CUSHMAN & WAKEFIELD

ITALIAN REAL ESTATE OVERVIEW 2021

INDEX

> "*2021: Italy, Country of the year*"
> The Economist

2021 ended marking an unprecedented growth for the Italian economy, surpassing +6% increase in GDP. The fast-recovering economy, high level of Covid vaccination rate (among the highest in Europe) combined with Mario Draghi's reliability earned us this unprecedented recognition.

As the Country's economy continues to grow so does the real estate sector. 2021 data shows sound results in both occupier and investment markets. Investment volumes stand at circa 10 €Bn, +11% on 2020 and we start 2022 with preliminary agreements signed for over 2€Bn. Capital flows for real estate are still robust and Italy is well positioned to attract them, thus 2022 is projected as another good year.

The office market reacted positively throughout the year in both Milan and Rome, with an annual absorption which has returned to healthy pre-pandemic levels. Specifically, Milan reflected an increase of 11% on the 10-year average and circa +30% on 2020, while in Rome, figures were roughly 15% above the 10-year average and +40% on 2020.

Industrial & Logistics ended the year as the first asset class per investments, standing at almost 3 Bn Euro and take-up at 2.5 Mn sqm has been outstanding for the 5th year in a row.

Institutional investors continue to increase their positioning in the Living sector, building new stock by acquiring lands mainly in Milan. It is catching great interest from both domestic and foreign investors. Volume invested stood at around 635 €Mn.

The Retail sector, after a weak first half due to the restrictions, recovered in the second half from both occupiers and investors' perspective thus leading to a more optimistic outlook for 2022.

Hospitality continue to show signals of recovery and confidence grows as we are approaching the end of restrictions from the pandemic. With 1.5 Bn Euro of investments, 2021 volume is one of the highest in the past years (excluding 2019).

Overall, we are entering 2022 with robust fundamentals for the property sector.
One of the major growth slowdowns for the Italian real estate market, the size (in terms of investible stock, investible markets / cities, sectors) is slowly been overcome.
In the last 10 years Italian Real Estate investment market reached an average of circa 7 €Bn yearly against 5 €Bn yearly from 2000 to 2009.

Growth drivers of the market in place are:

1. Urban Regeneration: a number of large mixed-use urban regeneration projects will be launched over the next 2/3 years and will create new investible stock.
2. Impact of demographic and consumer demand on new assets classes development.
3. Alternative investment products could be developed beyond traditional target cities.

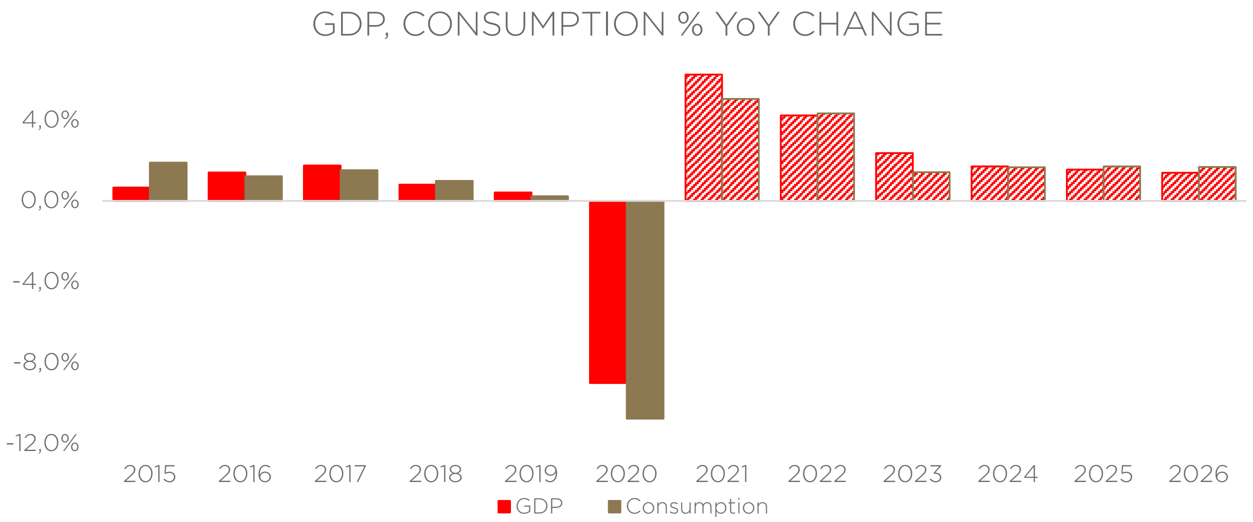
Thanks to the economic recovery and the projects driven by the PNRR all these elements would certainly bring an increase of the average market size.

Opportunities will continue to be driven by the increasing demand for ESG driven investment which is reshaping the portfolio sector allocation for institutional investors. Retrofitting obsolete office buildings, re-purposing existing assets according to the new urban trends, addressing the living sector comprising all its nuances (affordable living, student accommodation, senior living, etc), tackling niche investments such as life-science, healthcare, data center, etc.

Reasons of concerns for the months to come: inflationary pressures, a possible hike in interest rate, supply chain disruption. Will prime yields continue to be sustainable? What if the cost of capital increases? Are just few questions to address, but we are confident that fundamentals have improved and therefore will back another good year.

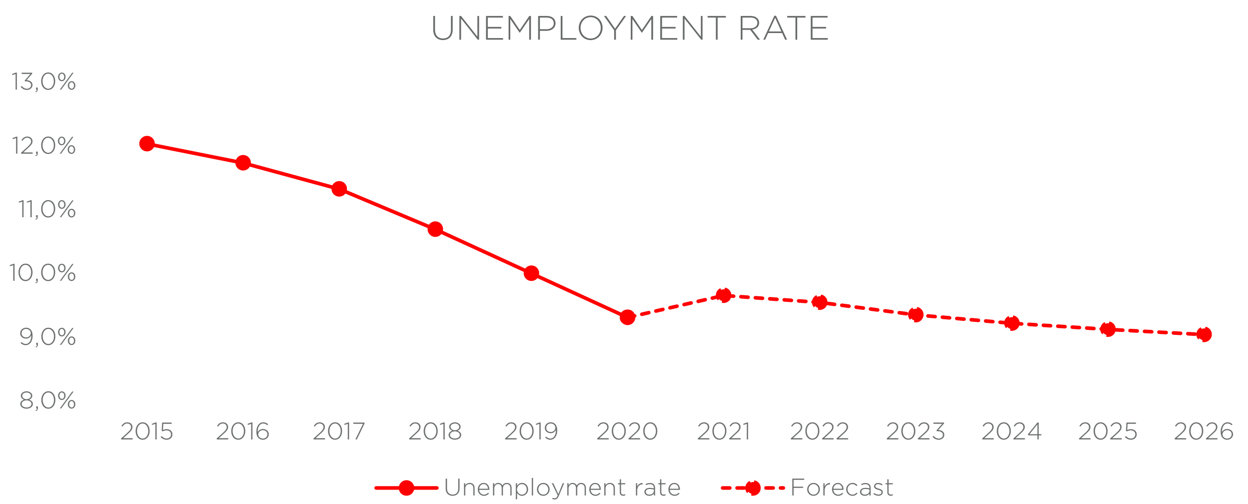
ECONOMIC OVERVIEW

GDP. Italian economy growth accelerated in Q3 2021, outpacing other European countries, and it is now expected to grow by 6.3% for the full year. Figures are considerably higher than previous forecasts, bringing GDP to its pre-pandemic level by mid-2022. GDP has been mainly driven by expansion in household consumption; from June to October spending has regained momentum, especially in retail, transport and accommodation services (encouraged by the easing of the restrictive measures). Nevertheless, given the resurgence of the pandemic, household spending slowed considerably in the fourth quarter that, together with tensions in the global supply chains, impacted GDP growth.



Source: Moody's, Cushman & Wakefiled

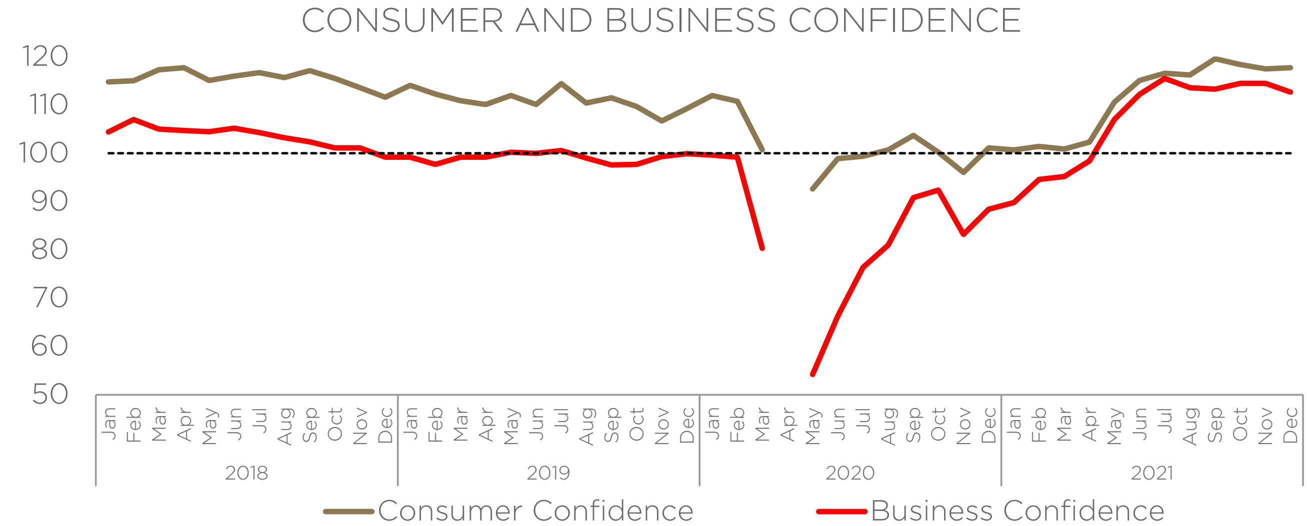
LABOUR MARKET. The number of persons employed continued to increase over the second half of the year, even with a slower pace in the fourth quarter. Employment trends continued to benefit from the moderate number of layoff, which, despite the gradual lifting of the freeze on dismissals, remained below pre-pandemic levels, also thanks to the extension of the measures expanding access to wage supplementation schemes. The worsening pandemic situation may impact the employment recovery, bringing an increase of unemployment rate in the first half of 2022 and decline afterward.



Source: Moody's, Cushman & Wakefiled

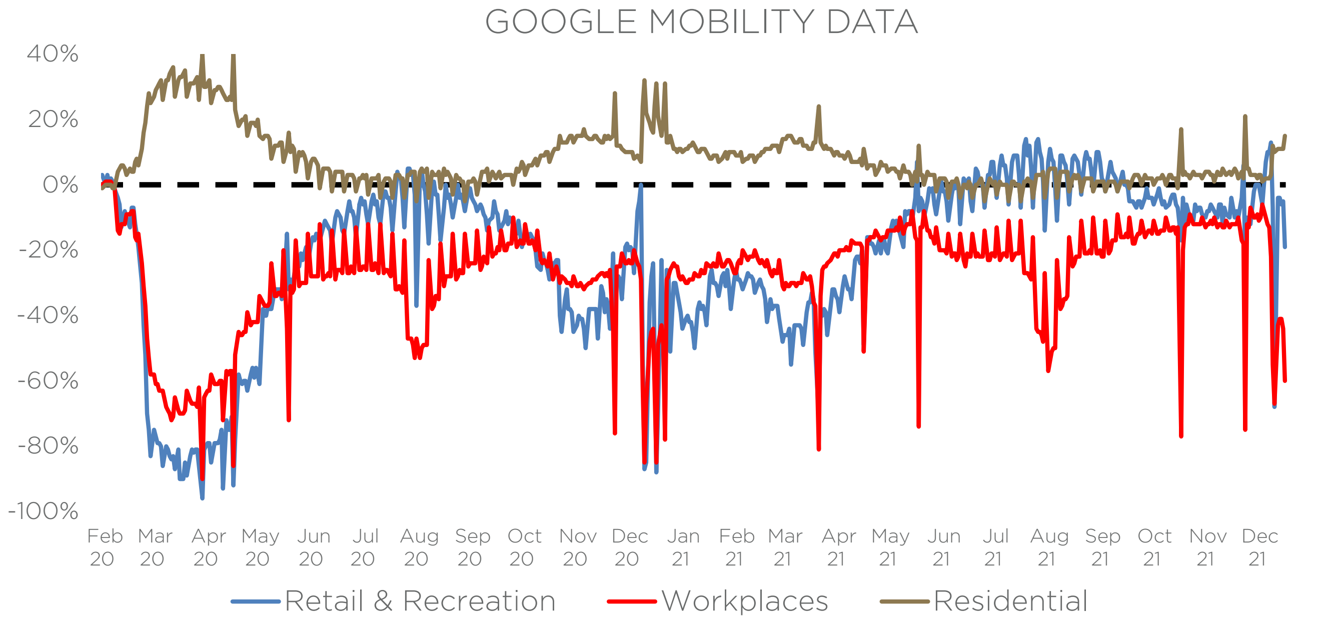
COVID-19

CONSUMER AND BUSINESS CONFIDENCE. The easing of the pandemic from May to October has boosted both consumer and business confidence which not only reached pre-Covid levels, but recorded figures among the highest in years. In particular, consumer confidence in September was at its highest level since the beginning of the Index's series (1998). Starting from November, still remaining higher than 2020, the expectations for Italy's general economic situation worsened because of the deterioration in the epidemiological situation.



Source: Moody's, Cushman & Wakefiled

DATA MOBILITY. After the first wave of Covid-19, mobility data was recording a recovery from the summer until September 2020, then during the second wave of the pandemic (from October 2020 to April 2021) data diverged again. Starting from May 2021, most of containment measures were lifted and mobility was converging to normality with also workplace showing high traffic after summer holidays. Starting from November 2021, the spread of omicron variant led to another slowdown in mobility.



Note: *positive and negative peaks are related to Sundays or holidays where mobility attitudes strongly change compared to the baseline. Positive peaks recorded by the workplaces index (red line) correspond to non-working days. Negative peaks recorded by Retail & Recreation from November 2020 TO May 2021 correspond to holidays and pre-holidays where Shopping Centres, Retail Parks and other sites were forced to be closed.*

CAPITAL MARKETS

“ITALY WELL POSITIONED TO ATTRACT CAPITAL FLOWS FOCUS ON ESG IS RESHAPING THE INVESTMENTS MARKET”

CAPITAL MARKETS ITALY

With just under **10 €Bn** invested the **Italian market** saw an overall increase of 11% on 2020 figures and 34% above the 2011-2020 average. Overall, this year's market was characterized by large portfolio transactions within the Industrial & Logistics, Other and Hospitality sectors. The largest transaction was a mixed-use portfolio acquired by Blackstone from Reale Compagnia for circa 1.3 €Bn, rumored to be 60% retail with the remaining equally split between office and residential.

The best performing asset class was by far **Industrial & Logistics** which registered the best year ever with a record 2.8 €Bn invested, with the second largest transactions across all sectors – a portfolio for circa 260 €Mn. While interest is increasing in many regions, the majority of activity is still concentrated in the northern part of the peninsula.

Investors also showed particular confidence in the **Hospitality** sector which totaled circa 1.5 €Bn invested, + 60% on 2020. The largest transactions were for a portfolio of resorts and hotels (above 200 €Mn) and two historic hotels in the key cities of Rome and Venice.

In the **Office** sector numbers decreased by almost 50% on 2020 due to a still cautious approach on non-core deals but Core and Core+ opportunities sustained the market throughout the year. Milan continued to attract the majority of investor interest accounting for 76% of volume.

Core investors in the **Retail** sector were active on prime high street locations rarely put on the market or super/hypermarkets as well as retail parks because of the resilience shown during lockdown. Opportunistic investors, on the other hand, concentrated on out-of-town shopping galleries looking for double digit returns. Despite the low total level of investments in pure retail (which excludes the Reale Compagnia deal), it is important to highlight that new foreign investors (i.e. ICG, Crestline) have come to Italy for the first time this year buying retail.

Alternative and Living sectors are still in a budding phase and although this still isn't reflected in the volumes, there is a lot of activity around assets to be repositioned, land and forward purchases as well as large development projects, especially in Milan.

INVESTMENT VOLUMES

ITALY	MILAN	ROME
€9.8 Bn	€2.5*Bn	€810 Mn

DOMESTIC CAPITAL

ITALY	MILAN	ROME
23%	47%	62%

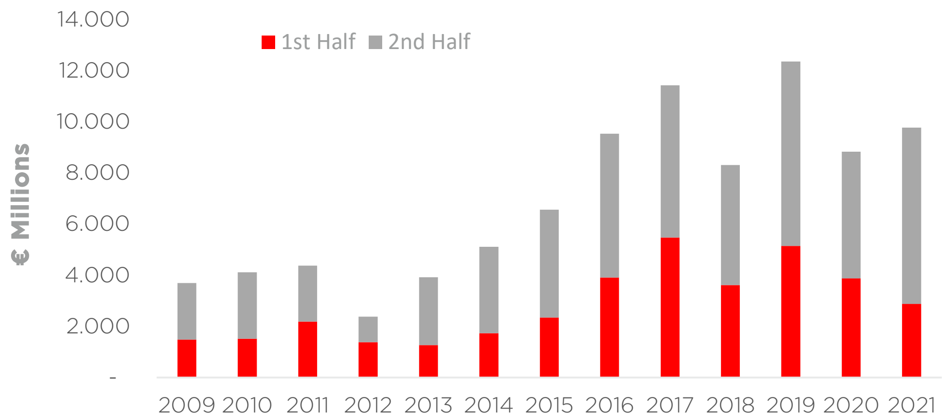
CROSS BORDER CAPITAL

ITALY	MILAN	ROME
77%	53%	38%

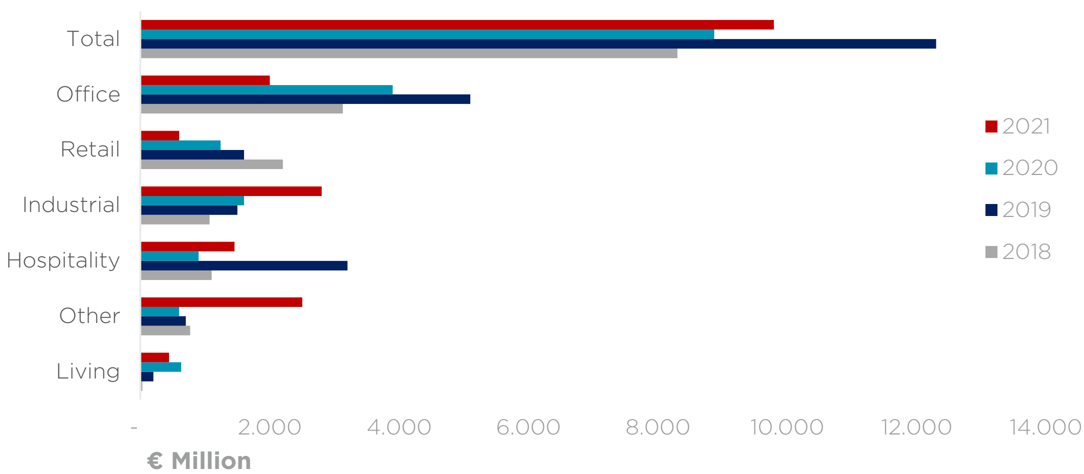
2021

**Share of Compagnia Reale portfolio is excluded from Milan total. If included it would make up 3.7 €Bn*

CRE INVESTMENT VOLUMES EVOLUTION



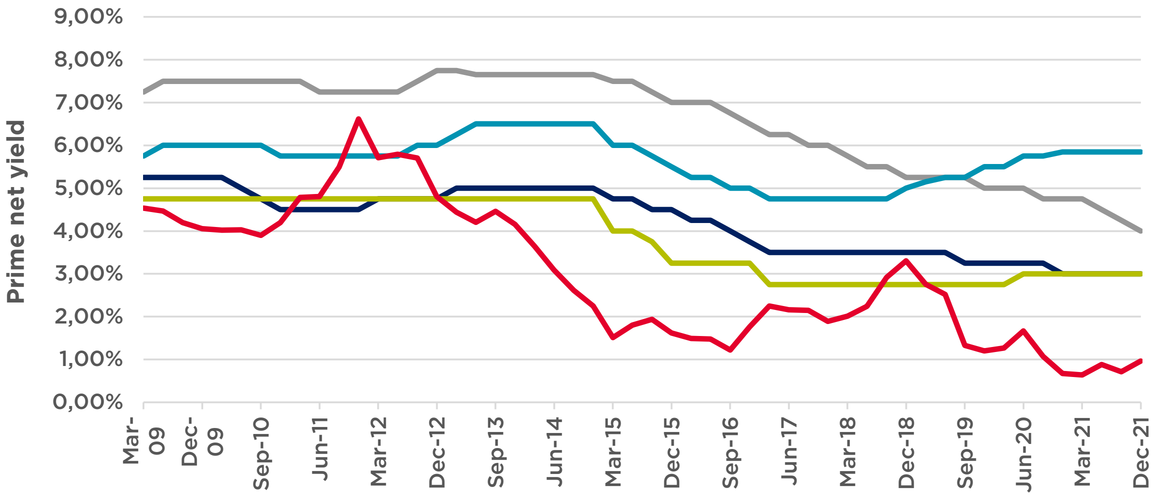
YEARLY COMPARISON BY SECTOR



Source: Cushman & Wakefield, RCA

PRIME YIELD EVOLUTION

Shopping centers **5.85%** Logistics **4.00%** Prime office **3.00%** High street **3.00%**
Interest reate, 10 years government bond yield **0.97%***



** BTP 10 yr Gov.Bond 2021, sourced Moody's*

OFFICE MARKET

“CORE MARKETS RETURNING TO PRE-PANDEMIC LEVELS AS COMPANIES RE-THINK WORKSPACE EMBRACING ESG’S”

OFFICE SECTOR

The Milan and Rome office market reacted positively throughout the year, with an annual absorption which has returned to healthy pre-pandemic levels.

In both markets the decision making process for relocations remains long, especially for large companies, while the search for smaller and medium spaces endures.

In Milan, an increased sense of confidence reflected in the annual absorption which reached 356,000 sqm, above the 10-year average and increase of circa 30% on figures reported for 2020.

Overall, Milan recorded 267 transactions (+64 on 2020) with an average size of 1,300 sqm. The market has been characterized by small to medium sized spaces (< 4,000 sqm) which represented 95% of deals; only 6 transactions above 9,000 sqm were recorded since the beginning of the year. CBD Historic and Porta Nuova and consolidated business hubs in the Periphery were the most appealing areas, accounting for 60% of take up.

In Rome, thanks also to large pre-lets which were fulfilled throughout the year, figures reached 180,000 sqm by year end, recording an increase of 40% on 2020 and roughly 15% above the 10-year average.

Demand from occupiers continues to be met by the chronic shortage of quality product available in the medium/short term. In fact, in Rome the majority of stock is owned by the private investors, and it has been the more international owners that have shown more proactiveness in creating new appealing opportunities. Rome recorded 126 transactions with an average transaction size of 1,400sqm.

The most active tenant sector throughout the year was the Consulting/Business services with 26% of take up (6 transactions) followed by IT/Communications with 14% (24 transactions); the public sector, an important occupier in the Rome market, carried out a total of 5 transactions for medium spaces (2,000-5,000 sqm) accounting for 8% of spaces leased.

TAKE UP

	MILAN	ROME
TAKE UP	356,000 sqm	180,000 sqm
PRIME RENT	€620 sqm/yr	€500 sqm/yr
PRIME YIELD	3.00%	3.50%

2021

Although the impact of the Omicron variant on the recovery is still unfolding, companies are re-thinking their workspace and reviewing their real estate strategies to embrace employees' wellbeing, providing more flexibility.

Prime rental levels increased in both markets, reaching a 620 €/sqm/yr in Milan and 500 €/sqm/yr in Rome.

Environmental, Social and Governance (ESG) elements and sustainability are now consolidated and perceived as necessary in both leasing and investment markets.
In fact, the gap between prime and secondary markets is increasing, with the focus on prime products that are more resilient and respond to sustainability requirements reducing future risks.

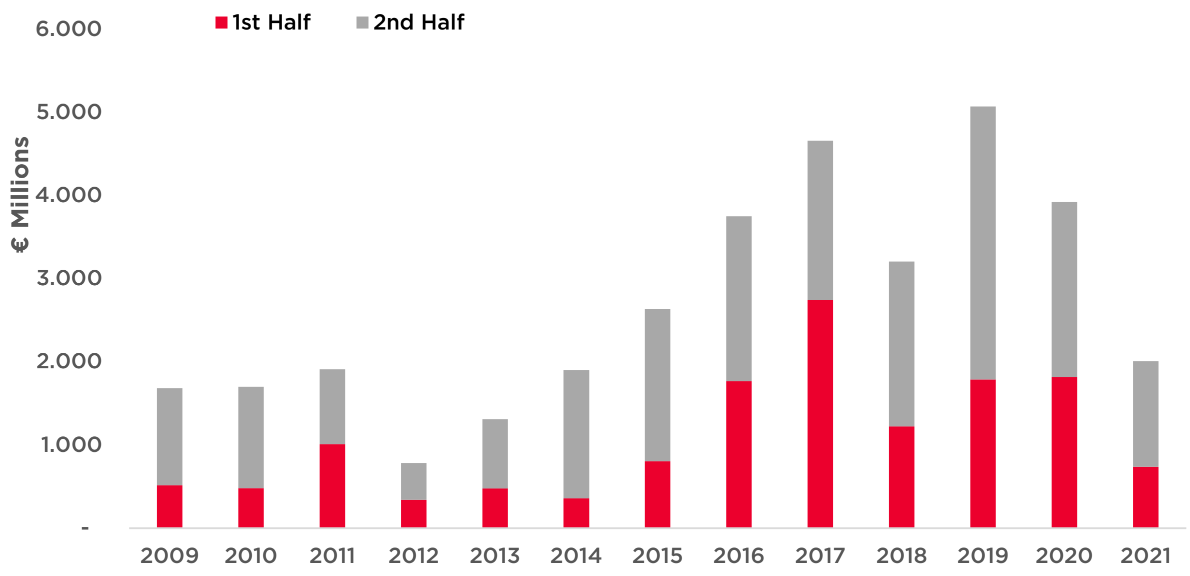
Office investment volume decreased by almost 50%, reaching 2 €Bn, due to a still cautious approach on non-core deals.

Core and Core+ opportunities sustained the market throughout the year.

Milan remains he most attractive city, accounting for 75% of capital invested in the office sector during the year. The largest transactions recorded was the acquisition by an Italian pension fund of a 50% share of "the Curve" tower in the Citylife district for 160 €Mn.

Although Rome accounted for just under 20% of volume invested, this does not indicate a low interest in this market. Core opportunities remain scarce but highly desirable and the end of year saw many preliminary agreements being signed as well as core assets being put on the market which will lead to a lively and interesting start of 2022.

OFFICE INVESTMENT VOLUMES

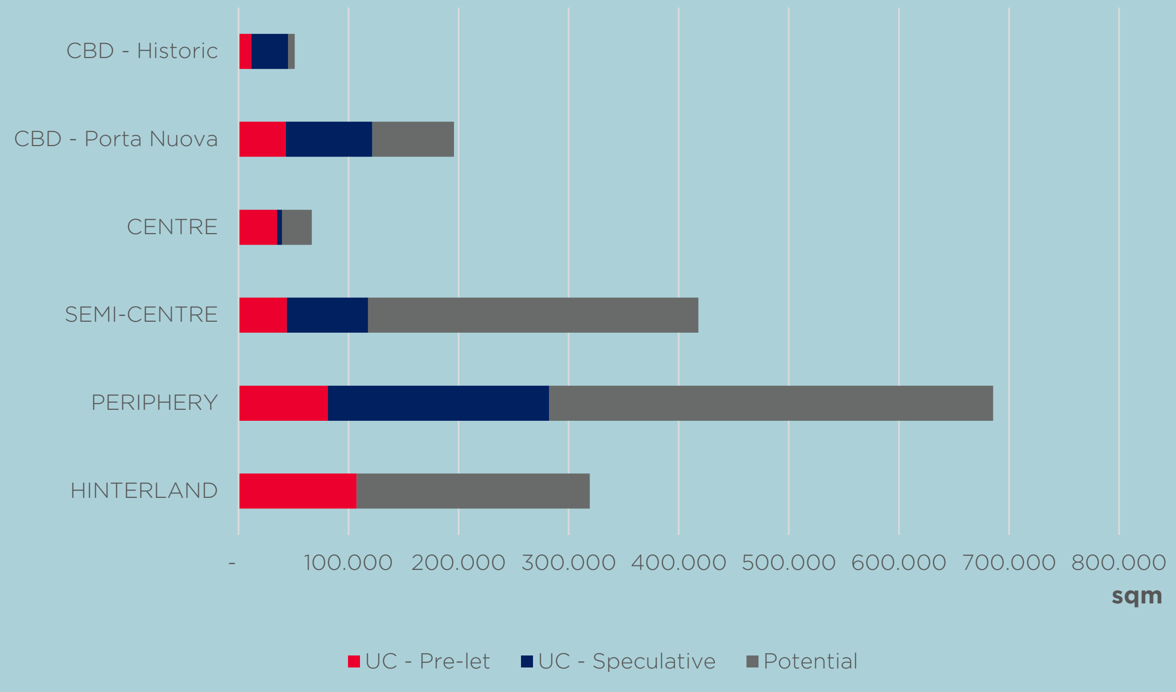


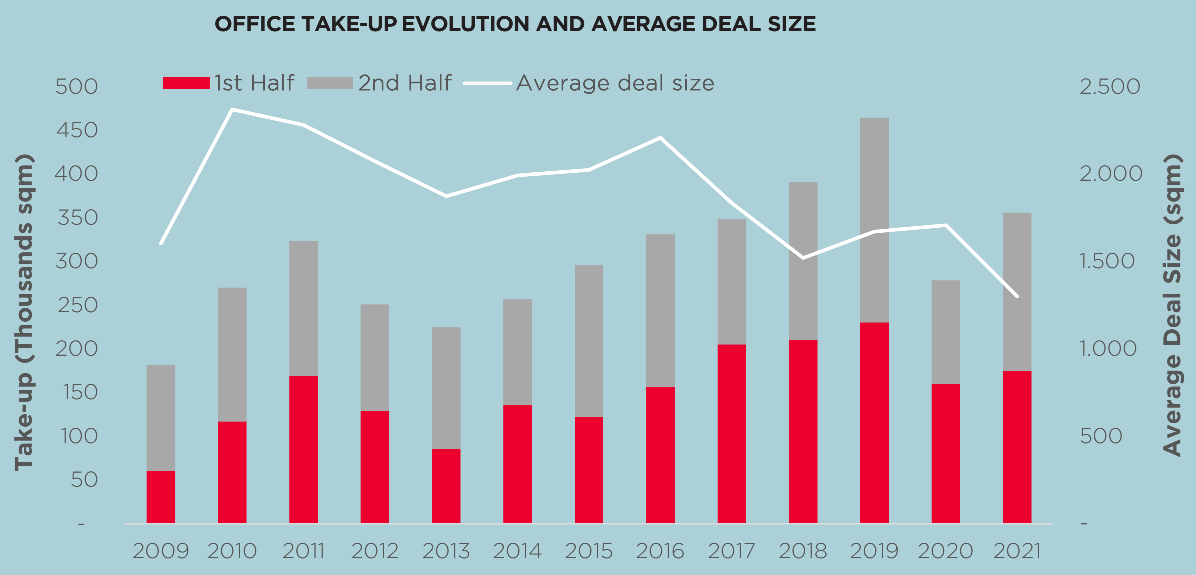
OFFICE SNAPSHOT MILAN

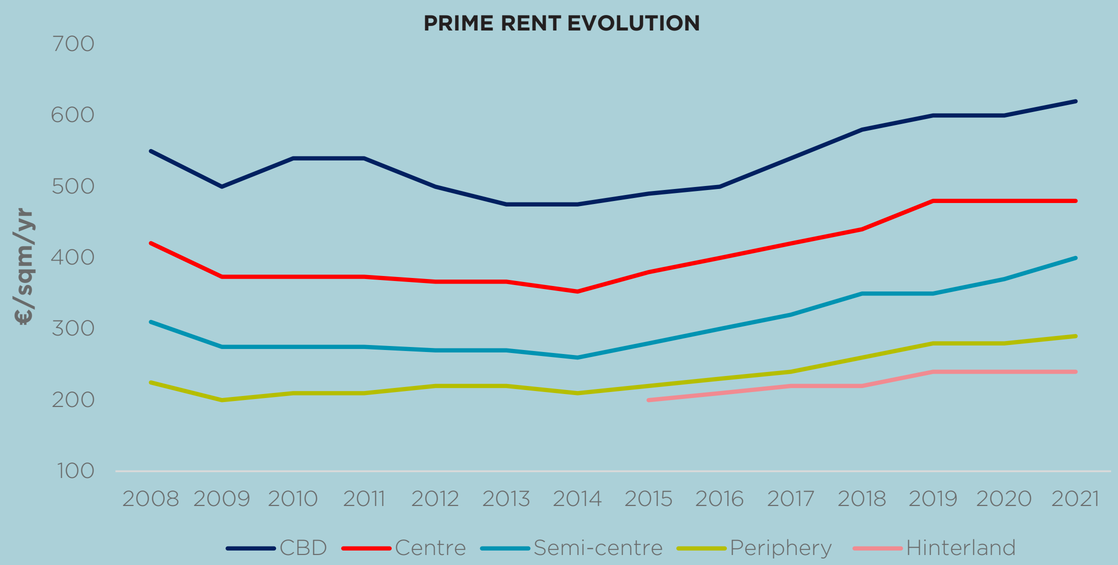
"THE OFFICE PIPELINE EXPECTS 1.7 MILLION SQM OF NEW OFFICE SPACE BY 2026. TODAY THERE ARE APPROXIMATELY 714,000 SQM UNDER CONSTRUCTION (OF WHICH 45% PRE-LET) AND ALMOST 1 MN SQM OF POTENTIAL DEVELOPMENT"

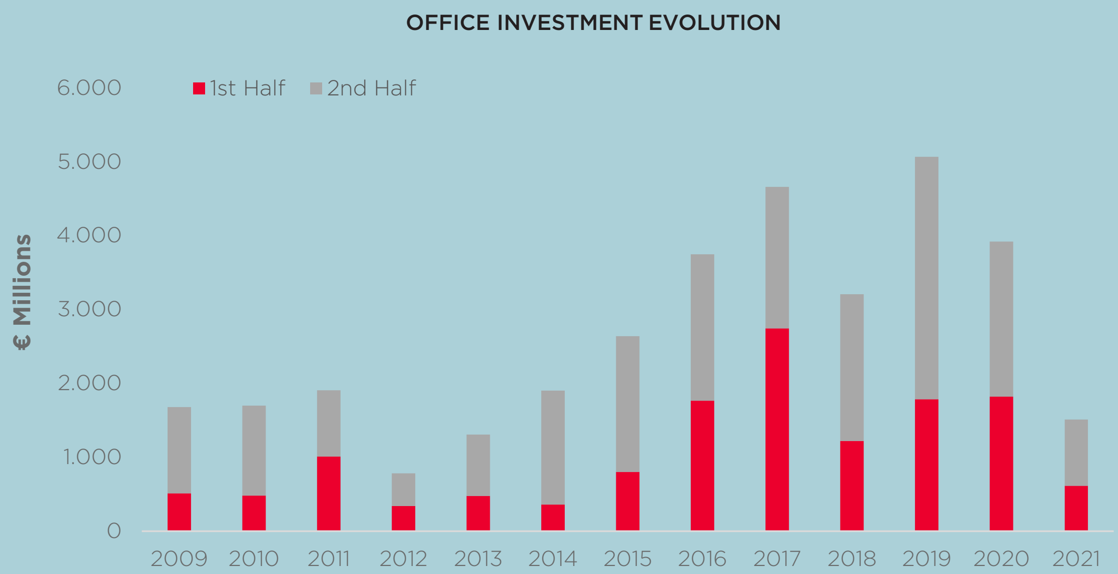
"DURING 2021 CIRCA 270,000 SQM OF COMPLETIONS HAVE BEEN RECORDED IN MILAN, OF WHICH 84% REFURBISHMENT AND 16% NEW. LESS THAN 33% IS AVAILABLE ON THE MARKET AND THE RISK OF OVERSUPPLY IS LOW"

DEVELOPMENT PIPELINE, SQM




OFFICE TAKE-UP EVOLUTION AND AVERAGE DEAL SIZE
1st Half
2nd Half
Average deal size
Take-up (Thousands sqm)
Average Deal Size (sqm)
500
450
400
350
300
250
200
150
100
50
-
2.500
2.000
1.500
1.000
500
-
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021


PRIME RENT EVOLUTION
€/sqm/yr
700
600
500
400
300
200
100
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
CBD
Centre
Semi-centre
Periphery
Hinterland


OFFICE INVESTMENT EVOLUTION
1st Half
2nd Half
€ Millions
6.000
5.000
4.000
3.000
2.000
1.000
0
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

MILAN CITY TRENDS

CBD
Take-Up 2021: 101,000 sqm
Prime Rent: 620 €/sqm/year
Prime Yield: 3.00%
Pipeline UC 2022/2026:167,000 sqm
- pre-let: 33%

CENTRE
Take-Up 2021: 53,000 sqm
Prime Rent: 480 €/sqm/year
Prime Yield: 3.50%
Pipeline UC 2022/2026:40,000 sqm
- pre-let: 88%

SEMICENTRE
Take Up 2021: 51,000 sqm
Prime Rent: 400 €/sqm/year
Prime Yield: 4.25%
Pipeline UC 2022/2026:118,000 sqm
- pre-let: 37%

PERIPHERY
Take-Up 2021: 104,000 sqm
Prime Rent: 290 €/sqm/year
Prime Yield: 4.50%
Pipeline UC 2022/2026:283,000 sqm
- pre-let: 29%

HINTERLAND
Take-Up 2021: 47,000 sqm
Prime Rent: 240 €/sqm/year
Prime Yield: 5.25%
Pipeline UC 2022/2026:107,000 sqm
- pre-let: 100%

NEW CLUSTERS

MIND
Pipeline UC+Potential 2022-2026:
160,000 sqm

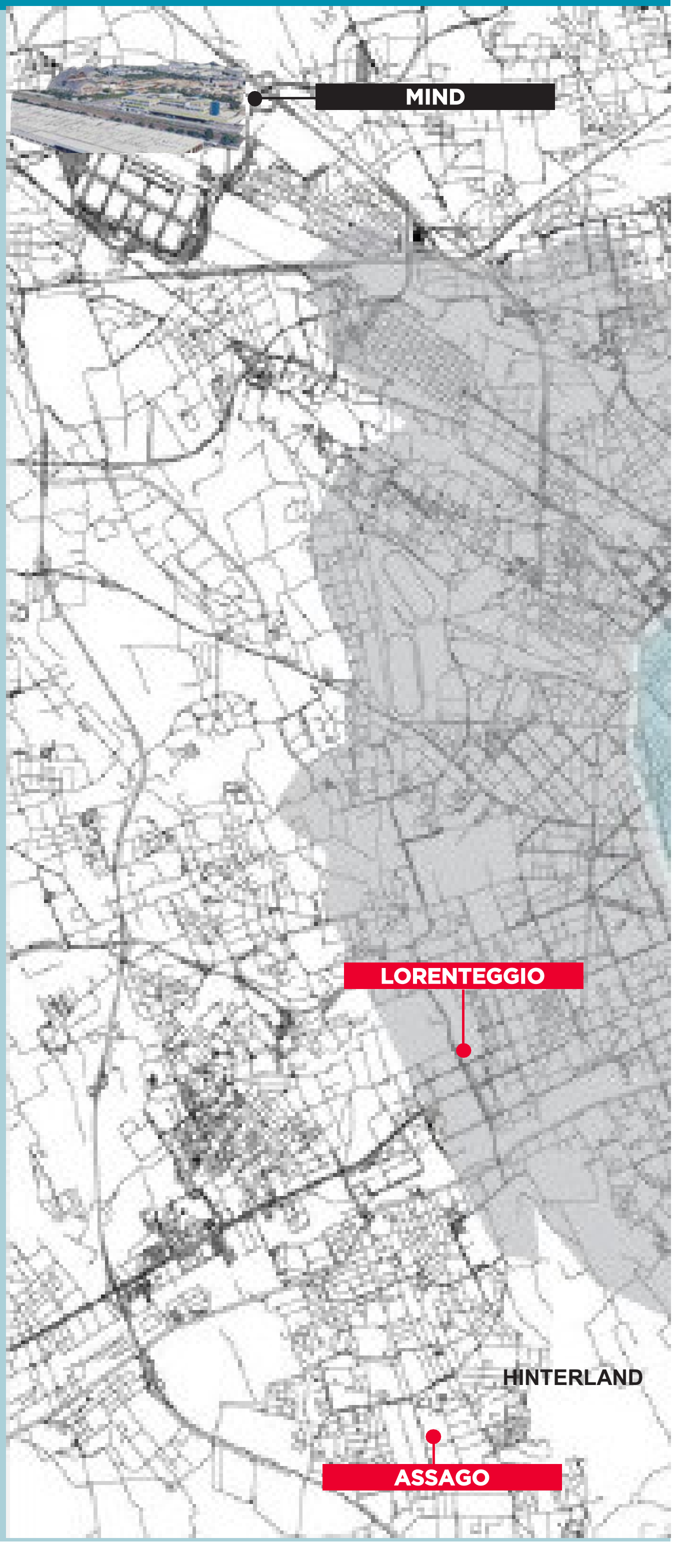
SCALO FARINI
Pipeline UC+Potential 2022-2026:
124,000 sqm

CITY LIFE DISTRICT
Pipeline UC+Potential 2022-2026:
139,000 sqm

PORTA NUOVA
Pipeline UC+Potential 2022-2026:
196,000 sqm

SANTA GIULIA
Pipeline UC+Potential 2022-2026:
107,000 sqm

SCALO DI PORTA ROMANA
Pipeline UC+Potential 2022-2026:
199,000 sqm



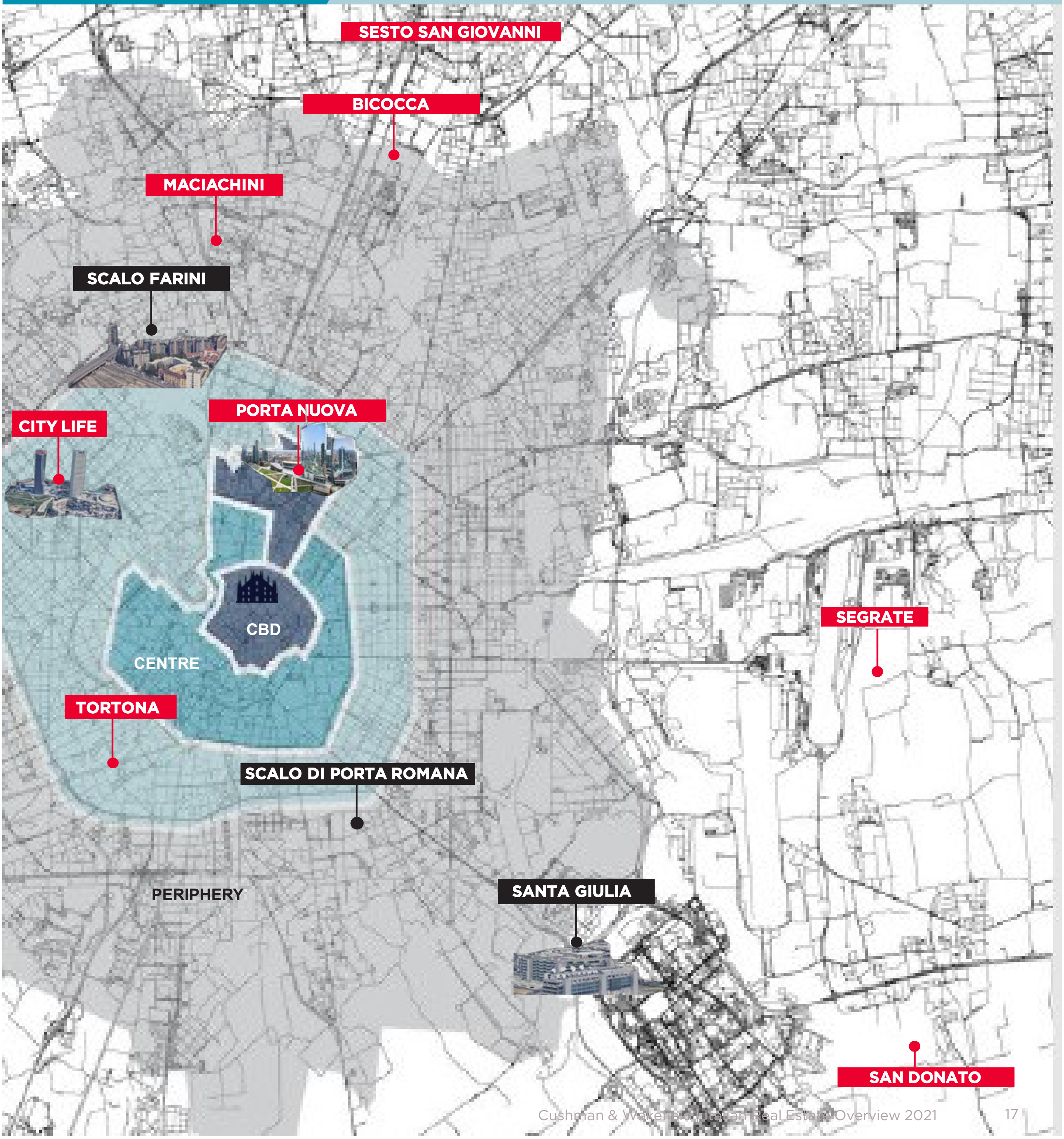
MILAN CITY

12.3 Mn sqm
STOCK

11.1%
VACANCY RATE

45%
SPACE UC PRE-LET

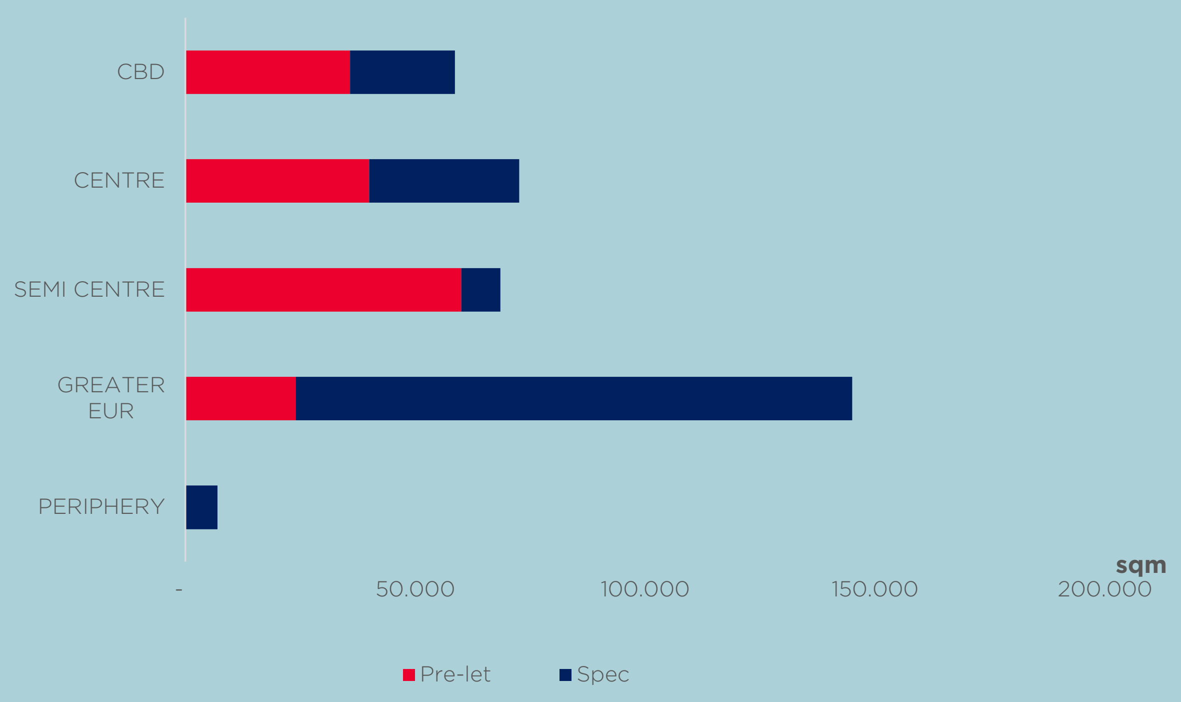
714,000 sqm
TOTAL SPACE UC



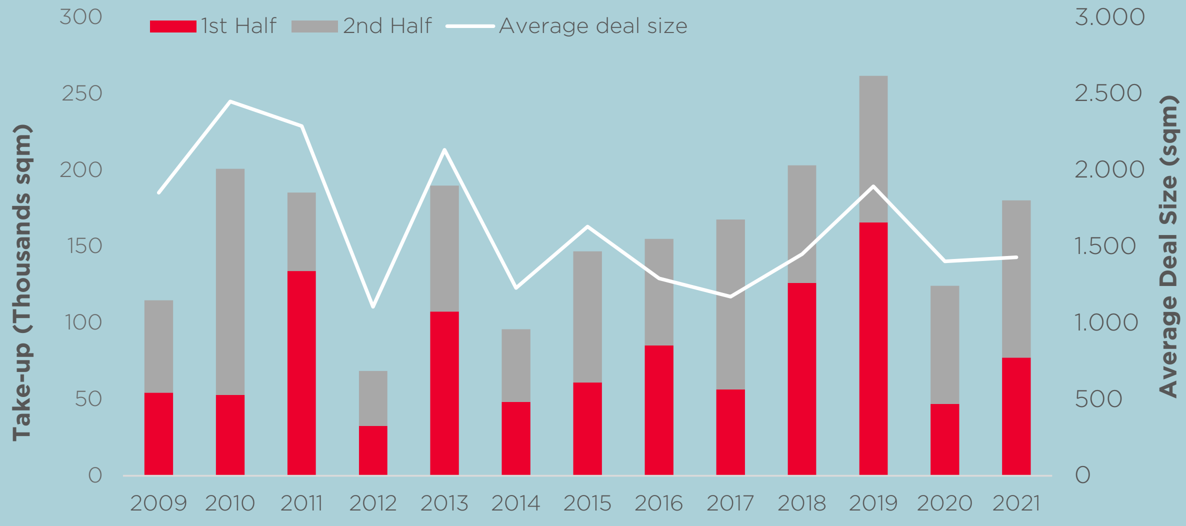
OFFICE SNAPSHOT ROME

“IN ROME THERE ARE CIRCA 340,000 SQM UNDER REFURBISHMENT (18 PROJECTS), WITH SPECULATIVE PROJECTS INCREASING TO 53% OF SPACES BEING REDEVELOPED. NEW PIPELINE COMPRISES OF A SINGLE NEW BUILD IN THE GREATER EUR SUBMARKET”.

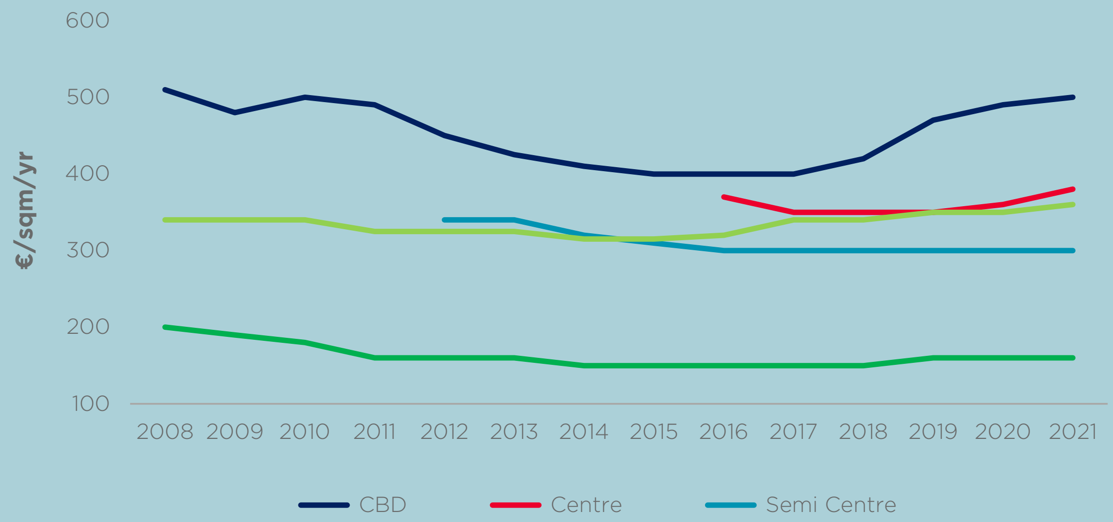
DEVELOPMENT PIPELINE, SQ M



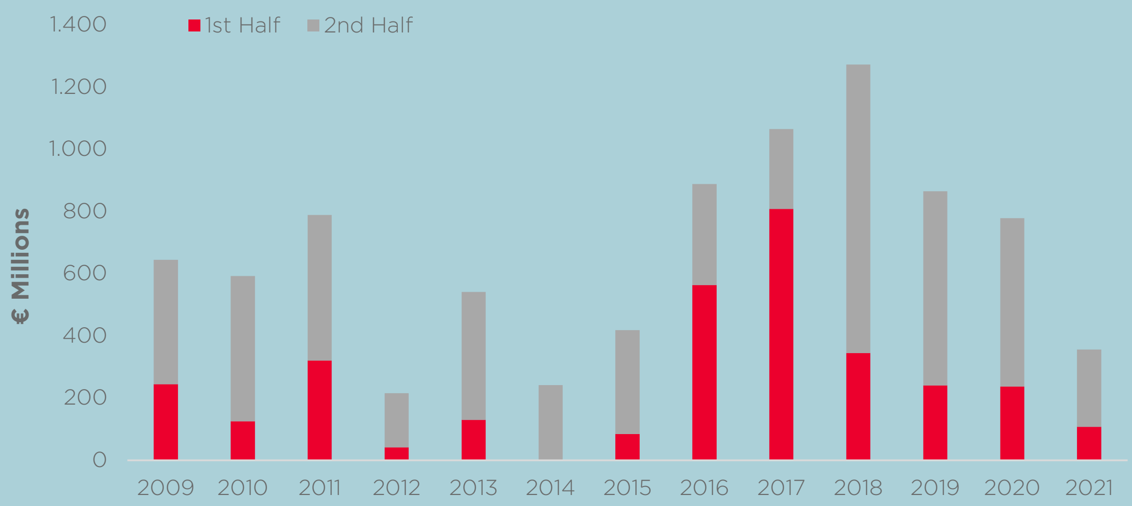
OFFICE TAKE-UP EVOLUTION AND AVERAGE DEAL SIZE



PRIME RENT EVOLUTION



OFFICE INVESTMENT EVOLUTION



ROME CITY TRENDS

CBD
Take-Up 2021: 42,500 sqm
Prime Rent: 500 €/sqm/year
Prime Yield: 3.50%
Pipeline UC 2022/2025: 58,600 sqm
- pre-let: 61%

CENTRE
Take-Up 2021: 32,500 sqm
Prime Rent: 380 €/sqm/year
Prime Yield: 4.25%
Pipeline UC 2022/2025: 72,600 sqm
- pre-let: 55%

SEMICENTRE
Take Up 2021: 8,830 sqm
Prime Rent: 300 €/sqm/year
Prime Yield: 6.00%
Pipeline UC 2022/2025: 68,500 sqm
- pre-let: 90%

GREATER EUR
Take-Up 2021: 70,200 sqm
Prime Rent: 360 €/sqm/year
Prime Yield: 4.00%
Pipeline UC 2021/2025:145,500 sqm
- pre-let: 20%

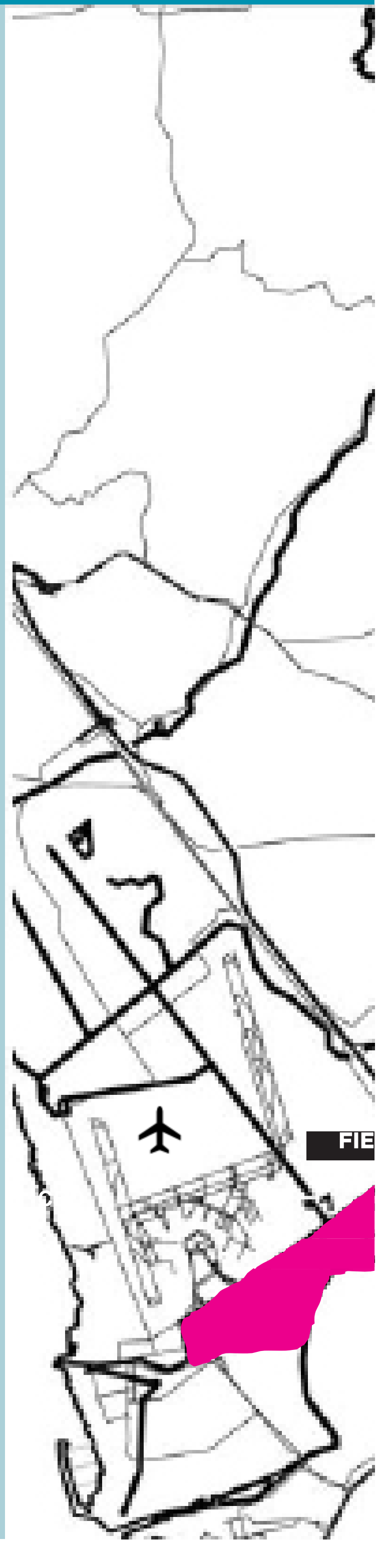
PERIPHERY
Take-Up 2021: 26,500 sqm
Prime Rent: 160 €/sqm/year
Prime Yield: 8.00%
Pipeline UC 2021/2025:7,000 sqm
- pre-let: 0%

OTHER CLUSTERS

FIUMICINO CORRIDOR
Prime Rent: 220 €/sqm/year
Prime Yield: 7.00%

TIBURTINA
Prime Rent: 120 €/sqm/year
Prime Yield: 7.50%

CINECITTA'
Prime Rent: 180 €/sqm/year
Prime Yield: 7.00%



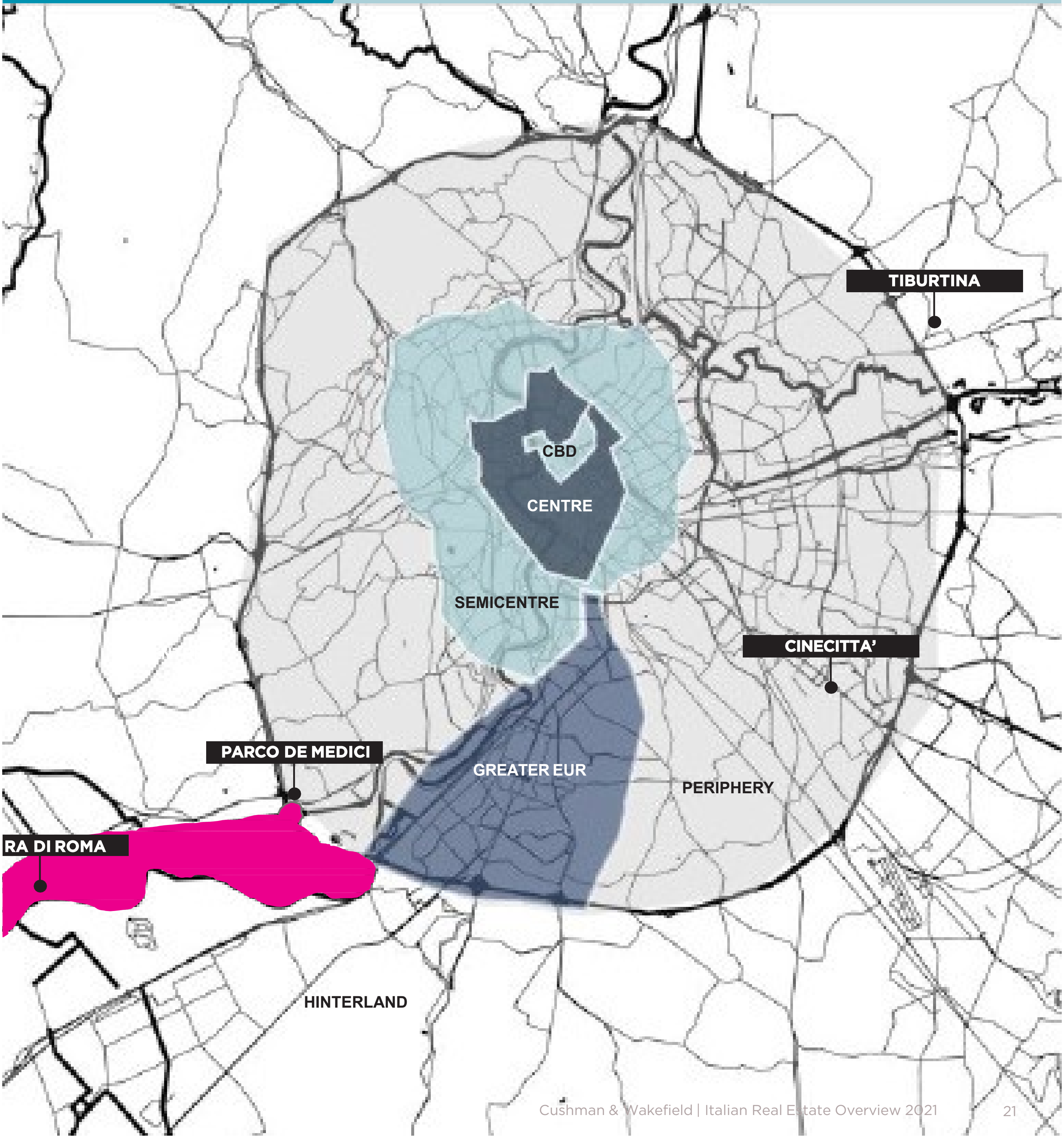
ROME CITY

10.07 Mn sqm
STOCK

11.3%
VACANCY RATE

47%
SPACE UC PRE-LET

340,000 sqm
TOTAL SPACE U/REF



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Prime Rent: 180 €/sqm/year
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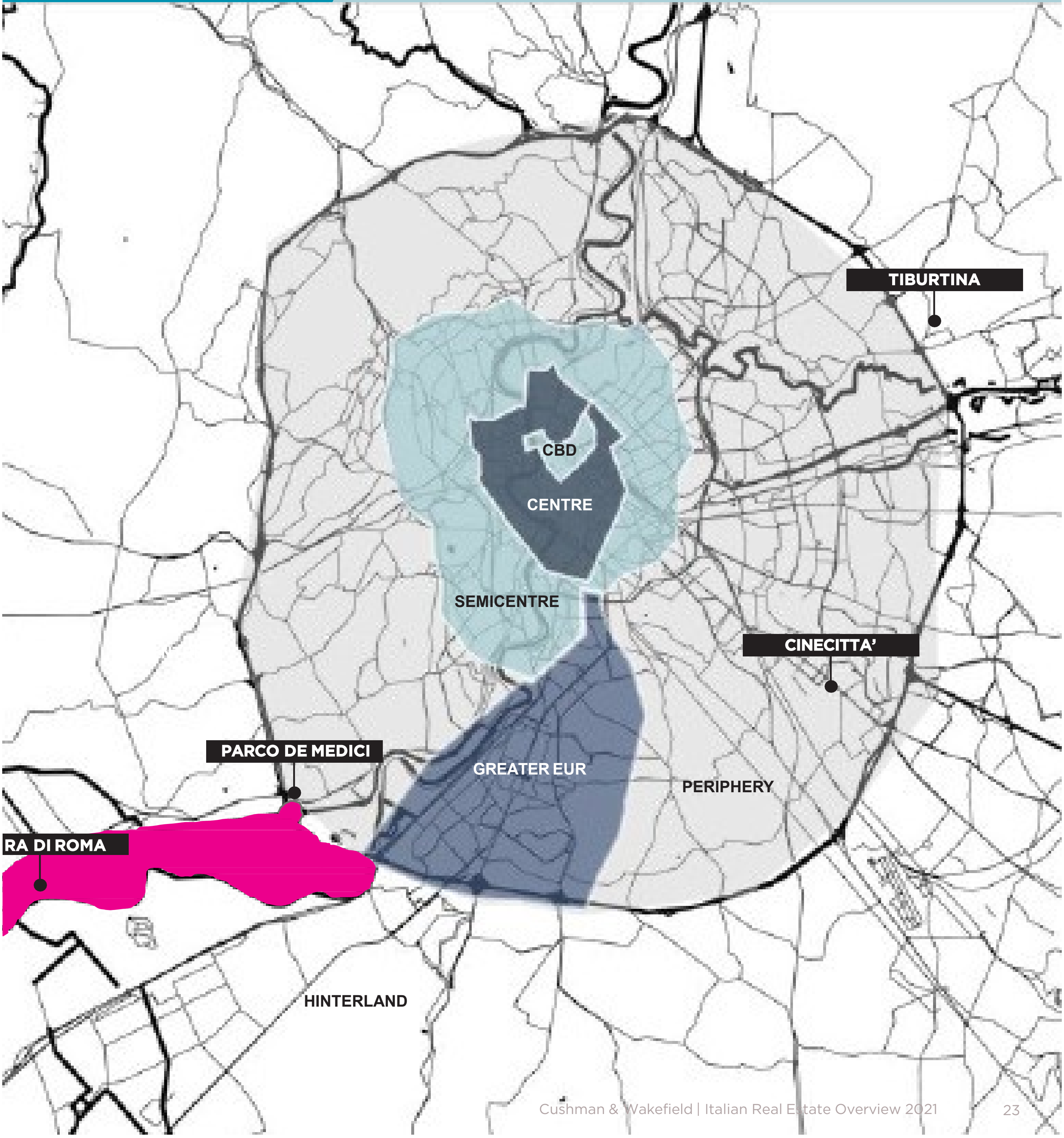
ROME CITY

10.07 Mn sqm
STOCK

11.3%
VACANCY RATE

47%
SPACE UC PRE-LET

340,000 sqm
TOTAL SPACE U/REF



RETAIL MARKET

“INVESTORS TIMIDLY RETURNING TO THE MARKET. OPPORTUNISTIC THE MOST ACTIVE. FUNDAMENTALS EXPECTED TO RECOVER OVER 2022 ”

RETAIL SECTOR

Rental values for the fourth and last quarter of 2021 were stable and market trends generally positive, in line with the previous months due to the success of vaccination campaign and to its positive effects on the market and on economy more in general.

Restrictions became part of a new normality and containment measures are changing depending on the evolution of Covid-19 pandemic. Its deep impact on the retail market drove landlords and tenants to look for new perspectives, challenges and opportunities.

The growth of ecommerce has slowed down, after the unusual increase of 2020, but it remains one of the key components in the transformation of the entire retail sector together with more transitory factors such as working from home and limited tourists' flows.

Milan, being one of the most influential global fashion life-styles cities, is recovering enthusiasm and promoting change for life quality.

The Quadrilatero della Moda luxury area confirmed prime rental values, which are likely to increase due to ongoing requalification projects, redefining the identity of this popular shopping destination.

The total volume of pure retail investments (excluding Reale Compagnia portfolio acquired by Blackstone for circa 1.3 €Bn and indicatively counting 60% of retail according to market rumors) recorded in 2021 was still impacted by Covid-19 pandemic, circa 50% lower than 2020 and 64% lower than 2019.

Recent rise of Covid-19 cases and new restrictions could reduce mobility and impact flows to retail destinations in the near term, but we expect a rapid recovery when pandemic is back under control. While premium in-town assets are not affected by these new uncertainties, most of retail assets will need a longer period of positive performances from retailers to return in the target of institutional investors.

PRIME RENTS AND YIELDS HIGH STREET

MILAN

€14,000 sqm/yr

ROME

€12,800 sqm/yr

VENICE

€7,000 sqm/yr

FLORENCE

€6,000 sqm/yr

PRIME YIELD

MILAN 3%

ROME 3%

VENICE 4%

FLORENCE 3.75%

After an increase in optimism experienced in October, with turnover data almost in line with 2019 level, the worsening of restriction measures at the end of the year driven by the spread of Omicron variant, pulled back consumers confidence and both footfall and turnover data declined*.

According to the CNCC sample, shopping center's footfall was down -26.4% in 2021 compared to 2019 while turnover declined -14.7%.

Despite the general result, performance has been different over the two half of the past year: first half witnessed a marked decline in turnover of almost 30% while the second half drop was limited to just 3.4% (compared to 2019). Considering that many activities (entertainment and F&B) are not yet fully open and that, second half results are encouraging.

The *F&B sector* continues to be the hittest retail segment with turnover

.

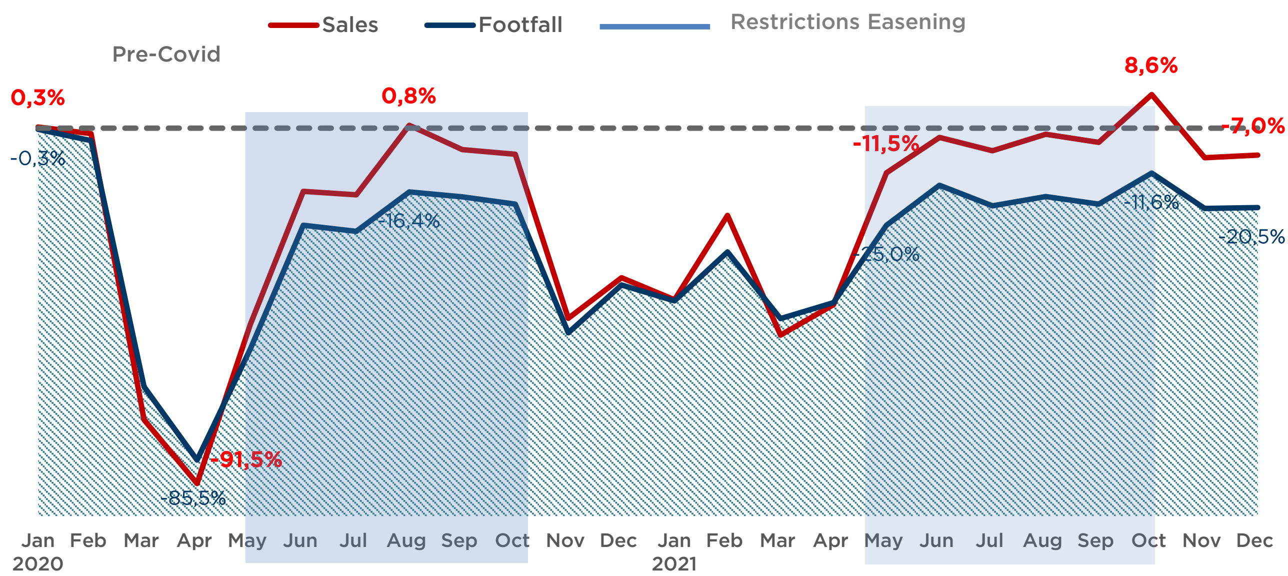
further down in 2021 with a 35.5% contraction mainly due to the more stringent restrictions

Fashion turnover recover with a contraction in turnover standing at -16.7% for the full year, mainly recorded in the first half. The second half contraction at -3.6% points out a fast reaction of consumers free from restrictions.

Turnover registered constantly better performances than footfall confirming that the average spending per visit is higher compared to the pre-Covid period. Attendances have changed, visits are closely related to purchases, less time for entertainment and window shopping.

Overall, the upswing in performance over the second half of the year lead to a positive outlook for 2022.

FOOTFALL MONTHLY DATA, INDEX NUMBER



*The performance analysis of shopping centres in Italy is strongly affected by the pandemic that has hit the country since March 2020 and in particular by the restrictions imposed in order to contain the infections, resulting in a succession of: total closures, limitations on travel between municipalities, partial closures and closures on weekends and public holidays (and days before).
For these reasons, 2021 data are difficult to compare with the same months of 2020 thus we have introduced the comparison with a "normal" year like 2019.

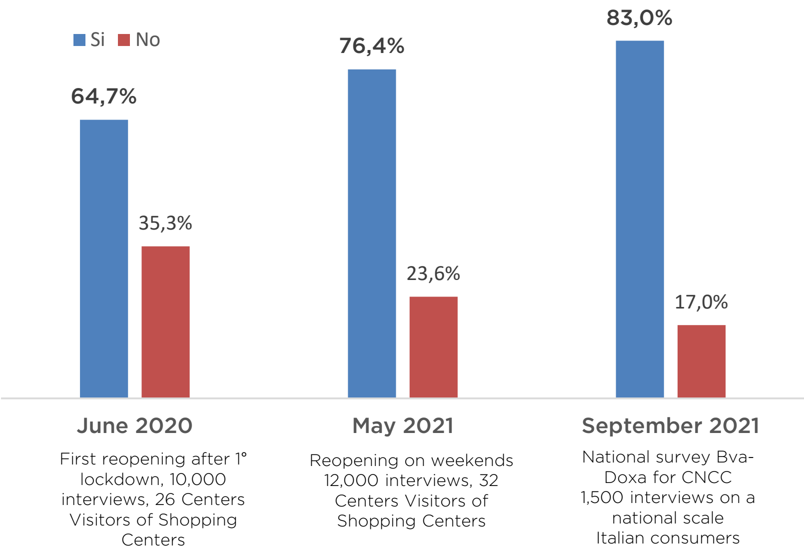
CONSUMERS' SURVEY: BACK TO SHOPPING!

CNCC sponsored a national consumers' survey last year, carried out in September by BVA DOXA. The preliminary results confirms what was highlighted by C&W previous consumers' surveys carried out on the sample of shopping centers UM by C&W.

Results confirm that, despite the changes taking place in the consumer habits – with the increasing use of the online shopping – people are still engaged with the offline experience. Below the key findings from the survey.

CONSUMERS CONFIRM THEIR TRUST IN THE SHOPPING CENTER

Have you visited the shopping center? (since reopening, lately)

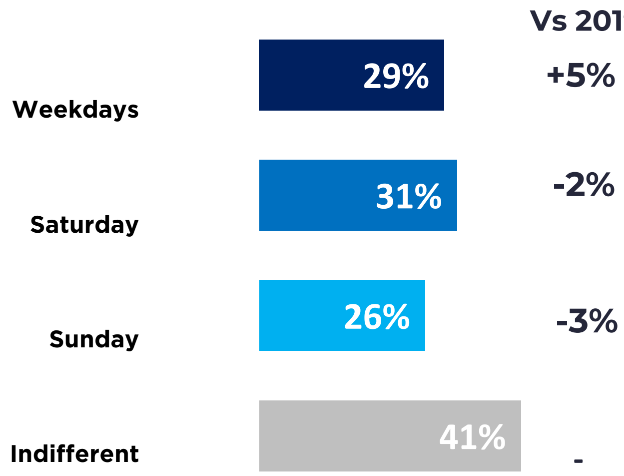


Note to the chart: data of June 2020 and May 2021 refers to two sample surveys done by C&W on the population of the shopping centers managed, to investigate if customers had come back to the shopping centers after the two lockdowns. On September 2021, the CNCC commissioned DOXA a survey on the entire Italian population.

Soiurce: Cushman & Wakefield, DOXA

PREFERRED VISITING DAYS

Usually, in which days of the week do you visit the shopping malls? (Multiple answers possible)



Base: n=1.242

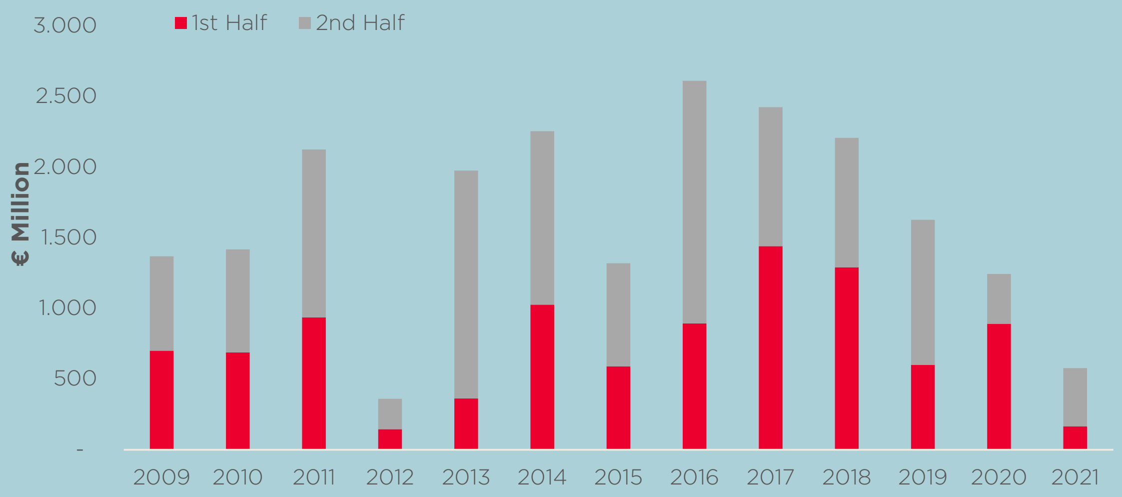
*Source: BVA DOXA, Italian Consumer's Survey 2021; * Osservatorio Centri commerciali 2019 by BVA Doxa*

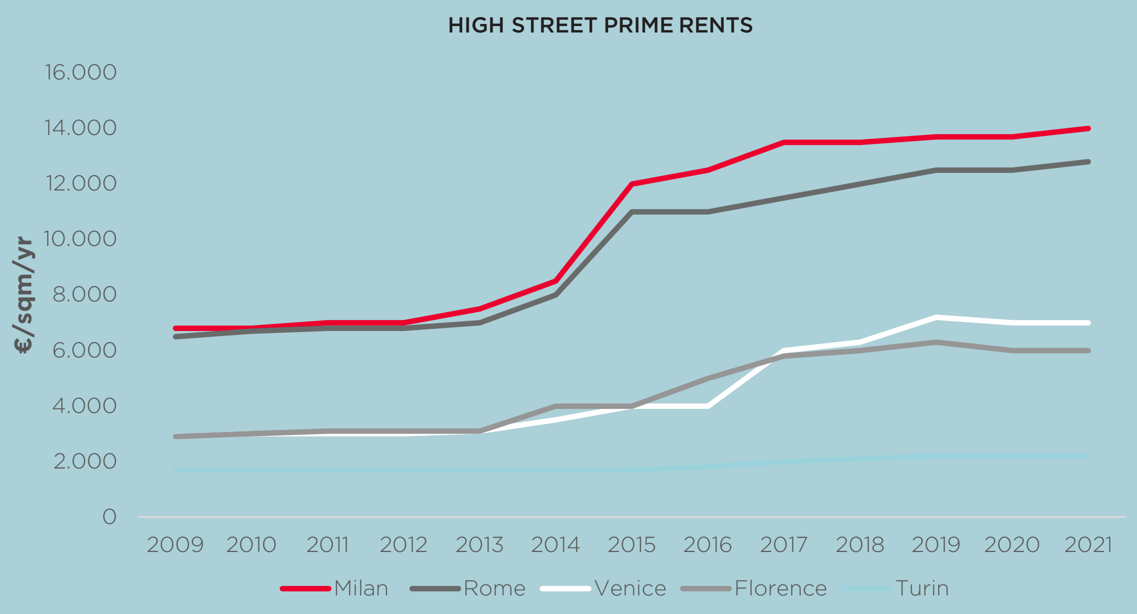
RETAIL SNAPSHOT

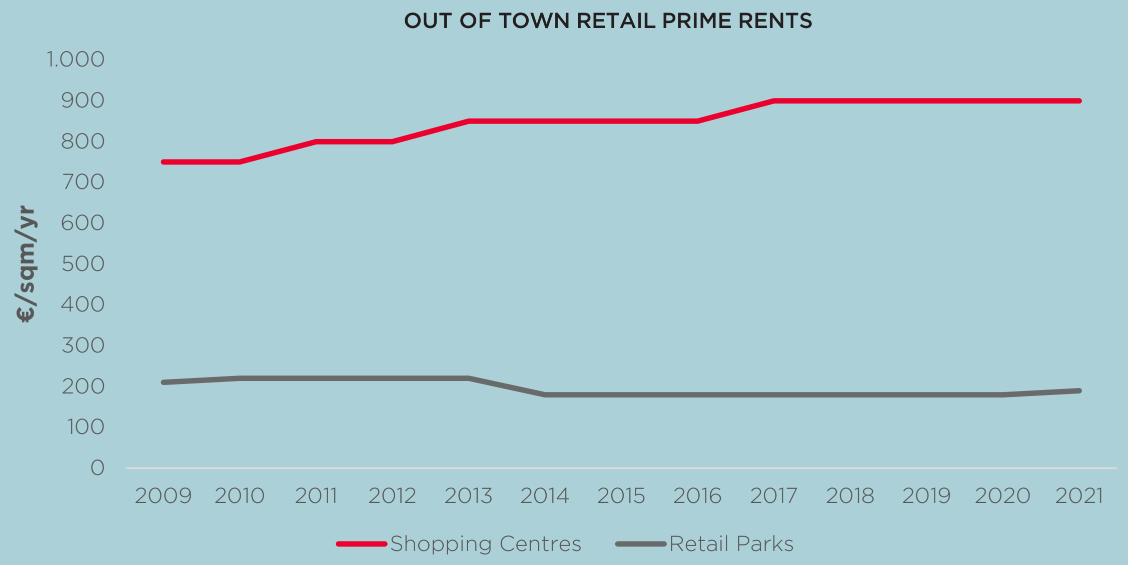
**"ENCOURAGING Q4, SHOWING SIGNS OF RECOVERY, WITH DOUBLE THE VOLUME OF BOTH Q4 2020 AND Q4 2019.
DESPITE THE STILL DISAPPOINTING YEARLY FIGURES (LESS THAN 600 €MN) FROM THE END OF 2021 INVESTORS HAVE BEEN MORE ACTIVE ON RETAIL OPPORTUNITIES LOOKING FOR BETTER RETURNS COMPARED TO OTHER ASSET CLASSES.**

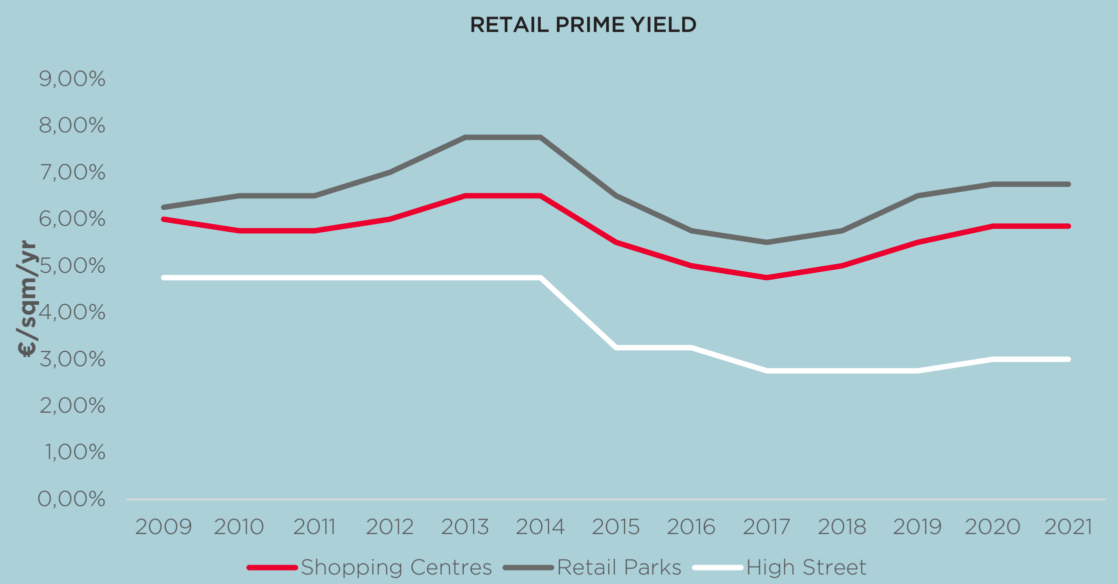
**SUPERMARKETS AND RETAIL PARKS ARE STILL AN ATTRACTIVE TARGET DUE TO THE RESILIENCE SHOWN DURING THE LOCKDOWN. THE MORE ACTIVE PLAYERS ARE OPPORTUNISTIC INVESTORS LOOKING FOR DOUBLE DIGIT RETURNS IN OUT-OF-TOWN SCHEMES.
NEW FOREIGN INVESTORS HAVE ENTERED THE MARKET FOR THE FIRST TIME "**

RETAIL INVESTMENT VOLUME




HIGH STREET PRIME RENTS
€/sqm/yr
16.000
14.000
12.000
10.000
8.000
6.000
4.000
2.000
0
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
Milan
Rome
Venice
Florence
Turin


OUT OF TOWN RETAIL PRIME RENTS
€/sqm/yr
1.000
900
800
700
600
500
400
300
200
100
0
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
Shopping Centres
Retail Parks


RETAIL PRIME YIELD
€/sqm/yr
9,00%
8,00%
7,00%
6,00%
5,00%
4,00%
3,00%
2,00%
1,00%
0,00%
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
Shopping Centres
Retail Parks
High Street

LOGISTICS MARKET

“THE LOGISTICS REAL ESTATE MARKET KEEPS GROWING. INVESTORS’ DEMAND IS EVOLVING WITH DIFFERENT RISK PROFILES, GEOGRAPHICAL AREAS AND TYPE OF ASSETS”.

LOGISTICS SECTOR

The Industrial & Logistics sector **performed very well** in 2021, being one of the most resilient and registering a **continued growth** both in the leasing and investment markets.

The yearly volume of absorption reached **2.5 Mn sqm**, a 14% increase on 2020 figures and the **highest absorption** in the last **ten years.**

The market was characterized by an increasing **demand** for warehouses between **5,000 sqm and 15,000 sqm** located close to big cities. Over the past few years, the increasing importance of logistics within the supply chain process, has justified higher rents, which are off set by competitiveness in terms of delivery times; moreover, a geographical location closer to consumers reduces transport costs.

3PL and e-commerce are confirmed as the most active players: the first accounted for 50% of the square meters leased, the second recording the biggest transaction in Southern Italy for approximately 190,000 sqm.

There is a lack of demand for larger spaces (over 50.000 sqm) unless directly connected to big international e-commerce companies. Of the 166 transactions completed in 2021 (vs 114 of 2020), 53% were for spaces <10,000 sqm whilst there were only 6 big transactions (> 50,000 sqm).

In recent years, the demands brought about by the strong growth of e-commerce are progressively highlighting the need for optimized and efficient warehousing that meets the expectations of the modern demand. The strong attractiveness for new projects is confirmed: in 2021 **built-to-suit** and **built-to-own** transactions represented 51% of the take up, with 1.3 Mn sqm, in line with last year's volume. Moreover, in the Pipeline there are 1,5 Mn sqm under construction, 37% related to speculative projects, while 64% to pre-let assets.

Lombardy confirmed its position as the most attractive region accounting for **39%** of absorption, followed by **Emilia-Romagna** and **Veneto**, which accounted for **14%** each.

TAKE UP

	ITALY	LOMBARDY	LAZIO
TAKE UP	2.5 Mn sqm	950,000 sqm	165,000 sqm
PRIME RENT	€57 sqm/yr	€57 sqm/yr	€56 sqm/yr
PRIME YIELD	4.00%	4.00%	4.50%

2021

As in all other real estate sectors, even Logistics is showing increasing attention for Environmental, Social and Governance (ESG) elements and sustainability with carbon-neutral goals. All new developments are designed to achieve a **green certification**, mainly BREEAM and LEED.

Prime rents are supported by the low availability of quality products and strong market demand. During the year, **increase in values have been recorded for** locations of Milan, Rome, Bologna, Turin, Florence, Naples and Bari.

On the **investment side**, the Industrial & Logistic sector was the most attractive, with a **record** of 2.8 €Bn invested, (+75% on 2020) with H2 registering not only the highest volume compared to previous years, but also higher than annual figures over the past decade.

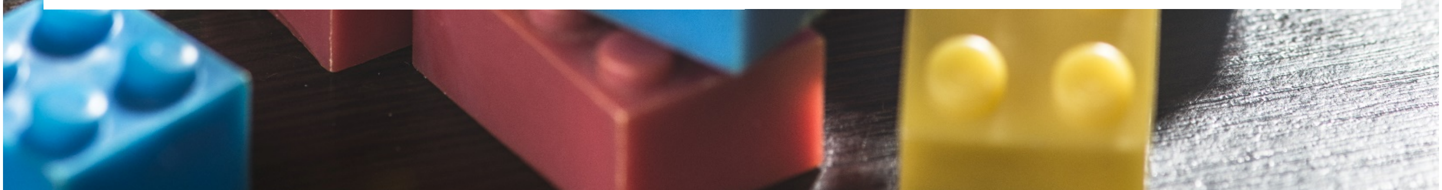
Considering the whole year, **portfolio deals covered 52%** of this sector's volume, registering one of the biggest transactions on the whole market (all sectors): 9 assets portfolio located in the North of Italy sold from Blackstone to GLP for around 260 €Mn.

With regards to **single assets deals**, **Lombardy** was the most active region (accounting for 38% of volumes), with the biggest transaction registered in the Metropolitan city of Bergamo, the first zero-emission logistic asset in continental Europe. **Veneto, Piedmont and Emilia Romagna** follow and are becoming increasingly attractive.

Investors' demand is strong and growing, evolving with different risk profiles, geographical areas and type of assets. However, core products remains limited. It is likely that new opportunities for core investments will reach the market in the next 12/18 month as a consequence of the development of value-add products which have been acquired over the last years. **Moreover, Cross-dock and Last Mile buildings are getting investors' attention despite high capital values.** The appetite for sale & lease-back operations with strong fundamentals is confirmed.

The strong demand facing the scarcity of products is generating high competition thus leading in 2021 to **prime yield compression** for core products in top locations – such as Milan, Rome, Turin, Genova, Verona and Novara. Niche core products can achieve tighter results.

All indicators suggest that the investment market will progress positively, maintaining its appeal on investors and yields may compress further during 2022.

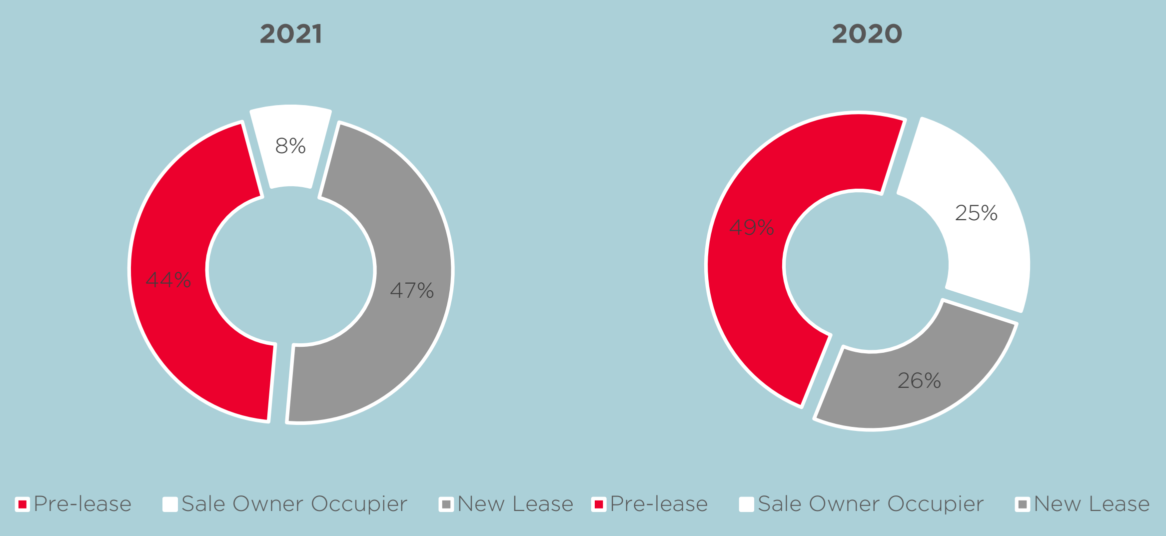


LOGISTICS SNAPSHOT

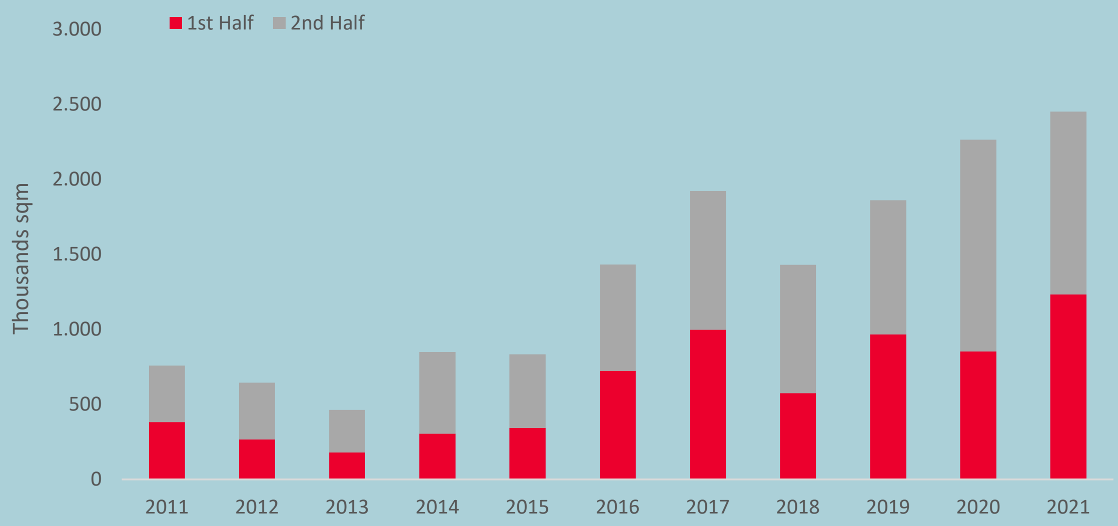
“BUILT-TO-SUIT/BUILT-TO-OWN TRANSACTIONS REPRESENT 51% OF ABSORPTION FOR THE 2021, IN LINE WITH VOLUME RECORDED IN 2020 ”.

“SPECULATIVE PROJECTS, POTENTIAL AND ALREADY UNDER CONSTRUCTION, ARE INCREASING; THE GROWING DEMAND OF HIGH-QUALITY SPACES WILL CONTINUE TO FAVOUR BUILT-TO-SUIT / BUILT-TO-OWN TRANSACTIONS”.

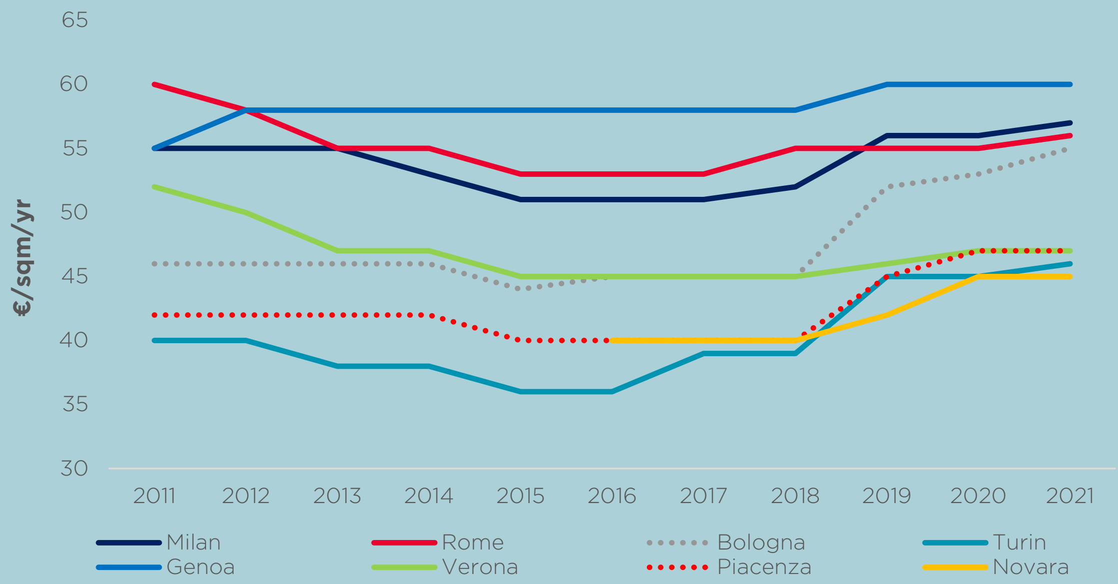
TAKE UP - COMPARISON BETWEEN TYPE OF TRANSACTIONS



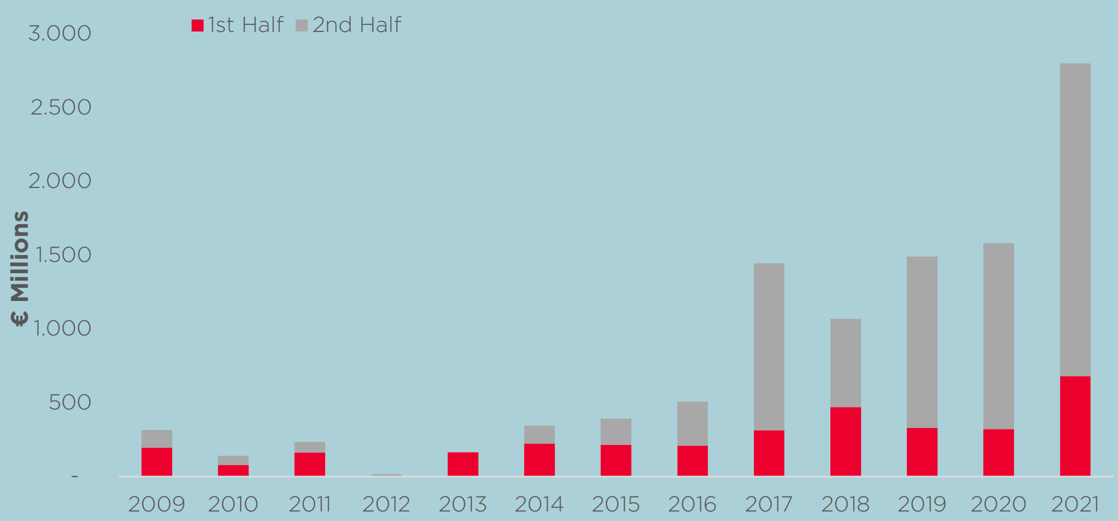
LOGISTICS TAKE-UP EVOLUTION



PRIME RENT EVOLUTION



LOGISTICS INVESTMENT VOLUME



LOGISTICS TRENDS

"THE INDUSTRIAL & LOGISTICS SECTOR PERFORMED VERY WELL IN 2021, REGISTERING A CONTINUED GROWTH BOTH IN THE LEASING AND THE INVESTMENT MARKET".

"THE MAIN CONSOLIDATED LOGISTIC HUBS, MILAN, ROME, BOLOGNA AND TURIN RECORDED A RENTAL INCREASE AS WELL AS EMERGING MARKETS, FLORENCE, NAPLES AND BARI."

"PRIME YIELDS IN TOP LOCATIONS SAW SIGNIFICANT COMPRESSION - RANGING BETWEEN 50-75 BPS RESPECT TO 2020. MILAN RECORDED AN ALL TIME LOW WITH 4.0%. SOME NICHE CORE PRODUCTS CAN ACHIEVE TIGHTER RESULTS."

MAIN AND EMERGING MARKETS

SUB-MARKET	PRIME RENT (€/sqm/yr)	PRIMEYIELD
Rome	56	4.50%
Milan	57	4.00%
Bologna	55	4.25%
Turin	46	5.00%
Genoa	60	5.50%
Verona	47	4.75%
Piacenza	47	4.50%
Novara	45	4.75%
Florence	73	5.00%
Naples	50	6.00%
Bari	50	6.25%

ITALY MARKET

22.7 Mn sqm
STOCK

6.4%
VACANCY RATE

1,515,000 sqm
DEVELOPMENT PIPELINE

64%
PRE-LET PIPELINE

MAJOR LOGISTICS MARKETS

EMERGING LOGISTICS MARKETS


HOSPITALITY
MARKET

“INVESTMENT ACTIVITY RECOVERED TO LEVELS ABOVE THE PRE COVID-VOLUMES (EXCL. 2019); INVESTORS CONFIRM POSITIVE OUTLOOK FOR HOSPITALITY AND TOURISM”.

HOSPITALITY SECTOR

In 2021* Italy registered ca. 232 Mn bed-nights marking a 26% increase compared to the same period in 2020, still below 2019 data (-38%). On a positive note, **the tourism flow saw a relevant increase during the summer months** (June, July, August and September) equal to +44% compared to the same period last year.

Overall, 2021 has been still marked by restrictions led by the pandemic, which has severely limited the mobility of people. The year opened with another lockdown concerning mainly the winter tourist season following the restrictive measures made necessary to counter the spread of the virus. However, with regards to the first nine months of 2021, the provisional data for our country show a less negative trend in terms of bed-nights compared to 2020 with an increase of +26%.

International demand continues to be the most affected by the current conditions, still lagging in its recovery, accounting only for 36% of the overall bed-nights. This figure has been historically around 50% of the market. **Nevertheless, compared to 2020 in the same period, the international demand increased by 40%.**

From a real estate perspective, the second half recorded almost 1 €Bn invested, doubling first half volumes and 5.6% **contraction on the second half 2019.** Overall, investment* throughout the year was just about 1.5 €Bn, an **increase of almost 60%** on 2020 year. It marks the best year ever for the hospitality sector if we exclude the exceptional year of 2019.

Investors are confirming their positive outlook on this sector taking advantage from a worsened position of private families on the backdrop of the pandemic to secure distressed asset to be repositioned with new operators.

International capital dominates in 2021, with domestic accounting for 32% of the overall investments.

Portfolio transactions made almost 40% of the overall volume. In the second half three portfolios have been sold, accounting for almost 42% of the half yearly volume; among the major single asset investment deals there is the sale of Hotel De la Minerva in the historic center of Rome for over 100 €Mn.

* The yearly hospitality investment volumes do not include assets comprised in mix-used portfolios (Amundi and Compagnia Reale) for a value of circa 70 €Mn. Additionally, overall investments do not include the share transfer on Star Hotel.

HOTEL KPI

32,000 hotels

1,075,500 rooms

57Mn arrivals (+21% vs 2020)

232Mn bed-nights (+26% vs 2020)

34% internationals arrivals

36% International bed-nights

** Source: ISTAT; 2021 data refers to the first nine months: January – September*

Almost 68% of capital invested in the hospitality sector was cross border, mainly from European Countries (UK, Spain and Germany) while having US capital at a smaller stake. Domestic made the remaining 32%. Resorts, which came of fashion after the pandemic, are confirmed to be a highly sought-after hotel investment, accounting for 34% of the overall 2021 volume of investments.

HOSPITALITY PERFORMANCE

- The average occupancy of open hotels in Italy was around 40% in 2021, which is about 14-percentage points more than in 2020 (26%), but still about 30 percentage points below 2019 (70%).

- However, the average annual room rates in Italian hotels have almost fully recovered, with the overall annual average being just about EUR2 below the pre-pandemic levels in 2019 at EUR 144. This was thanks to a strong growth in the second half of 2021 when the hotel room rates in Italy actually exceeded 2019 levels, by 7% on average. This is a very good sign as hotel room rates typically take longer to come back after the downturn, even several years longer the hotel occupancies that usually recover faster.

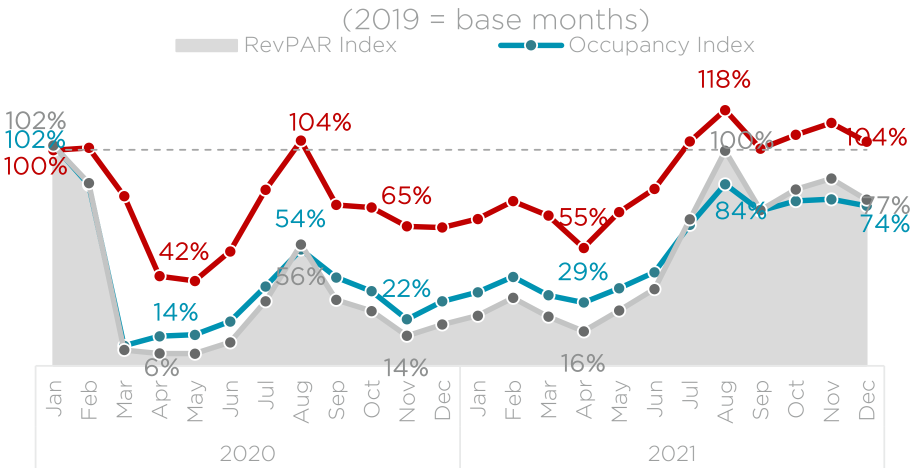
- When compared to hotel occupancy levels in other countries across Europe, Italy returned to top-10 countries being at 7th position in 2021, above Switzerland and Greece but below Ireland and Spain. Furthermore, Italian hotels recorded the 4th highest room rates in Europe. Overall, Italian hotels achieved the 3rd highest revenue per available room (RevPAR) in Europe, at EUR56, just after Switzerland and Greece.

- Both Rome and Milan recorded in 2021 one of the highest performance growth rates among major European markets. Despite this, the average annual occupancy levels in Rome and Milan remained relatively low at 34% and 38% respectively, about half when compared to 2019. This is primarily due to lack of demand from business travelers and reduced international visitation which is a notable occupancy driver for key Italian markets, especially in Rome.

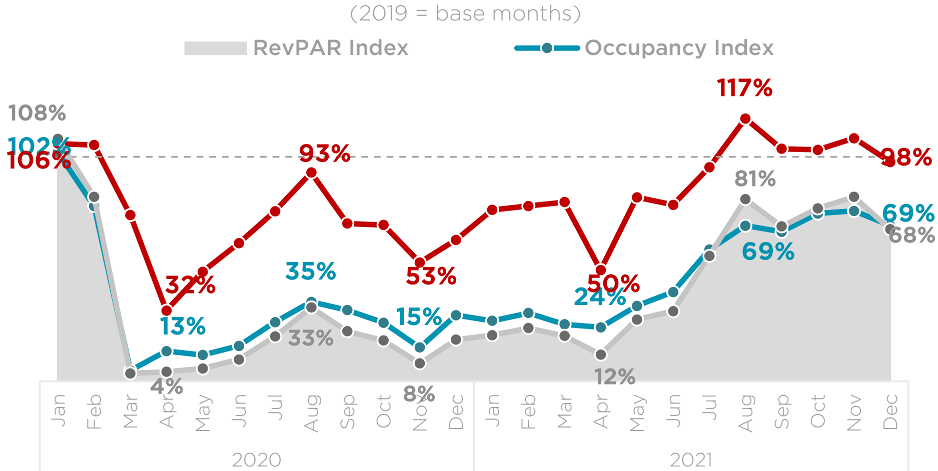
Overall, Italian hotels achieved the 3rd highest revenue per available room (RevPAR) in Europe, just after Switzerland and Greece.

Both Rome and Milan recorded in 2021 one of the highest performance growth rates among major European markets.

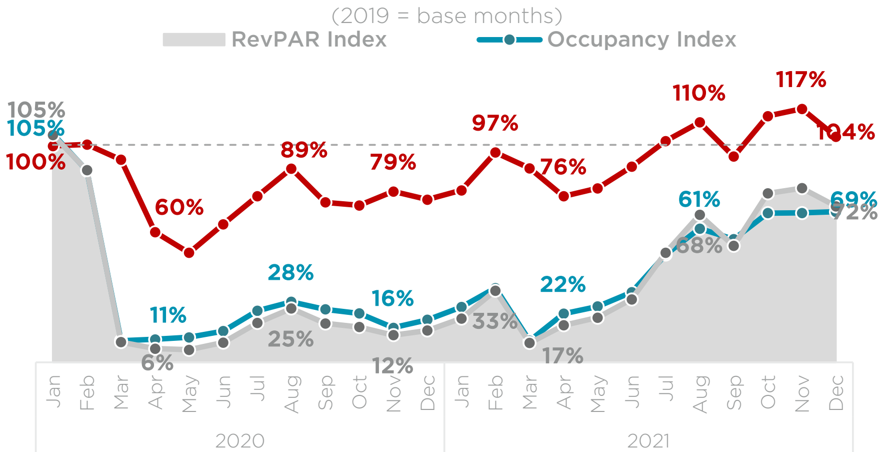
HOSPITALITY PERFORMANCE INDEX, ITALY



HOSPITALITY PERFORMANCE INDEX, MILAN



HOSPITALITY PERFORMANCE INDEX, ROME



Source: STR (based on total inventory – including closed hotels), based on values in EUR, December 2021

Note: to the reading of the charts: data are based on "open hotels report" and ignore those hotels that were closed. Further, STR sometimes updates the previous numbers (i.e. 2020, 2019 data) thus it might not always match the previous reports.

HOSPITALITY SECTOR

A recent (November 2021) survey conducted by C&W which involved more than 20 national and international hotel operators active on the Italian market showed that **67% of operators believe that seaside and leisure destinations will reposition themselves to pre-Covid-19 levels already by the end of 2022.** This outcome is backed by the positive results recorded in the summer of 2021.

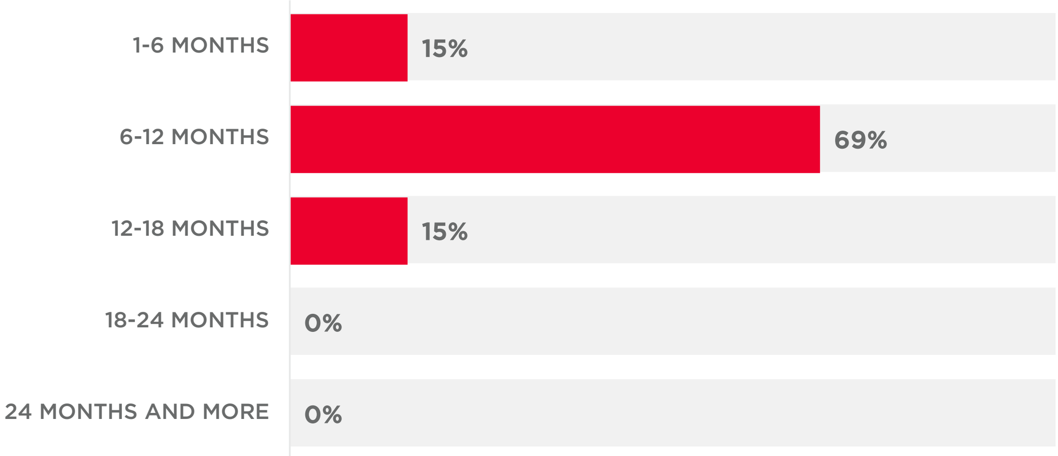
Regarding the main cities, characterized by a high percentage of international demand that has relevantly decreased in the last 2 years, **71% of the interviewees** believed that **these cities will reposition themselves to pre-Covid-19 levels by the end of 2023.** For secondary markets the 90% of operators indicate that it will be necessary to wait until 2024 at the latest for their recovery.

If we look at the major disruptions introduced by the pandemic, changes in key deal terms totaled almost whole the respondents with 93% of the operators affirming **having introduced a clause related to the pandemic in the main contractual terms** which also provides the availability to review the terms in the event of a negative evolution of the market.

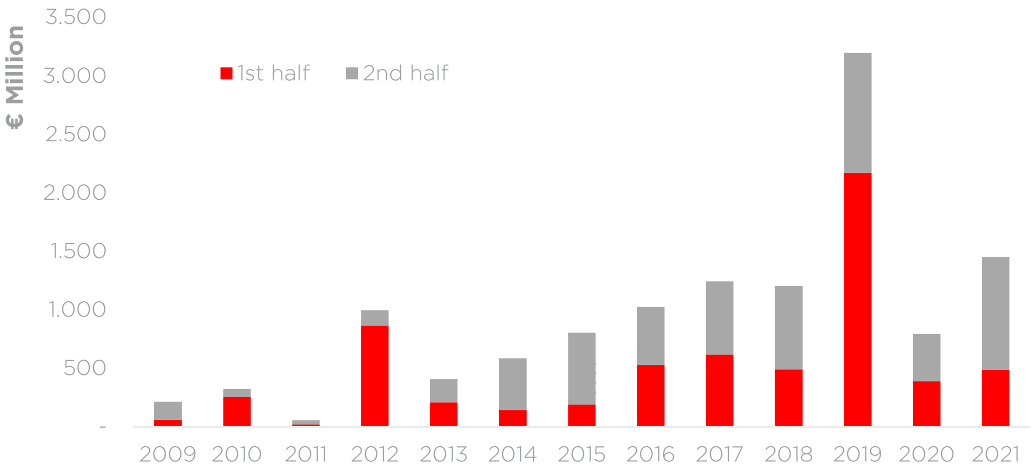
Development plans have been delayed of about 6-12 months by 70% of operator while **60% indicated issues with funding as one of the causes for delays and cancellations of their deals.**

The markets with a strong international tourist vocation such as Rome, Venice, Milan and Florence are still confirmed as the most interesting and sought after by hotel operators who are confident in a certain and rapid recovery of hotel performance due to the solid fundamentals.

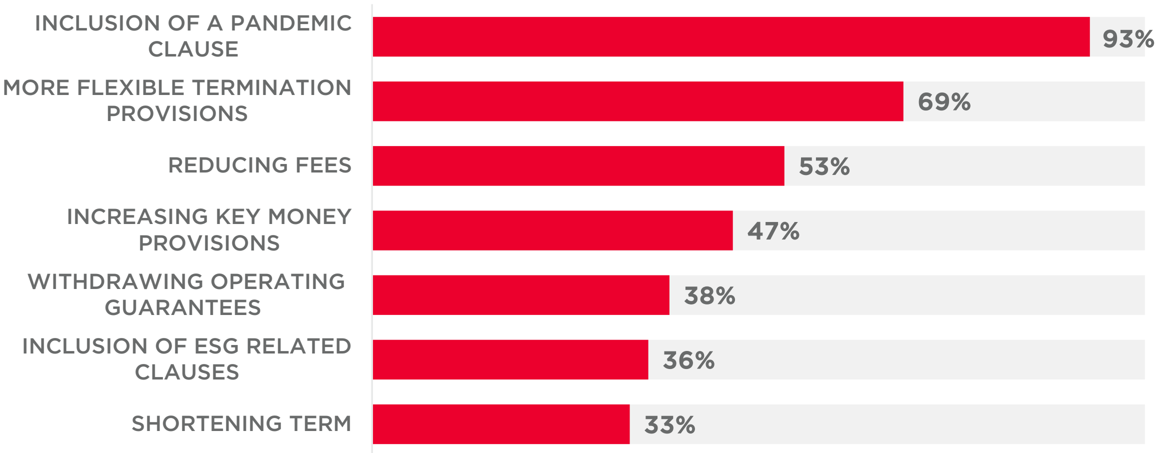
OF THOSE PROJECTS WHICH ARE DELAYED, PLEASE CONFIRM THE AVERAGE PERIOD OF DELAY



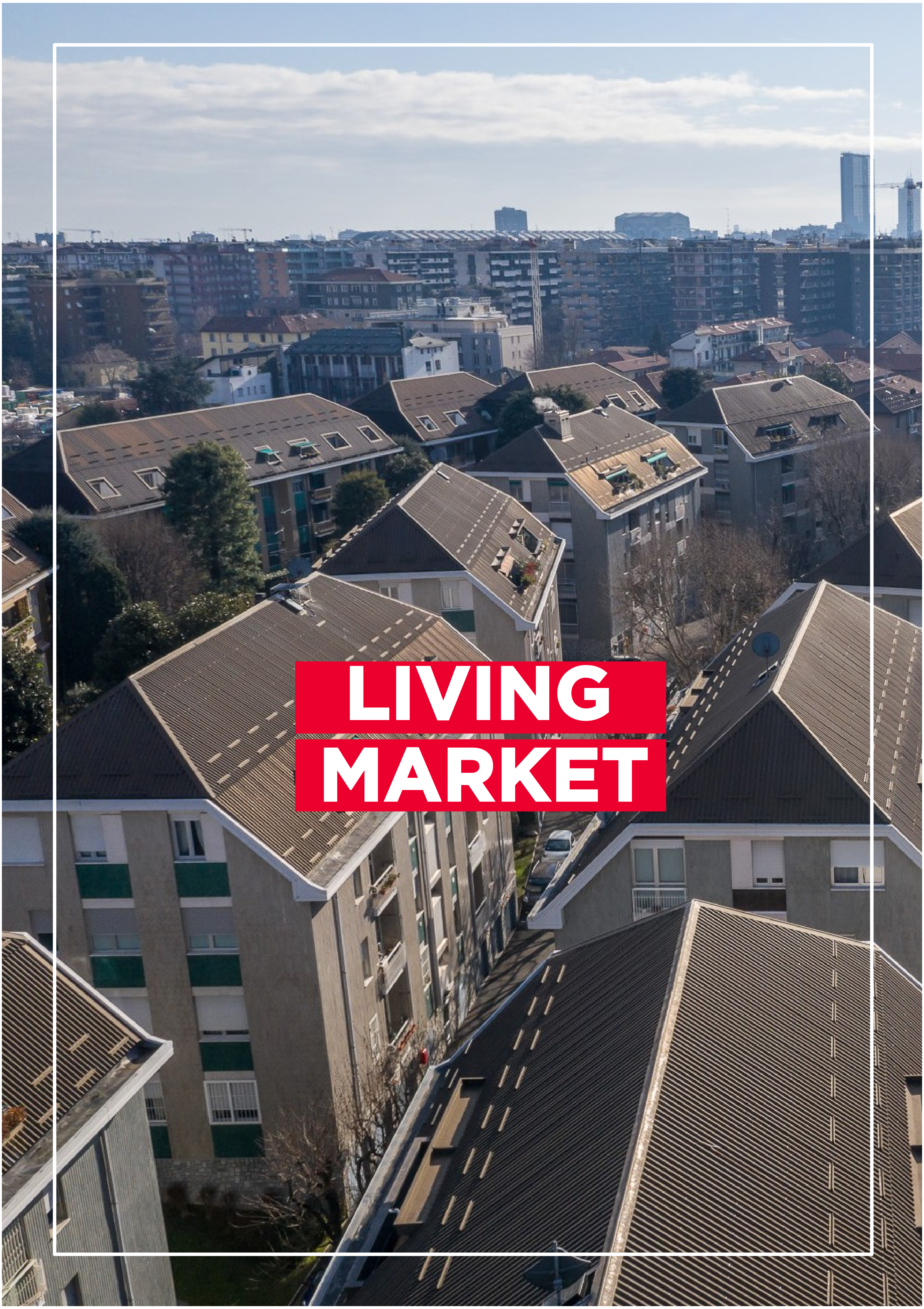
HOSPITALITY INVESTMENT VOLUME



ARE YOU EXPERIENCING ANY OF THE FOLLOWING TRENDS IN YOUR KEY DEAL TERMS FOR NEW CONTRACTS AND RENEWALS DUE TO COVID-19? (SELECT WHERE APPROPRIATE)



Source: Hotels Operator Beat Survey, EMEA Hospitality Cushman & Wakefield



LIVING MARKET

“IN 2021 THE ITALIAN LIVING SECTOR HAS CONFIRMED ITSLEF AS AN INSTITUTIONAL ASSET CLASS, CATCHING INCREASING INTEREST FROM INVESTORS”.

LIVING SECTOR - RESIDENTIAL

The Italian residential market has been reporting a high and increasing level of interest from institutional investors in recent years, and Covid-19 has further accelerated a process already underway, leading to a growth in demand for the residential asset class, which is considered one of the most resilient and promising.

The Italian residential market, given the low percentage of the population living in rented accommodation - approx. 21% - was mainly characterized by local developments intended for sale. However, over the latest years we are starting to see big changes in demand, in living habits and housing features, which are introducing different business models, such as BTR - Built to Rent - also in the Italian market.

Quality, energetic efficiency, services, sustainability and social interaction are becoming increasingly important in the choice of a house. Whether to buy or to rent, there is a growing segment of the population, especially young people, who see flexibility as a positive element, and who are moving towards renting not only out of necessity but also as a lifestyle choice, especially in dynamic and highly populated cities such as Milan and Rome.

In general, there is a high demand from investors and final users, which is currently not matched by an adequate supply in terms of both size and underlying real estate features; indeed, the available assets are often dated and with a fragmentation of ownership that makes it difficult to acquire entire buildings to be professionally managed.

To date, the Italian market is very attractive for institutional investors, especially for those whom, given the scarcity of real estate product, are able to carry out green field or brown field residential developments with a change of use, eventually resorting to partnerships with local developers. Moreover, less opportunistic investors are also entering the market to explore potential forward funding or purchase opportunities, given the general scarcity of suitable assets on the market.

Milan, Rome, Turin, Bologna & Florence

The most active residential markets, both for institutional investors and for families.

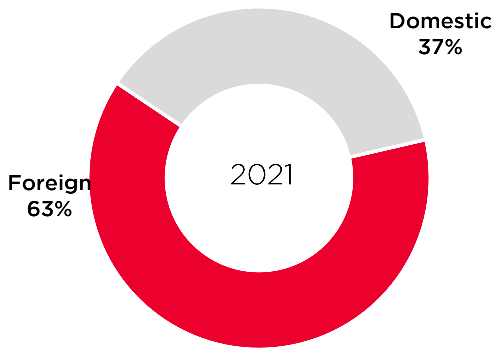
During 2021 the Living sector was confirmed as an ever growing institutional asset class, catching great interest from both domestic and foreign investors. With a total volume invested by institutional investors of around 635 €Mn*, the asset class has continued its trend of growth (c. +4% on 2020).

There has been a little loss of pace if compared to the 2019-2020 performance, but it has to be highlighted how this fact has been mainly due to a lack of available investment product, and the lengthening of several processes, which have seen the signing of many preliminaries that have not yet been effectively closed. Investors' interest, at the same time, is even higher, with a greater number approaching the residential asset class.

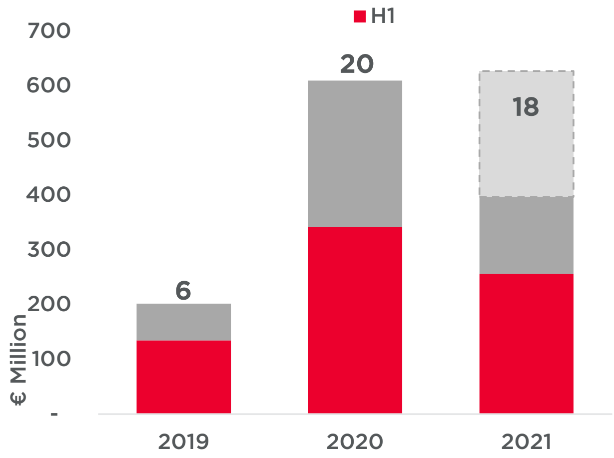
Domestic capital accounted for circa 37% of volume invested - thanks to one transaction between 50-99 €Mn – while the remaining 63% was foreign capital, a sign that international investors consider Italy as an interesting market, with significant growth potential. Moreover, many foreign investors are increasingly looking to find a local partner (developer and/or operator) in order to enter the market.

An analysis of transactions size, shows how the majority were medium-small, below 19 €Mn. Transactions above 20 €Mn represented only 39% in number of transactions but over 80% in terms of volume invested.

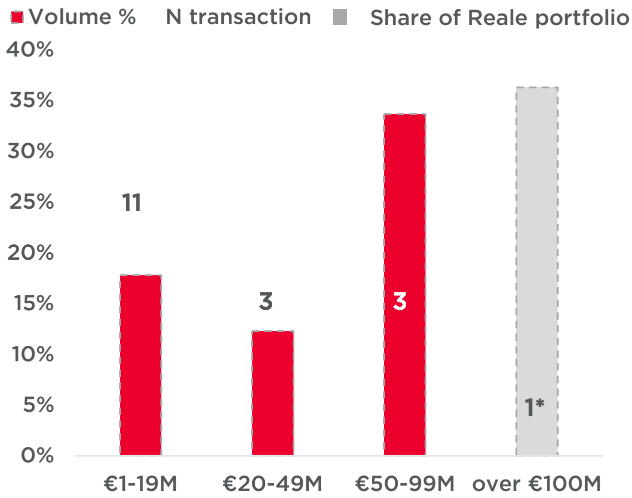
Source of Capital



Living – Residential Volumes – 2019/2021



2021 Volume Invested by size



** Total volume include the residential split of former Reale Compagnia Italiano portfolio.*

LIVING SECTOR - PBSA

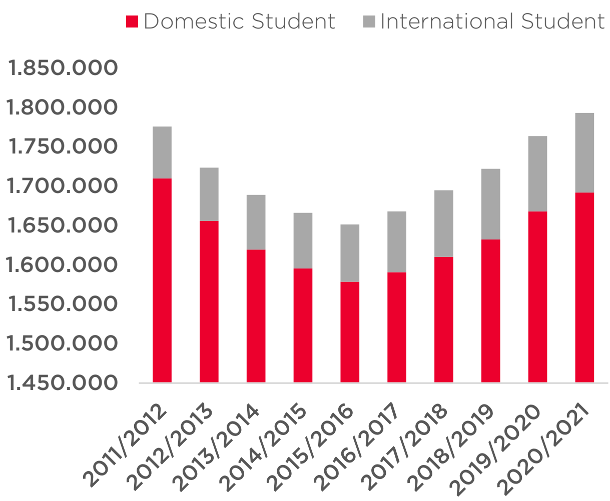
Although, the purpose-built student accommodation (PBSA) sector in Italy, remains still largely under-developed and with great unexpressed potential, by being characterized by the lack of fit for purpose and modern purpose-built accommodation, it has to be highlighted how in 2021 the interest from investors has continued to grow, with some deals (c. 40 €Mn transacted in 2021 - excluding forward acquisitions-) and many ongoing initiatives.

Indeed, the Italian student market has many of strong fundamentals, such as:

- c. 1.8m students – constantly increasing since 2015 (c.+9%)
- C. 100K international student- constantly increasing : > c. 40% compared to 2015
- diverse educational offer across some of the oldest universities in the world that recorded in the last years an improvement in the university rankings

In Italy, there are currently approximately **65,000 operational PBSA** beds of varying size and quality, with the majority owned and operated by public entities linked to the regions and the universities; and just 22% of them managed by private operators (the majority of those domestic and not aligned to international practices and standards).

TOTAL NUMBER OF STUDENTS PER YEAR (2011-2021)



Overall, less than 10% of the demand for accommodation of out-of-home students in Italy is covered by the current supply of public and private PBSA, one of the lowest coverage ratio in Europe.

The limited number of the existing stock of PBSA and the quality of these that is often not fit for purpose, under-scaled or inferior to what is currently demanded by students in terms of quality of accommodation and basic services/amenities has increased investor interest.

It is estimated that there are more then **15,000 beds in the development** pipeline across Italy, which will change the landscape over the coming years and establish new concepts in key markets especially in Milan where the pipeline is more than 6,000 beds followed by Turin, Florence, Rome, and Bologna. Milan remain the main attractive city for institutional investor and the city with the highest level of rent - around 1,000 €/month per a single room - followed by Rome.

Milan and Rome host 25% of total students, reporting the highest number of international students (c.35%) as well.

These new PBSA's will provide modern amenities and high service levels in a market which often provides basic accommodation run by nonprofit organizations.

These operators will also cater for international students that choose Italy for their studies.

MAIN UNIVERSITIES' HOTSPOTS

CITY	TOTAL ST.	OVERSE AS ST.	%OVERSE AS ST.
Rome	224,788	13,584	6%
Milan	209,574	19,984	10%
Turin	110,911	9,930	9%
Bologna	81,931	7,746	10%
Padova	63,031	3,942	6%
Florence	54,393	4,034	7%

"2021 continued along the same trend of 2020 with several preliminary agreements closed for the development of new student housing in major Italian cities and forward purchases carried out by less opportunistic investors . The high interest for this asset class is confirmed by investors who believe that once the pandemic will be over, the situation will return to normality, with a high demand for beds, not supported at present by an adequate supply."

c.100,000
International students

c. 1.8 M
full time students

25%
of students study in Milan and Rome

35%
of all international students study in Milan and in Rome

> 500
English-taught programmes (ETPs)

International students mainly from Albania, Romania and China

Source: MIUR

#WELCOME TO THE CENTER OF WHAT'S NEXT.

Investors ready to take more risks as the economic outlook improves. Esg is disrupting the whole financial industry**#CapitalMarkets**

A brighter outlook, an opportunity to start a new positive cycle **#hospitality**

Occupiers returning to the market with a new mood: workplace strategy will reshape the future of the office **#office**

#Logistics cooler and trendier: supply chain changes, strengthening of the online life led the sector to unprecedented record, both for investment and occupier markets

#retail is back! Resilient despite the hit from the pandemic; 2022 expected to be the year of recovery.

A budding market full of opportunities **#Living**

CONTACTS

For further information, please reach out to:

RAFFAELLA PINTO
Head of Business Development
+39 342 0816772
raffaella.pinto@cushwake.com

ANNA STRAZZA
Senior Consultant, Researcher
Business Space Research
+39 345 6023980
anna.strazza@cushwake.com

BORIVOJ VOKRINEK
Strategic Advisory & Head of
Hospitality Research EMEA
+42 072 790 6030
borivoj.vokrinek@cushwake.com

FABIO FRAULINO
Head of Asset Data Analysis
+39 346 8713853
fabio.fraulino@cushwake.com

GWENDOLYN FAIS
Research Consultant
+39 342 7519227
gwendolyn.fais@cushwake.com

Business contacts:

JOACHIM SANDBERG
Head of Italy
+39 02 63799 219
joachim.sandberg@cuhswake.com

LAMBERTO AGOSTINI
Head of PDS Italy, Chair PDS EMEA
+39 02 63799 264
lamberto.agostini@cushwake.com

THOMAS CASOLO
Head of Retail
+39 02 63799 218
thomas.casolo@cushwake.com

CARLO VANINI
Head of Capital Markets
+39 02 63799 302
carlo.vanini@cushwake.com

ANTONELLO DELLE NOCI
Head of Retail Asset Services
+39 071 6610059
antonello.dellenoci@cushwake.com

GIOVANNI GRIFA
Head of Office & Logistics
Asset Services
+39 02 63799229
giovanni.grifa@cushwake.com

MARIACRISTINA LARIA
Head of Valuation & Advisory
Italy+39 02 63799283
mariacristina.laria@cushwake.com

DARIO LEONE
Head of Hospitality
+39 02 63799 310
dario.leone@cushwake.com

ALESSANDRO SERENA
Head of Office Agency Landlord
Advisory Group
+39 02 63799 265
alessandro.serena@cushwake.com

CESARE LOMBARDI
Head of Office Agency Tenants
Advisory Group
+39 02 63799 232
cesare.lombardi@cushwake.com

MARZIO GRANATA
Co-Head of Industrial & Logistics
Italy, Logistic & Development
+39 02 63799 258
marzio.granata@cushwake.com

ALESSANDRO MANCINI
Co-Head of Industrial & Logistics Italy
Last Mile & Data Centre Advisory
+39 02 63799 287
alessandro.mancini@cushwake.com