	Milano	n.a.	Office	-	REAM SGR	2.400,00
Edison offices in Milan	November 2017	MI	Milano	272	Office	Edison	DeA Capital Real Estate SGR	
HQ ING Bank Milano	November 2017	MI	Milano	44	Office	Generali Real	AXA IM - Real Assets	
Area Porta Nuova, Milan (Gioia-Pirelli-Sassetti)	October 2017	MI	Milano	78,88	Office	Comune di Milano	COIMA SGR	
Via Burigozzo 5, Milano	October 2017	MI	Milano	26,3	Office	CIA - Compagnia Immobiliare	Fondo Richmond	
offices via Monte Rosa Milano	October 2017	MI	Milano	57	Office	Techint	COIMA RES	14.500,00
Piazza Affari 1 Milano	September 2017	MI	Milano	40	Office	Torre SGR SpA,	Gruppo Generali	

ASSET	DATE	PR	TOWN	VALUE (euro/ mln)	USE	VENDOR	BUYER	Surface area sqm
office building	January 2018	RM	Roma	30	Office	n.a	Kryalos Asset Management	n.a
Viale America 351	December 2017	RM	Roma	30,5	Office	Investire SGR SpA	Fabrica Immobiliare SGR	n.a

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