



# MACRO & REAL ESTATE MARKET UPDATE

## QUARTERLY CALL

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February 10<sup>th</sup>, 2022



# TODAY PROGRAMME

## Introduction

*Manfredi Catella, Founder and CEO, COIMA*

## Continuing Recovery Offsets Political Uncertainties

*Komal Sri-Kumar, President, Sri-Kumar Global Strategist Inc.*

## Priorities & Investment Strategies

*Manfredi Catella*

## Italian Real Estate Market

*Gabriele Bonfiglioli, Chief Investment Officer, COIMA*

## Closing Remarks

*Manfredi Catella*

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# CONTINUING RECOVERY OFFSETS POLITICAL UNCERTAINTIES

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*Komal Sri-Kumar*

# GLOBAL OUTLOOK



Recovery Continues at Slower Pace

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Higher Inflation Across Regions

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Fed Tightening Set to Begin

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ECB Indicates No Policy Change

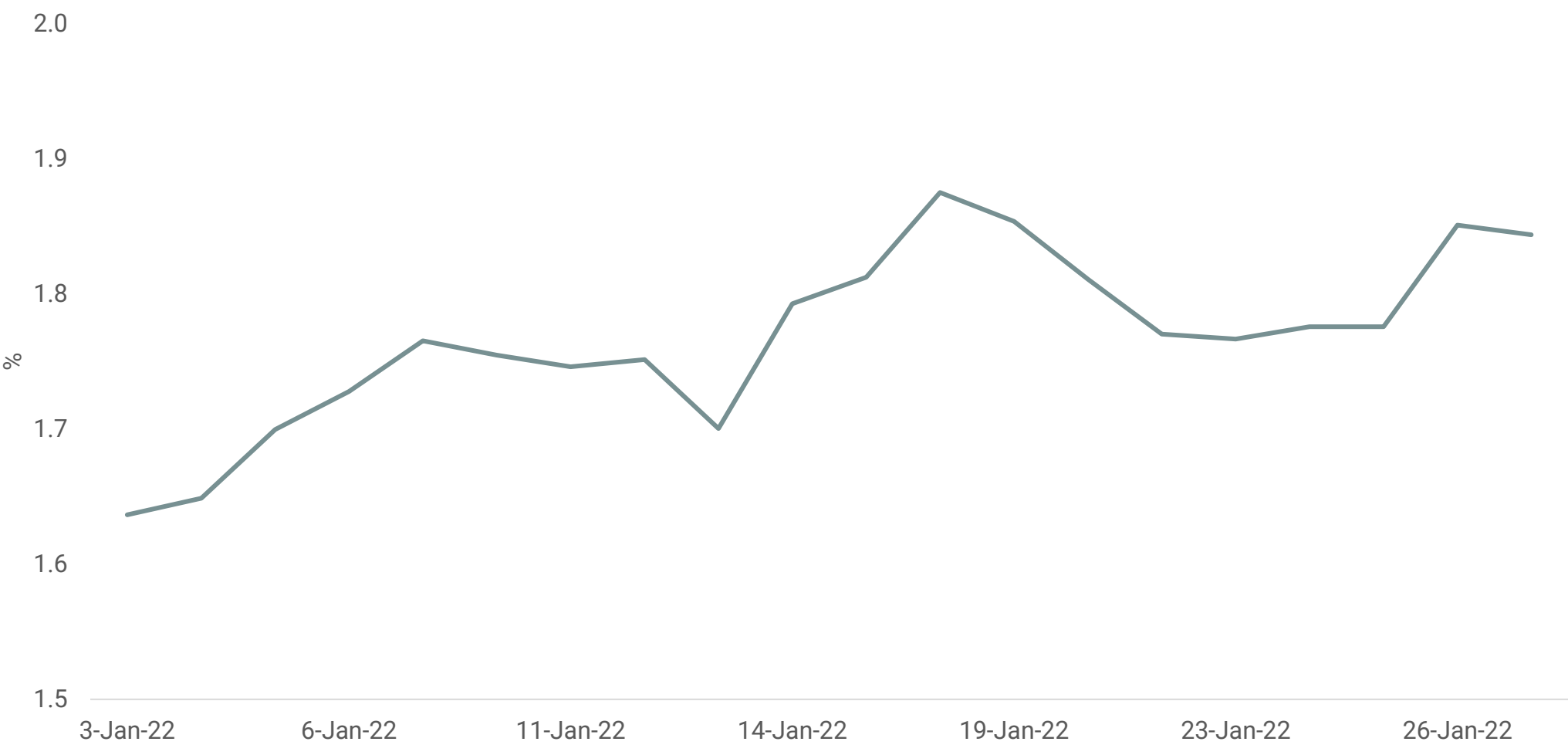
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Bond Yields Rise Worldwide

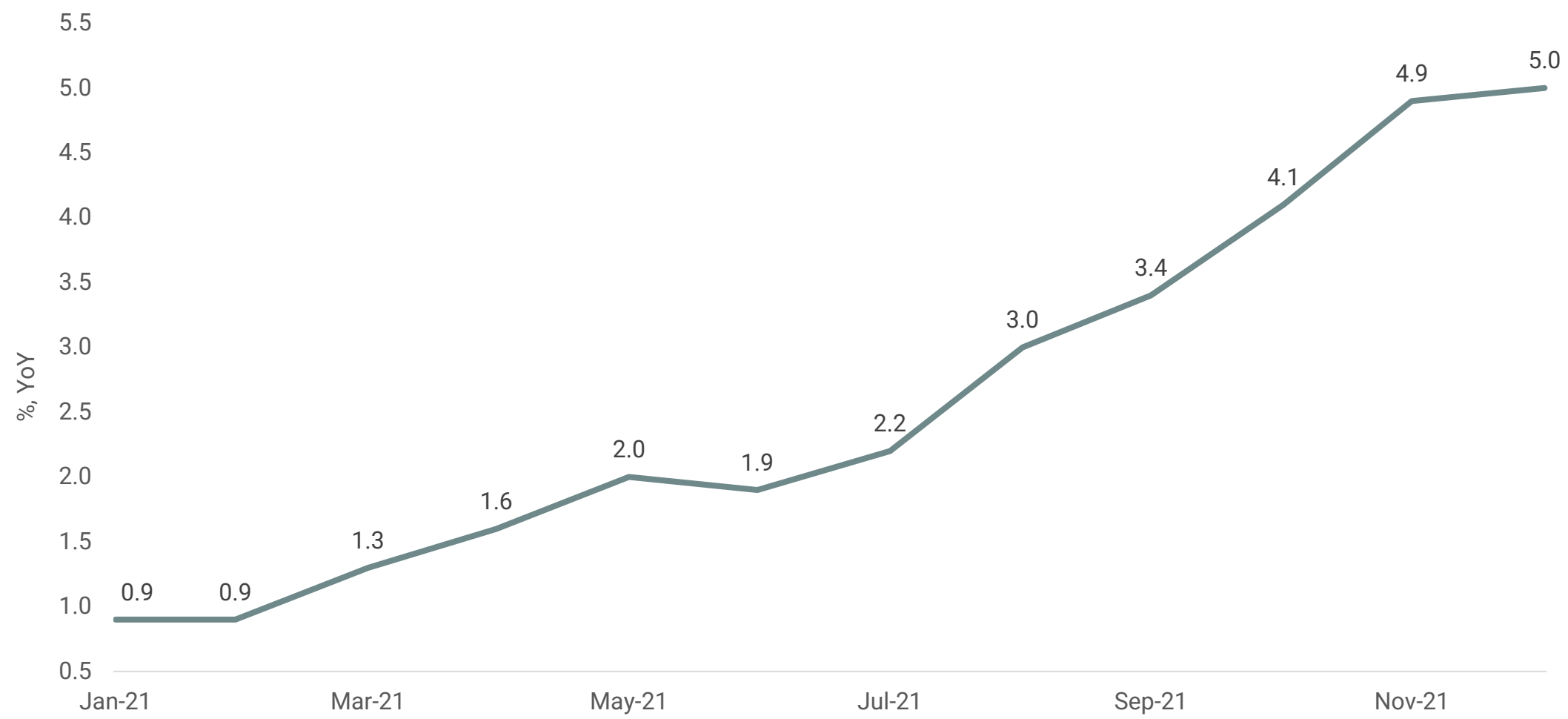
# US TREASURY 10-YEAR YIELD

RISE ANTICIPATES FED TIGHTENING



# EUROZONE INFLATION RATE

YEAR-END TARGET VASTLY EXCEEDED



# GERMANY 10-YEAR BUND YIELD

RISE TO POSITIVE LEVEL IN JANUARY



# EUROZONE: DEBATE ON NEXT POLICY STEPS



EU Stimulus to Continue

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Debate Centered on ECB Measures

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North Pushes End to Bond Buys

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But Lagarde Supports Easing

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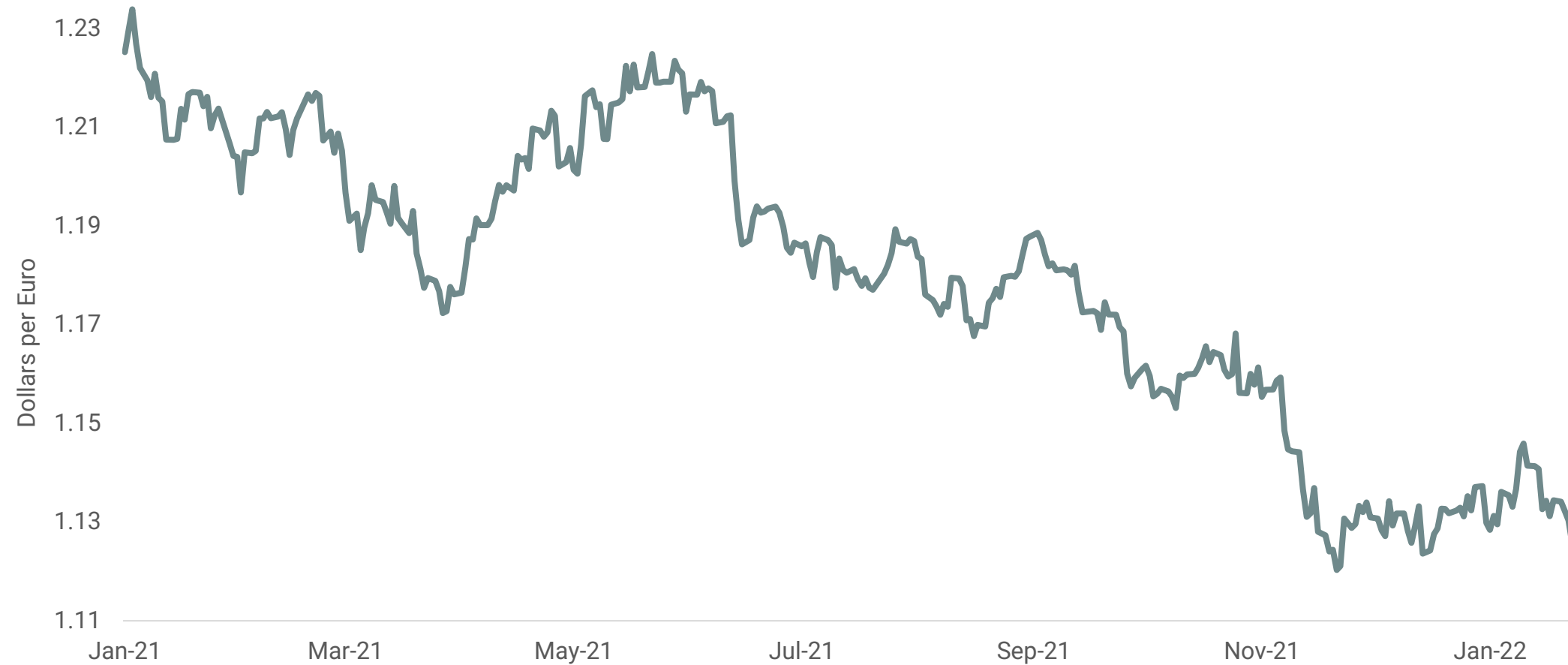


Net: Expect No Rate Hike in 2022



# EURO EXCHANGE RATE

WEAKER CURRENCY POSITIVE FOR GROWTH



# ITALY: ECONOMIC STRENGTH PERSISTS



Italy a Regional Growth Leader

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Lower Unemployment a Positive

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Domestic Demand Remains Strong

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Reforms Reflected in Industrial Growth

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Consumer Confidence Highest in Decade

# ITALY: UNEMPLOYMENT RATE

LOWER DESPITE MORE SEEKING JOBS



# ITALY: CONSUMER CONFIDENCE INDEX

AT LEVELS NOT SEEN IN YEARS!



# ITALY: INDUSTRIAL PRODUCTION INDEX

RISE AT MOST RAPID PACE IN 4 MONTHS



# ITALY: 10-YEAR YIELD

SMALL RISE SHOWS MARKETS' COMFORT



# POLITICS: KEY ISSUES



Mattarella Continuation a Major Positive

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Receives Overwhelming Approval

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Draghi to Stay as Prime Minister

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He Will Pursue Reforms

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EU Funds Will Keep Coming

# CONCLUDING COMMENTS



Adjusting to Rising Rate Environment

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More Patience in Europe than in U.S.

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Italy: Better Placed Than in Past Cycles

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Economic Data Suggest Progress

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Political Transition Should be Manageable



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## PRIORITIES & INVESTMENT STRATEGIES

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*Manfredi Catella*

# ITALY: MACRO UPDATE

## POLITICAL STABILITY WITH PRESIDENT MATTARELLA RE-ELECTION



**SERGIO MATTARELLA RE-ELECTED  
PRESIDENT OF REPUBLIC IN JANUARY 2022**



**MARIO DRAGHI PRIME MINISTER**

### SAME PRIORITIES

#### GOALS ACHIEVED

- ✓ +6.5% GDP growth in 2021
- ✓ Ca. 90% of population over 12 fully vaccinated
- ✓ Completed the 51 PNRR goals for 2021

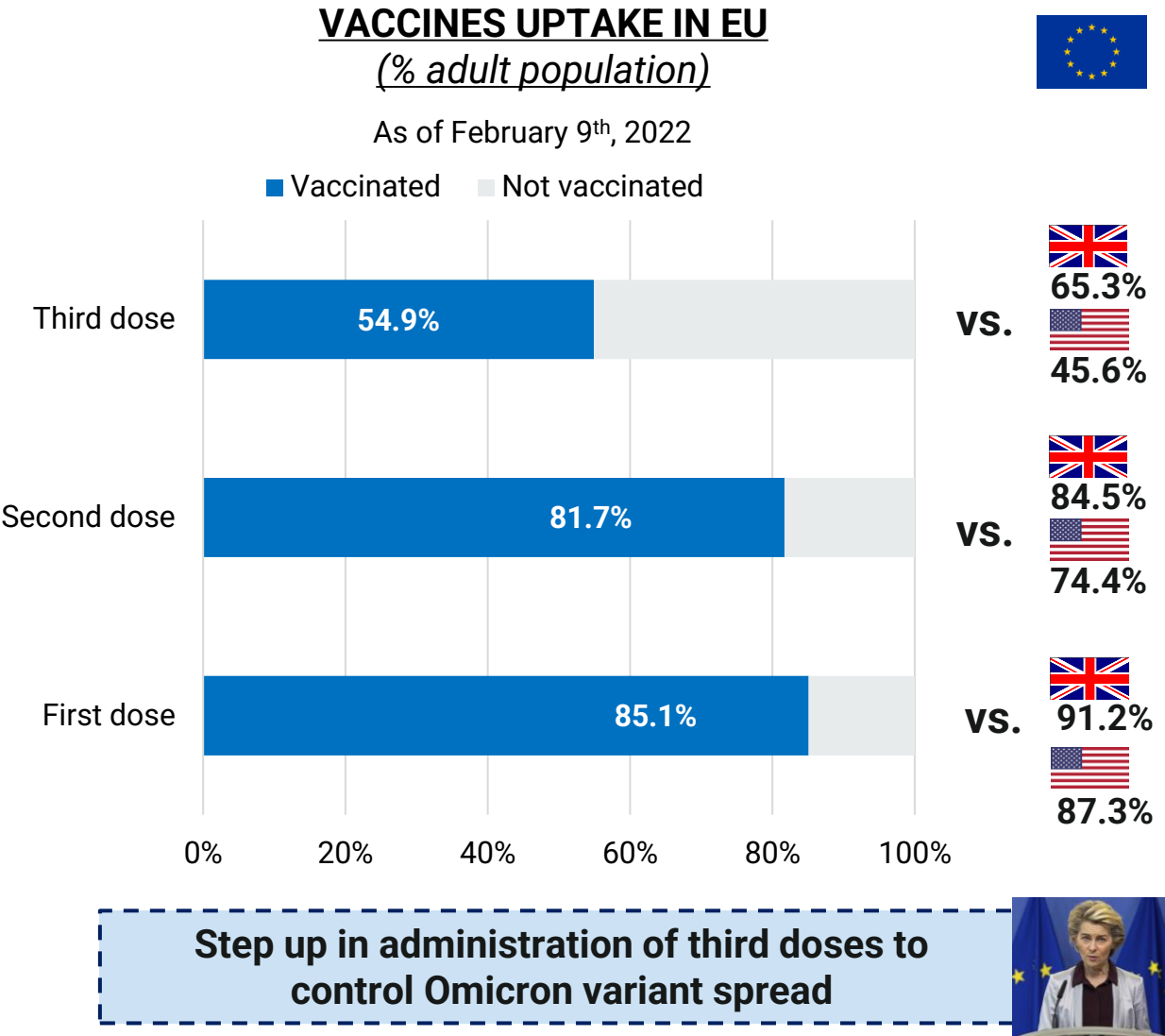
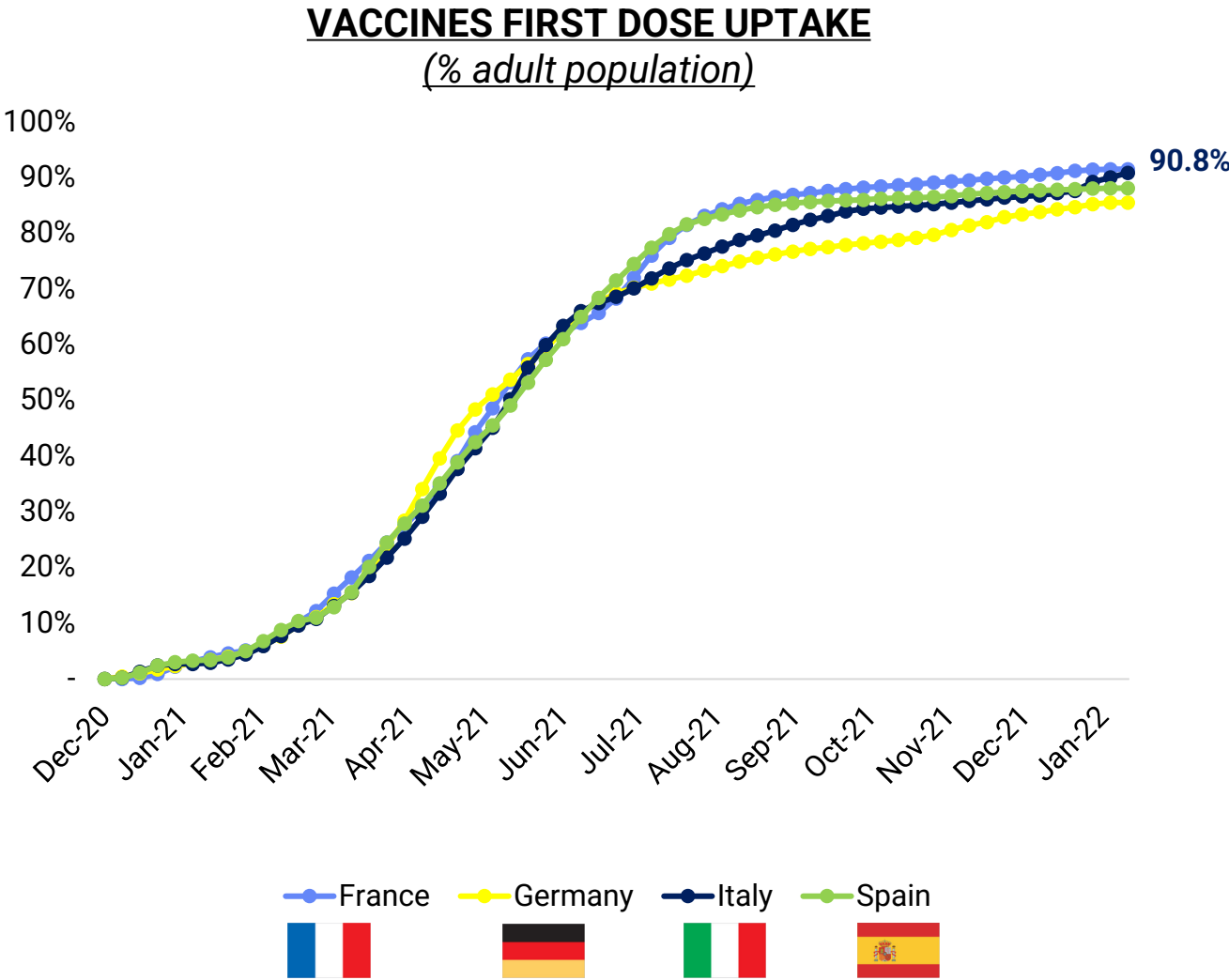
#### NEXT STEPS

- Timeline for easement of COVID-19 restrictions
- Continue the path for the economic and social recovery
- PNRR: 100 goals including 66 reforms to complete in 2022 to release EU funds

**The investments and reforms envisaged in the National Recovery & Resilience Plan will structurally boost economic growth and reduce social and regional differences**

# VACCINATION CAMPAIGN PROGRESS IN ITALY

VACCINATION RATES CLOSE TO 90% IN KEY EU STATES HAVE MITIGATED OMICRON WAVE

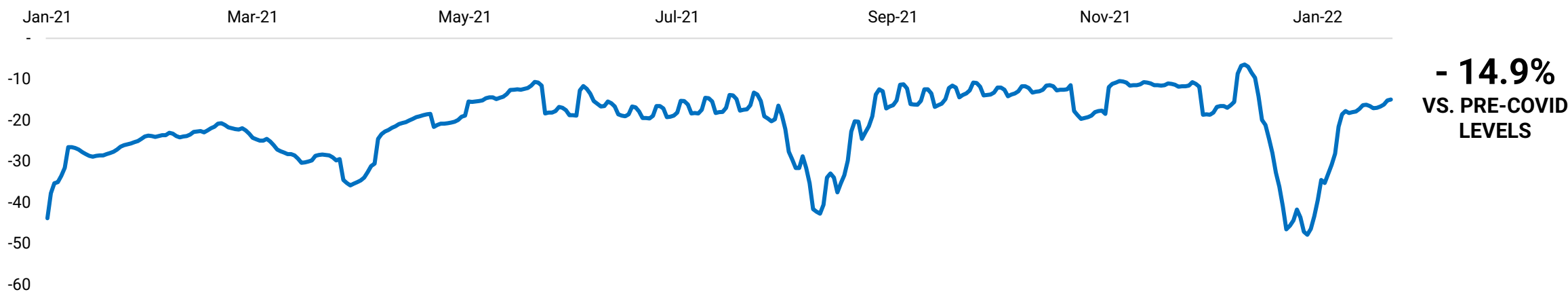


# WIDESPREAD VACCINATION LIMITED MOBILITY RESTRICTIONS

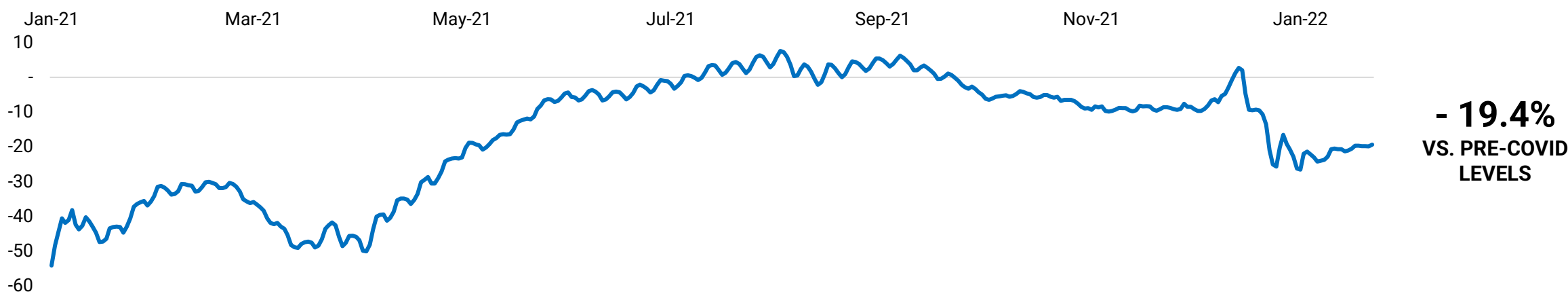
## MOBILITY LEVELS RECOVERING AFTER CHRISTMAS BREAK AND FIRST OMICRON WAVE



**ITALIAN MOBILITY – WORKPLACES** (*% change vs Jan 2020\**)

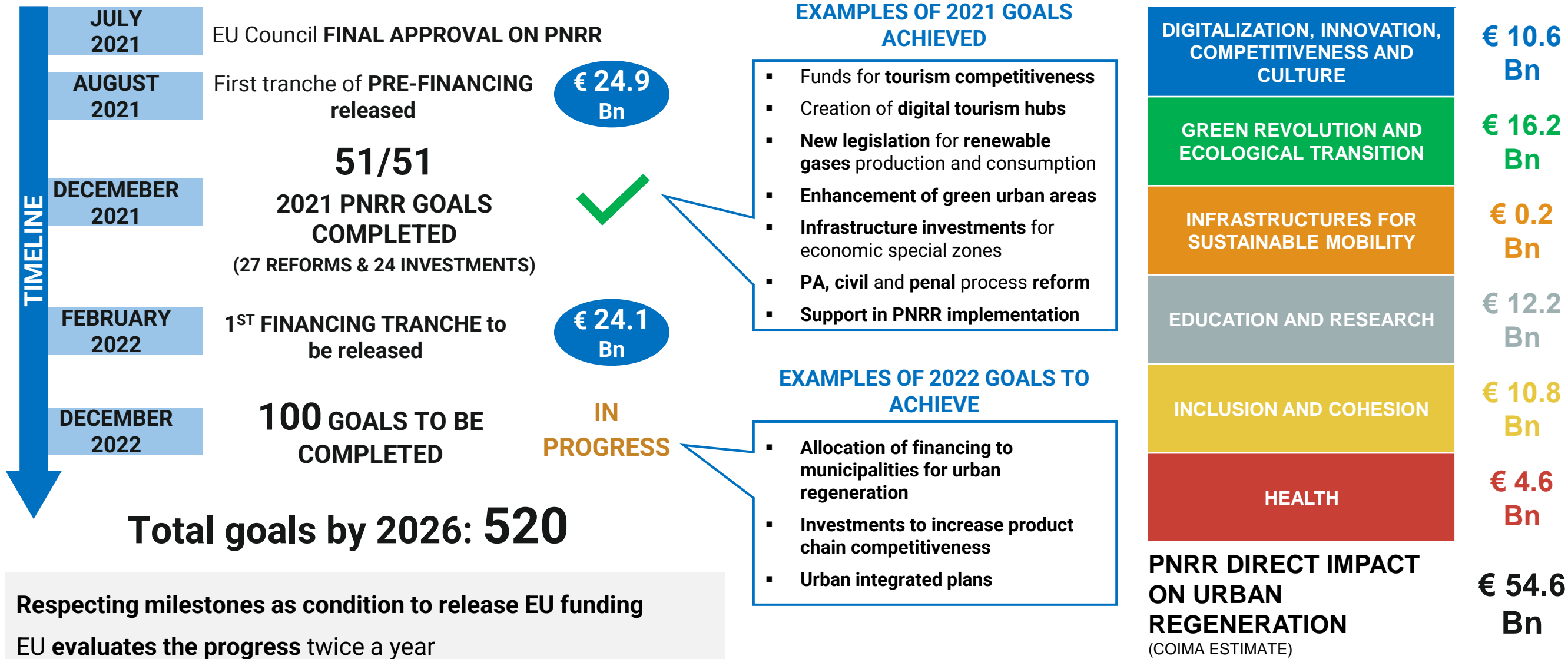


**ITALIAN MOBILITY - RETAIL & FREE TIME** (*% change vs Jan 2020\**)



# ITALIAN PNRR IN PROGRESS

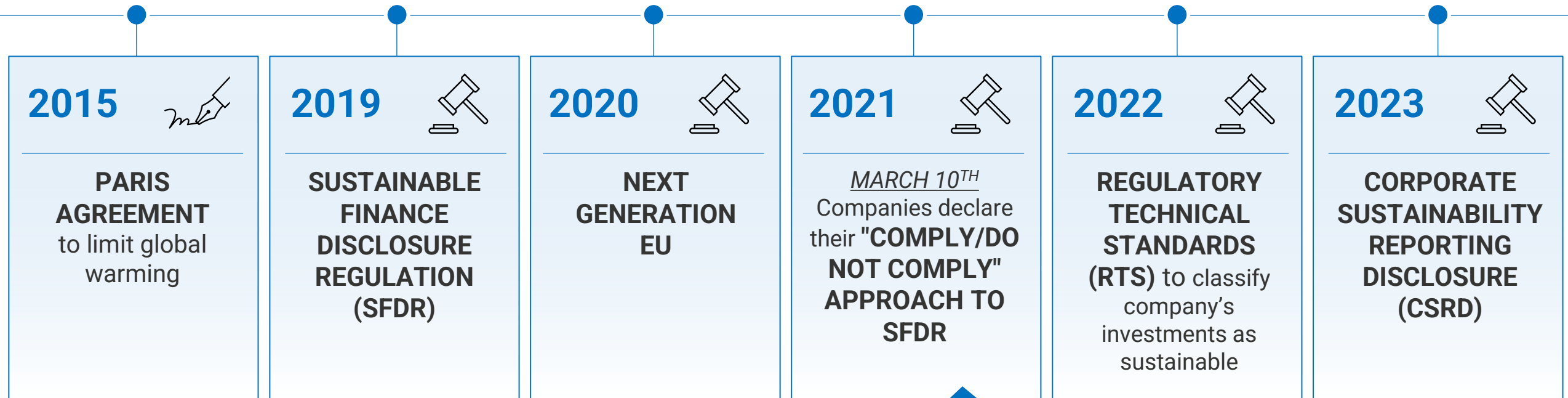
ITALY COMPLETED 2021 MILESTONES AND TARGETS AND IS WORKING ON 2022 PNRR GOALS



# ESG ROADMAP TOWARDS SUSTAINABLE INVESTMENTS

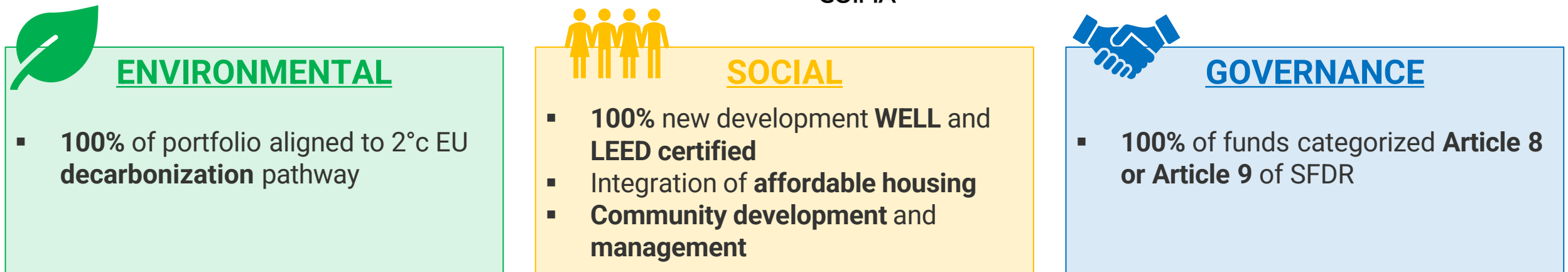
## COIMA AS THE FIRST ITALIAN SGR TO COMPLY WITH SFDR REGULATION

### EU REGULATION



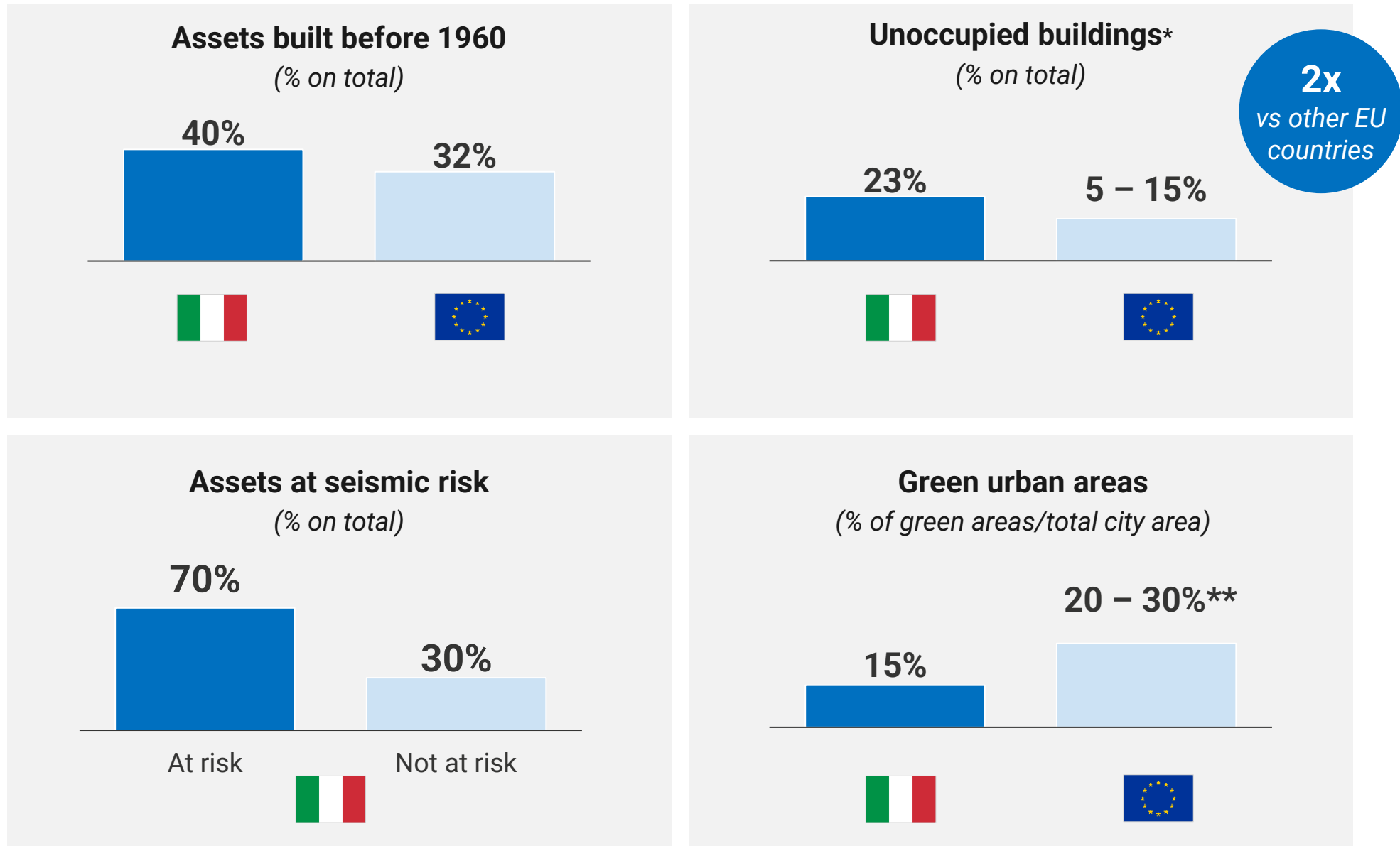
FIRST ITALIAN SGR TO COMPLY WITH SFDR

### COIMA 2030 GOALS



# ITALY: AN HISTORICAL OPPORTUNITY TO FILL THE GAPS

## SUBSTANTIAL INVESTMENTS NEEDED TO BECOME IN LINE WITH EUROPEAN PEERS

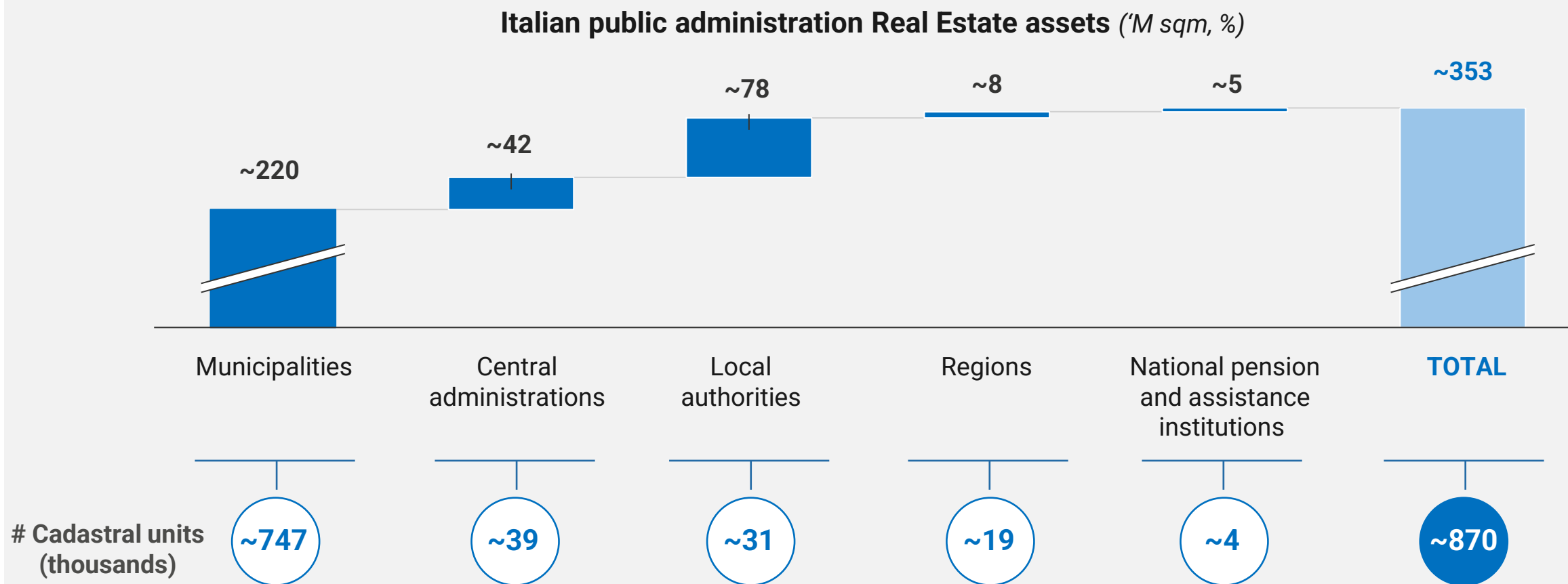


# ITALIAN PUBLIC ADMINISTRATION FOOTPRINT

## REGENERATION OF PUBLIC ADMINISTRATION REAL ESTATE ASSETS AS A DRIVER



Over 350 M sqm owned by public administration to be potentially regenerated





# MILAN & ROME: WHAT TO EXPECT FROM NEW ADMINISTRATIONS

## FOCUS ON URBAN REGENERATION AND ESG OBJECTIVES

### GIUSEPPE SALA

RE-ELECTED FOR FURTHER 5 YEARS



- Political stability
- Milan government focused on **attracting capital and fostering city attractiveness**
- Growth outlook for real estate market in Milan
- Focus on **ESG objectives**

### ROBERTO GUALTIERI

ELECTED FOR THE NEXT 5 YEARS



- **Reorganization of administrative bodies** to increase efficiency of processes
- Coordination of **PNRR investment projects**
- Positive outlook for **regeneration of Roman real estate stock**
- Attracting **more international events**

# MILAN INCREASINGLY FOCUSED ON ESG OBJECTIVES

APPROVED THE AIR AND CLIMATE PLAN SETTING ESG GUIDELINES FOR THE CITY

A TOOL TO PROTECT HEALTH AND ENVIRONMENT, AIMED AT REDUCING THE AIR POLLUTION AND TO RESPOND TO THE CLIMATE EMERGENCY

Air quality improvement

Decarbonization

Health, social inclusion and equality

## KEY OBJECTIVES OF THE PLAN

Medium-term

2025

**AIR QUALITY:** respect the **EU limits** for **particle pollution** (PM10, PM2.5)

2030

**AIR QUALITY:** reduce **CO2 emissions** by **45%** vs. 2005

Long-term

2050

**AIR QUALITY:** respect the **limits** provided by **WHO Guidelines**

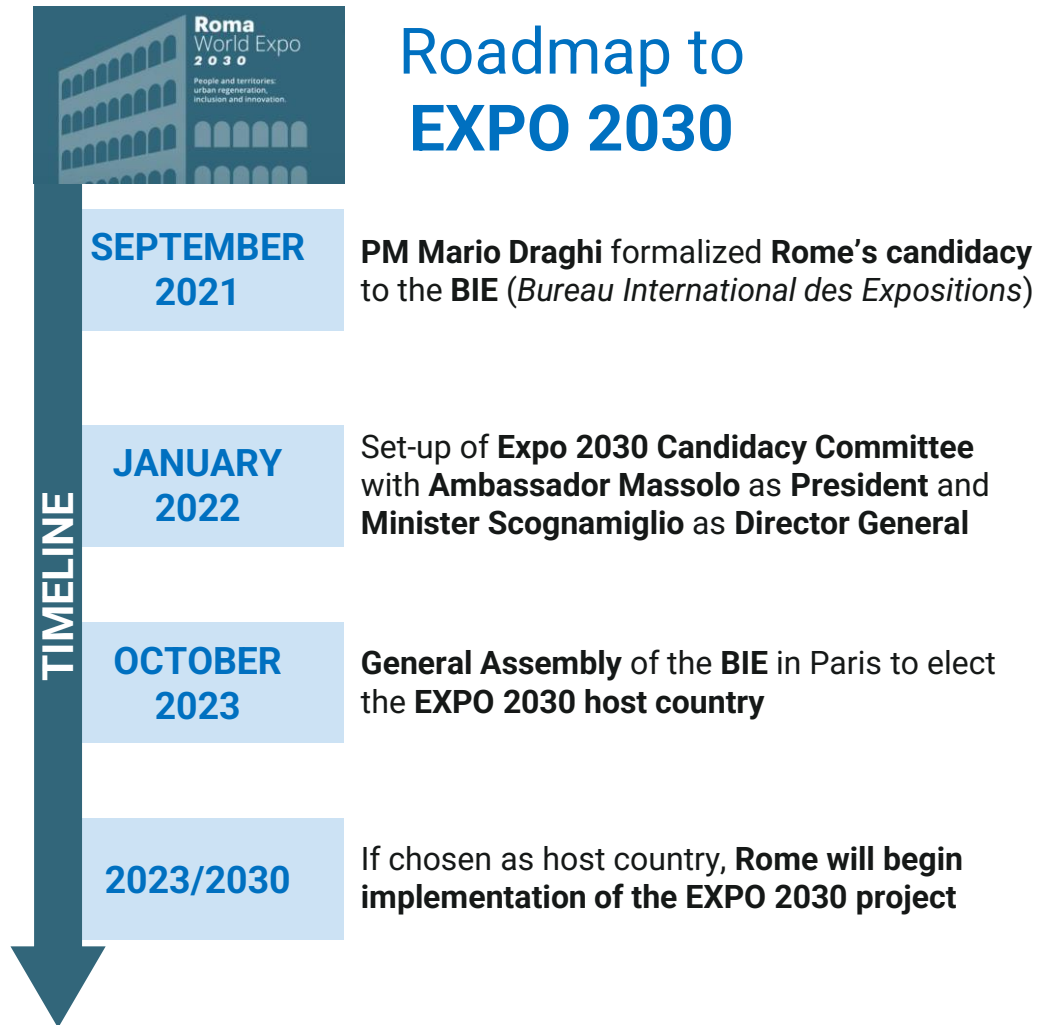
**DECARBONIZATION:** limit increase of urban temperature < 2° C



The **Municipality** aims at creating **synergies** between the **Climate Plan** and the general **Town Planning Scheme**

# ROME CANDIDATE AS HOST CITY FOR WORLD EXPO 2030

## PEOPLE AND TERRITORIES: URBAN REGENERATION, INCLUSION AND INNOVATION



### Rome EXPO 2030 Theme

#### PEOPLE AND TERRITORIES: URBAN REGENERATION, INCLUSION AND INNOVATION



Reinventing modes of human settlement



Redesign of means of transport



Revival of the bond between humans and their environment



Reinforcement of the cultural production network



**Opportunity for Rome to scale up on urban regeneration and be at the center of international attention if selected for EXPO 2030**



# PORTA NUOVA AS THE FIRST POST-COVID URBAN CAMPUS

## PORTA NUOVA AS PILOT NEIGHBORHOOD AND COMMUNITY LAB

### PORTA NUOVA TO SET THE GUIDELINES FOR FUTURE REDEVELOPMENT PROJECTS

1<sup>st</sup>

development project in the **world** to qualify for the double **LEED** and **WELL** for **Community** certification



1<sup>st</sup>

public private partnership for public spaces and park management

1<sup>st</sup>

retail district in Europe  
ESG certified



1<sup>st</sup>

innovative neighborhood in Milan managed through a digital platform



**100% LEED CERTIFIED ASSETS**

**> 150 K SQM UNDER DEVELOPMENT**

**OVER 15 M VISITORS EXPECTED BY 2025**

**OVER 2.2 BN INVESTMENT WITH GREATER IMPACT ON SURROUNDING AREA**





# PORTA ROMANA AS KEY POST-COVID REGENERATION PROJECT

## NEIGHBORHOOD-SCALE REGENERATION PROJECT TO RESHAPE THE URBAN CONTEXT

### NEIGHBORHOOD-SCALE PROJECT

1 km x 200 m site of ca. 200,000 sqm

Public park of ca. 100,000 sqm

### MIXED USE

Buildable surface of 164,000 sqm



COIMA

COVIVIO

PRADA

105,000 residential

54,000 office

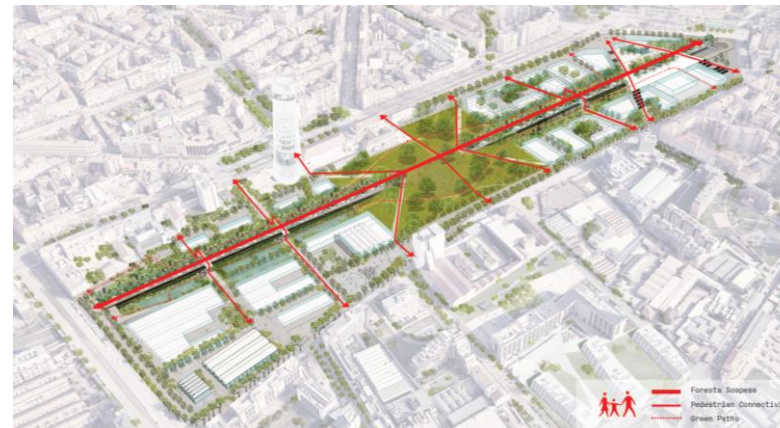
5,000 exhibition

### ESG

100% of certified buildings and project guided by ESG objectives

### DIGITALIZATION

Digital neighbourhood management and technology integrated into the project from day 0



### STRONG IMPACT ON SURROUNDING NEIGHBORHOODS

> € 1 Bn investment  
*with multiplier effect on urban impact*

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# ITALIAN REAL ESTATE MARKET

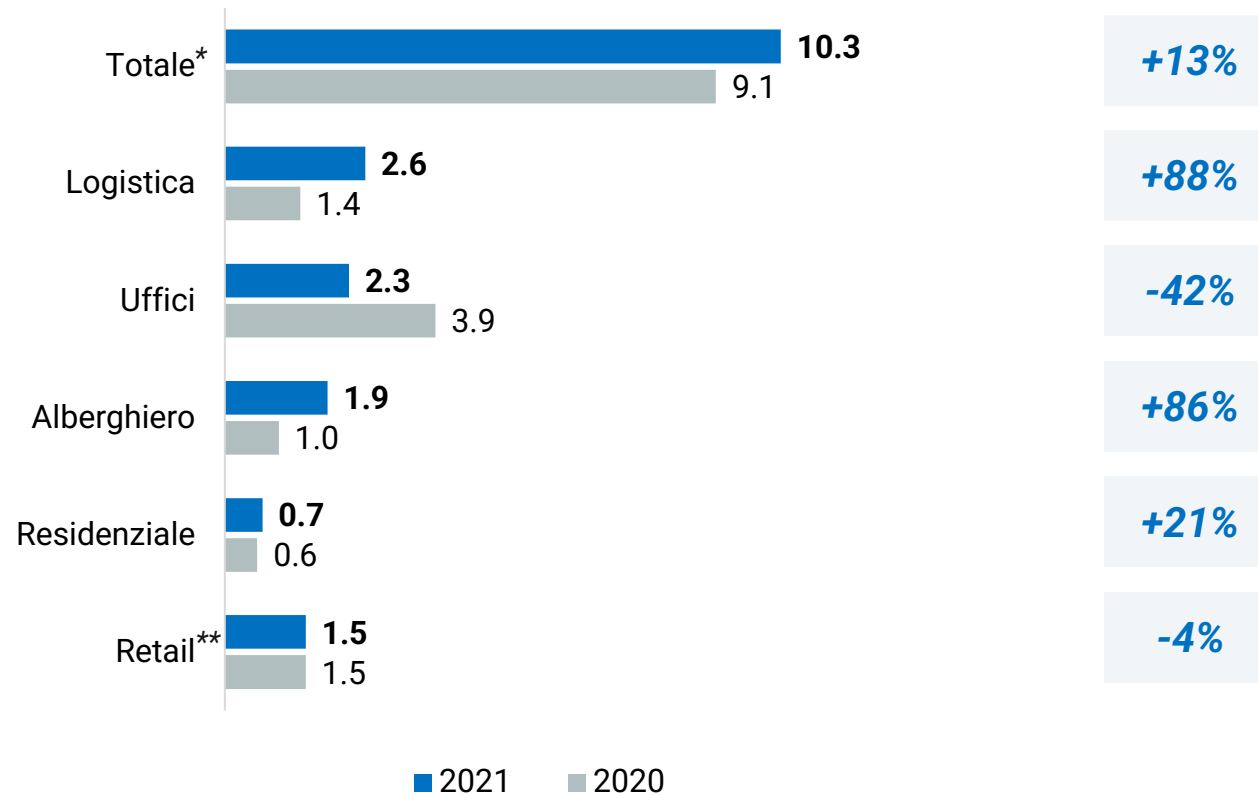
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*Gabriele Bonfiglioli*

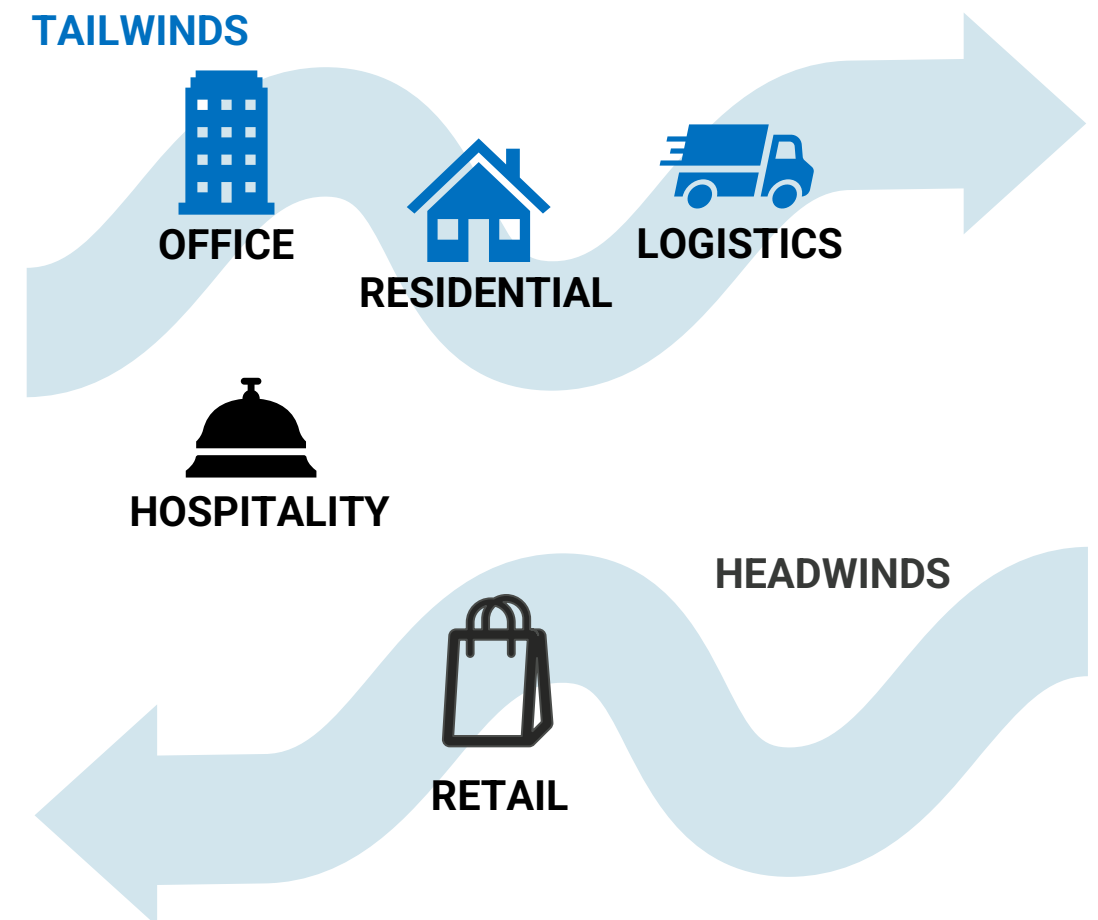
# INVESTMENT MARKET

2021 INVESTMENTS OVER € 10 BN, HIGHER BY 13% VS. 2020

## INVESTMENT VOLUME BY ASSET CLASS (€ Bn)



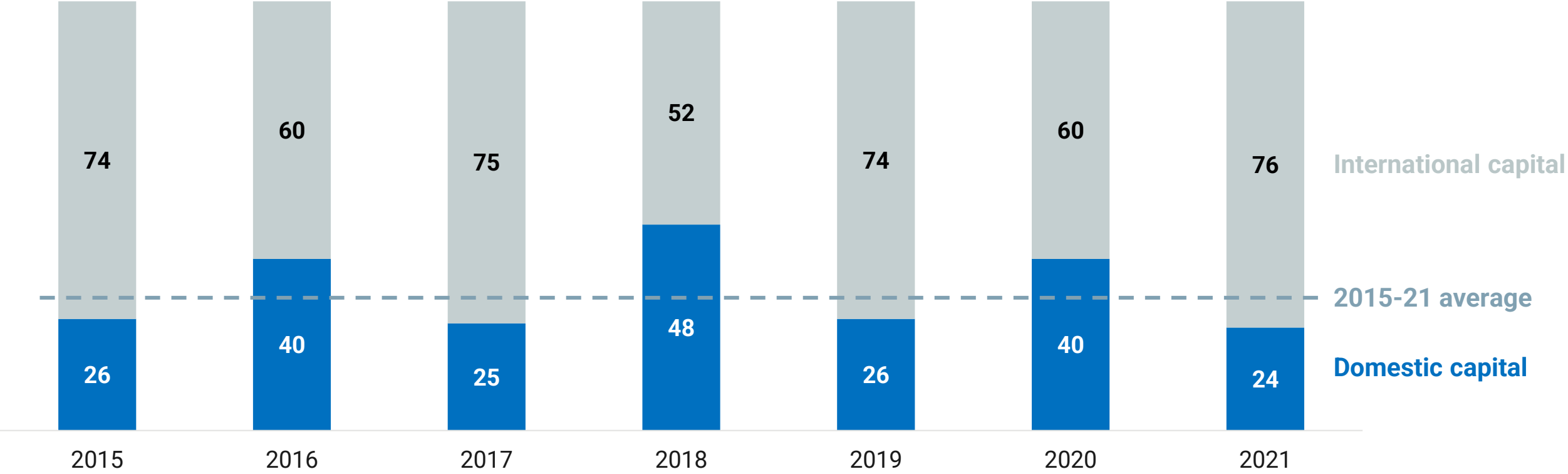
## SECTORS OUTLOOK



# STRONG COMEBACK BY INTERNATIONAL INVESTORS



SOURCE OF CAPITAL (% on total)





# MAIN FOCUS ON CORE ASSETS, THAT LACK IN THE MARKET

INCREASE OF RISK PREMIA FOR VALUE-ADDED AND DEVELOPMENT INVESTMENTS



## VIA S. GIOVANNI SUL MURO – CBD



Core asset  
Ongoing  
Net yield  
<3.30% exp.



## PALAZZO MANCINI – CBD



Core asset  
Ongoing  
Net yield  
<3.50% exp.

## VIA BROLETTO – CBD



Core asset  
Closed  
Net yield  
2.90%

## LUNGOTEVERE BRESCIA – Center



Core asset  
Closed  
Net yield  
~4.00%

CORE

PRIME YIELD 

3.00%



VALUE-ADDED  
&  
DEVELOPMENT

+150/200  
bps



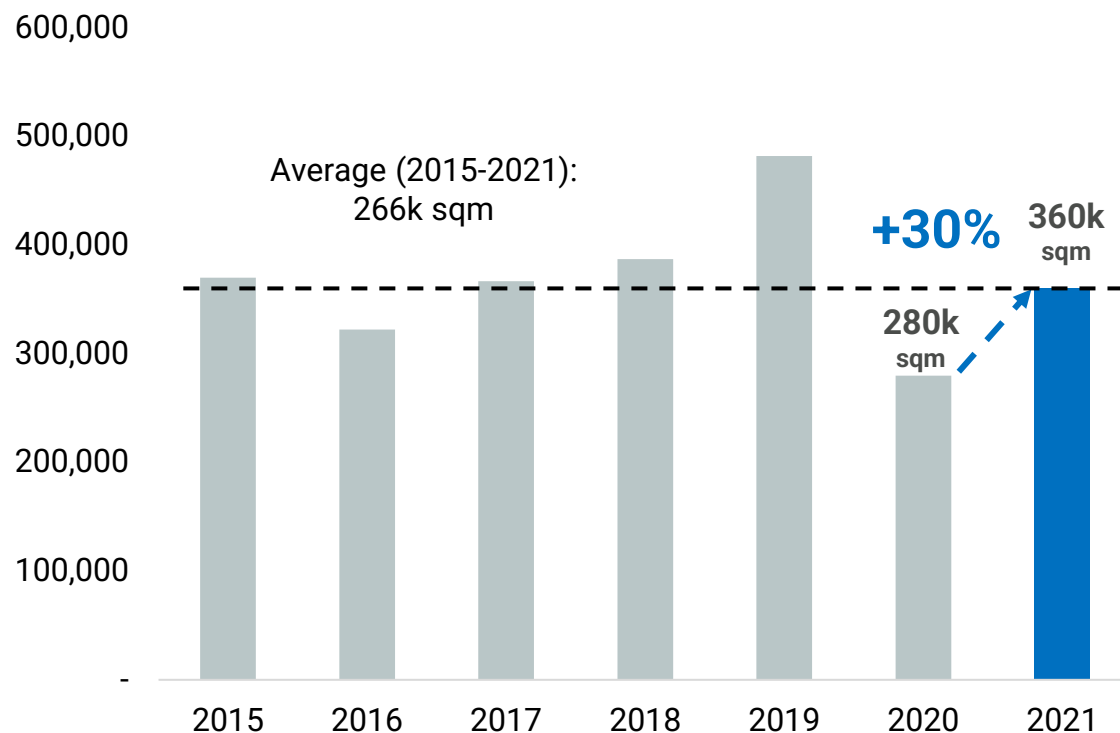
REALE PORFOLIO OF TROPHY ASSETS MAINLY IN MILAN ACQUIRED FOR > € 1 BN

# RECOVERY IN LEASING ACTIVITY

## TENANTS ACCELERATED MOVING DECISIONS IN THE LAST SEMESTER



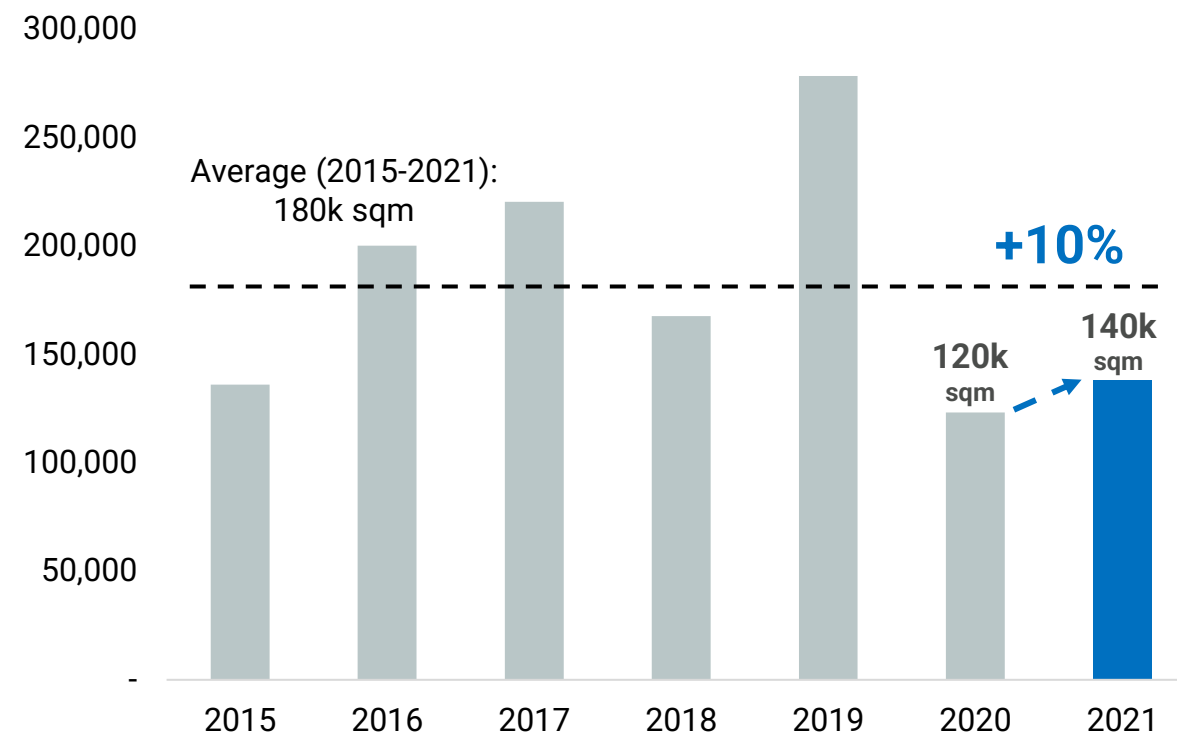
**MILAN OFFICE TAKE-UP (sqm)**



2.7% Grade A vacancy



**ROME OFFICE TAKE-UP (sqm)**



2.6% Grade A vacancy

# RECENT LEASE TRANSACTIONS

## PRIME RENT CONFIRMED FOR QUALITY PROPERTIES IN MILAN AND ROME



### THE MEDELAN – CBD



**€ 630/sqm**

ca. 1,400 sqm



### GARAGE TRAVERSI – CBD



**€ 630/sqm**

ca. 1,500 sqm

AUDEMARS PIGUET  
*Le Brassus*



### VIA VENETO 89 – CBD



**€ 520/sqm**

ca. 2,200 sqm

amazon

### CORSO MATTEOTTI 5 – CBD



**€ 600/sqm**

ca. 1,300 sqm



HOULIHAN LOKEY

### DE CASTILLIA – PN CBD



**€ 560/sqm**

ca. 5,600 sqm



### SAN SILVESTRO – CBD



**€ 480/sqm**

ca. 2,400 sqm

Atlantia

#### PRIME RENT CBD

**€ 600/SQM** ➡

#### PRIME RENT Center

**€ 480/SQM** ➡

#### PRIME RENT CBD

**€ 450/SQM** ➡

#### PRIME RENT EUR

**€ 350/SQM** ➡

# SURVEYS CONFIRM THE CENTRALITY OF OFFICES

## LOWER DENSITY NOT SPACE, TENANTS CONFIRM THE NEED OF RETHINKING SPACE



**WFH survey findings: lower density with office space reduction in the range of 1-2% on average**

SAMPLE  
INTERVIEWED



**500**

**US CORPORATES**



**Emerging norm of 2 days a week at home and 3 days in the office, cutting days on site by 30-40%**



**Workers are uncomfortable with density, cutting person days on site without reducing square footage**



**Employers are reshaping office space to become more inviting social spaces that encourage collaboration**



**Corporates to reduce office space by 1% to 2% on average**



**Limited reduction in office space needs, with lower density, more common areas and increasing focus on quality and location**



**COIMA survey findings: confirmed centrality of offices and need of rethinking space**

SAMPLE  
INTERVIEWED



**38**

**CORPORATES**



**500,000 sqm**

**FOOTPRINT**



**30,000**

**EMPLOYEES**



**Expected increase in remote working (from avg. of 1.0 day per week to 2.5 days per week)**



**Office de-densification: occupancy to decrease from 83% to 70%**



**Flexible internal layout: more common areas and less desks**



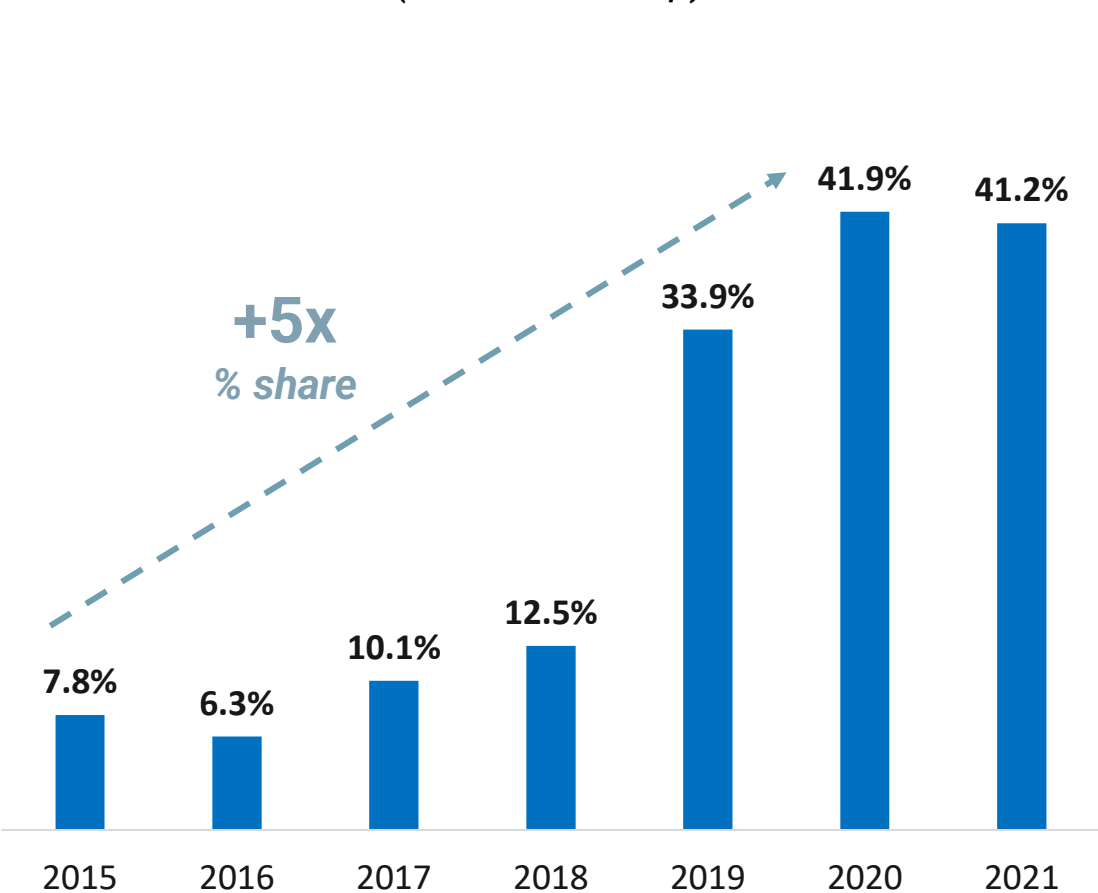
**Corporate to reduce their office footprint by ca. 5/10%**



# INCREASING DEMAND FOR SUSTAINABILITY FOR OFFICES

MILAN MARKET IS A FRONTRUNNER IN SUSTAINABILITY, WHILE ROME STILL LAGS BEHIND

**MILAN LEED & BREEAM CERTIFIED OFFICE TAKE-UP**  
*(% office take-up)*



143 LEED

ca. 3% of total  
assets NZEB

12% of Grade A  
offices on tot. stock



vs. 27% Grade A  
offices on tot. stock  
European average



ROME

57 LEED

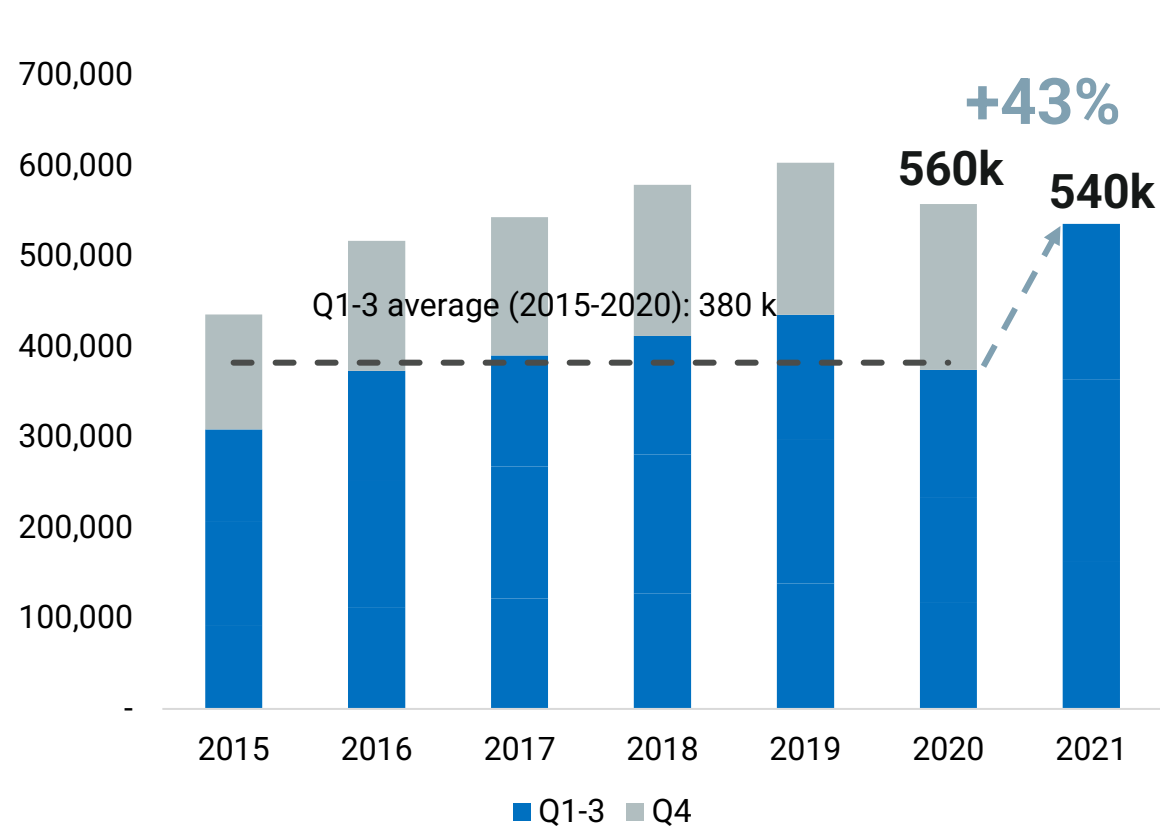
<0.2% of total assets  
NZEB


6% of Grade A  
offices on tot. stock

# FAVOURABLE MARKET TIMING FOR ITALIAN RESIDENTIAL

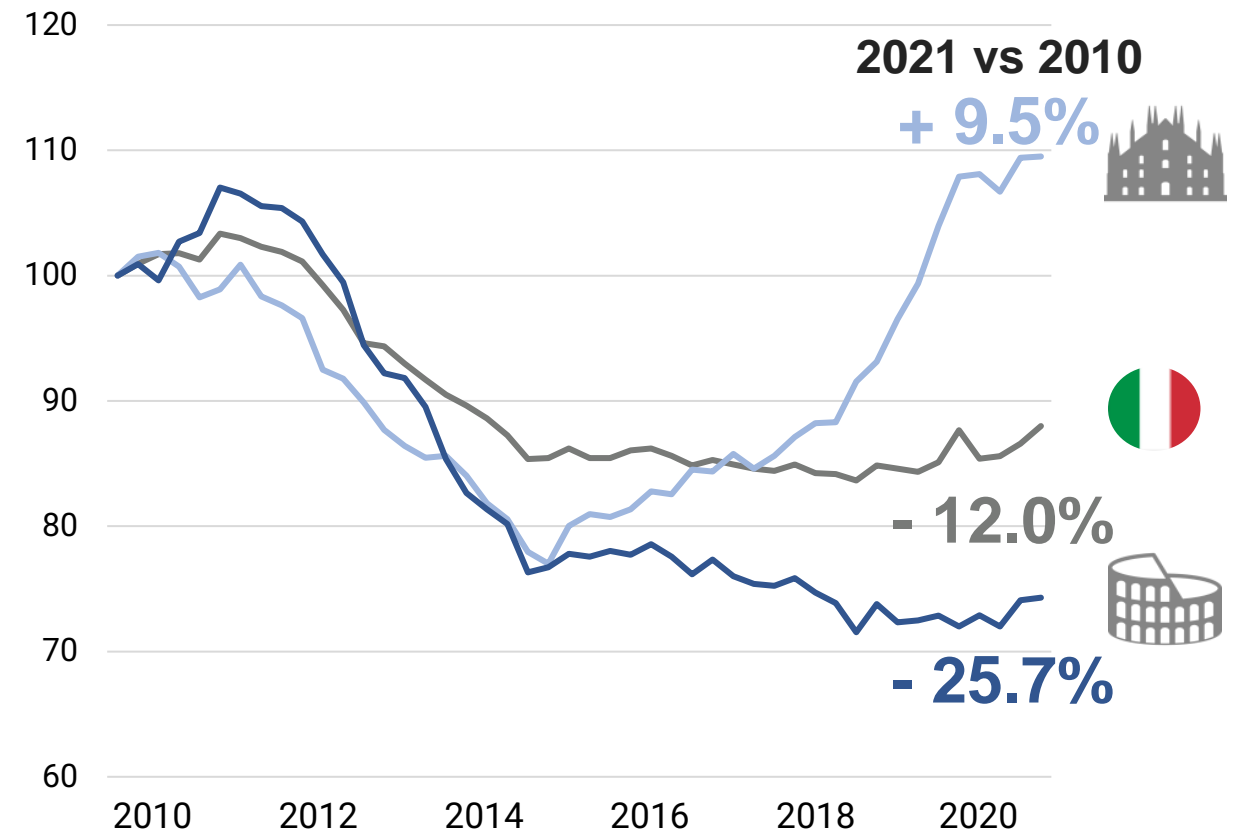
STRONG RECOVERY IN TRANSACTIONS IN Q2 AND PRICES STARTED GROWING




**ITALIAN RESIDENTIAL TRANSACTIONS**



 **+ 23%**  
Q1-3 21 vs Q1-3 19 pre-COVID

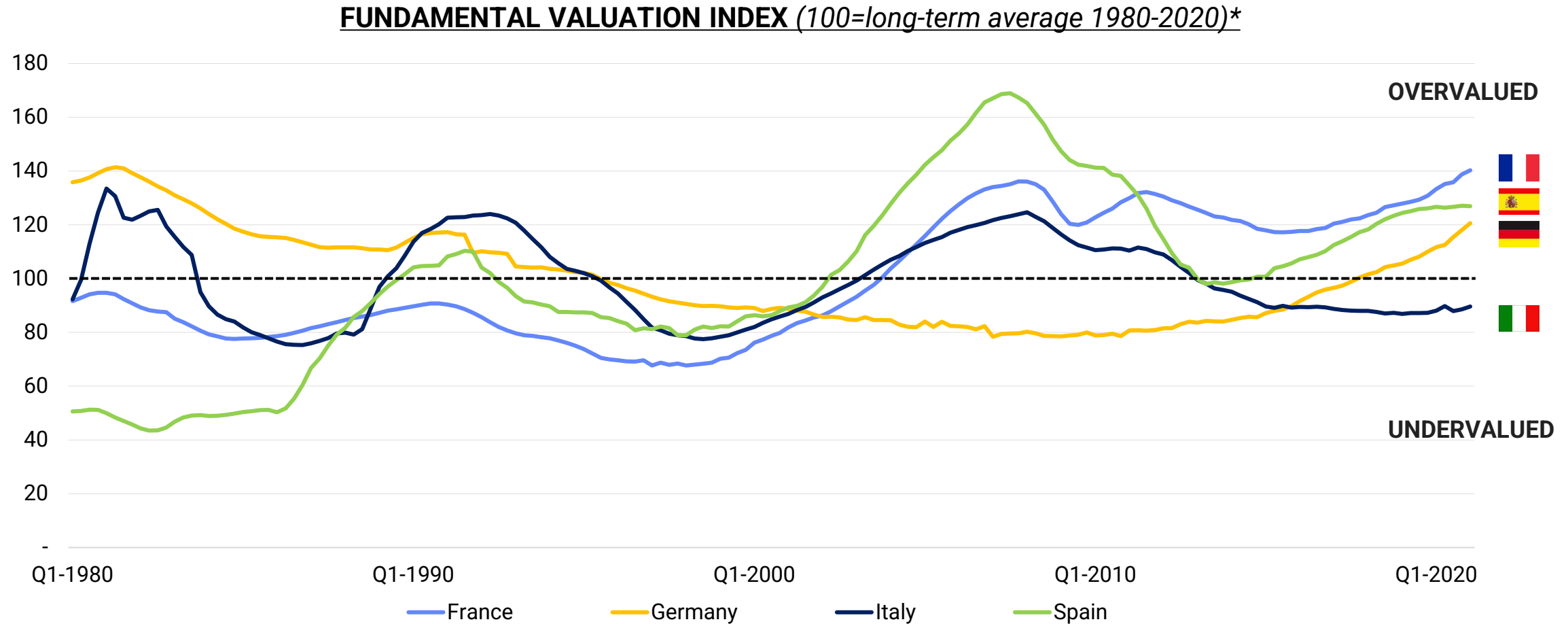
**RESIDENTIAL PRICE (2010=100)**



 **+4.3%**  **+10.2%**  **+2.5%**  
Q2 21 vs Q4 19 pre-COVID

# ITALIAN RESIDENTIAL PRICES BACKED BY FUNDAMENTALS

## FUNDAMENTAL VALUATION INDEX BELOW THE HISTORICAL AVERAGE VALUE IN ITALY

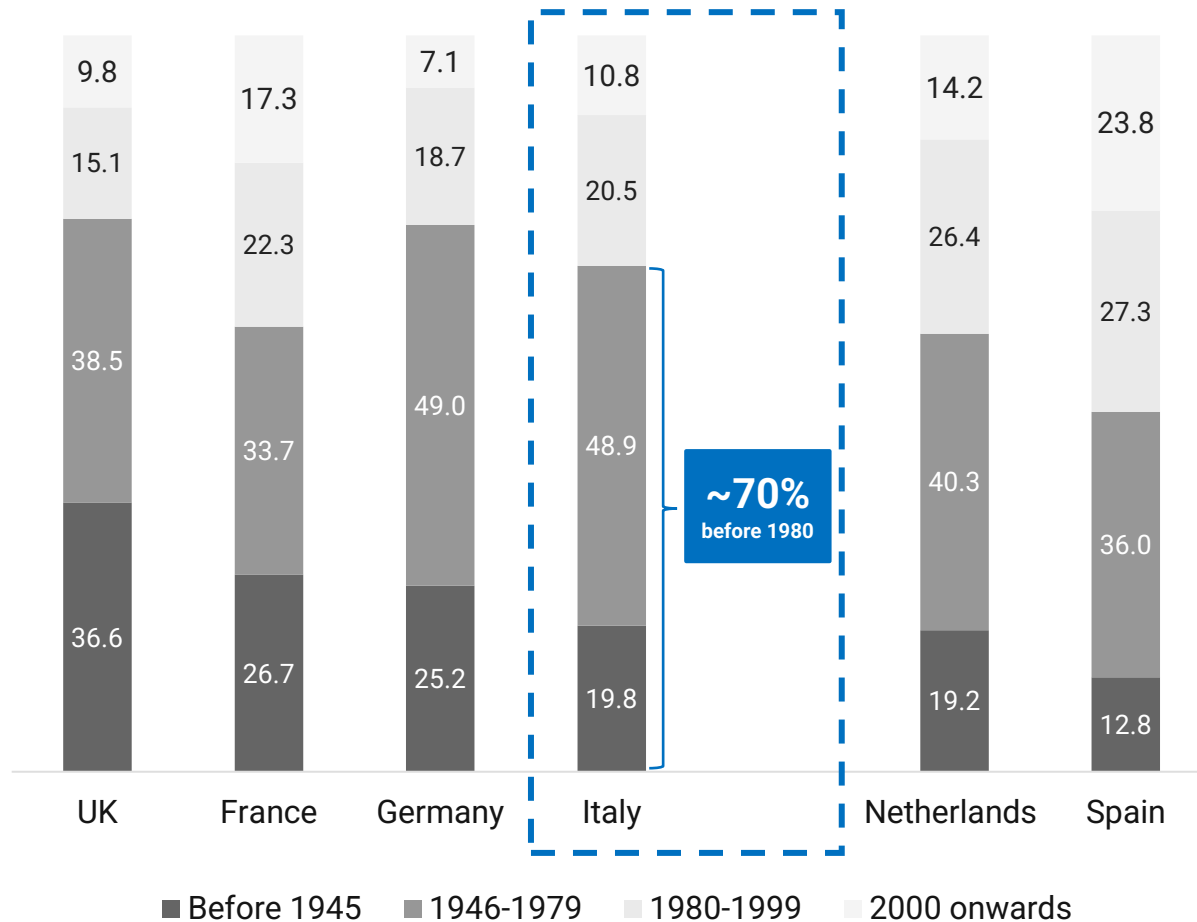


**Italian residential market is more fairly priced than comparable European markets, leaving room for upside in valuations**

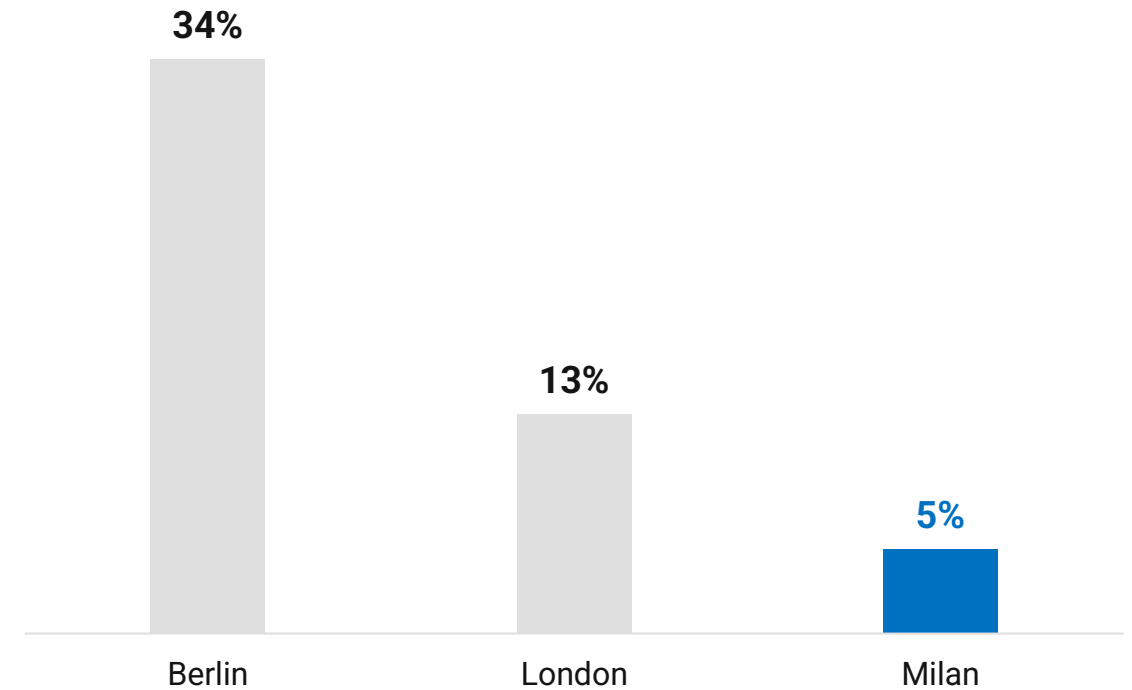
# LACK OF QUALITY HOUSING DUE TO OBSOLETE STOCK

MUCH OF THE STOCK IS PRE-1980, MANAGED BY NON-INSTITUTIONAL

DWELLINGS BY PERIOD OF CONSTRUCTION (%)



STOCK OWNED BY PROFESSIONAL LANDLORDS (% OF TOTAL)





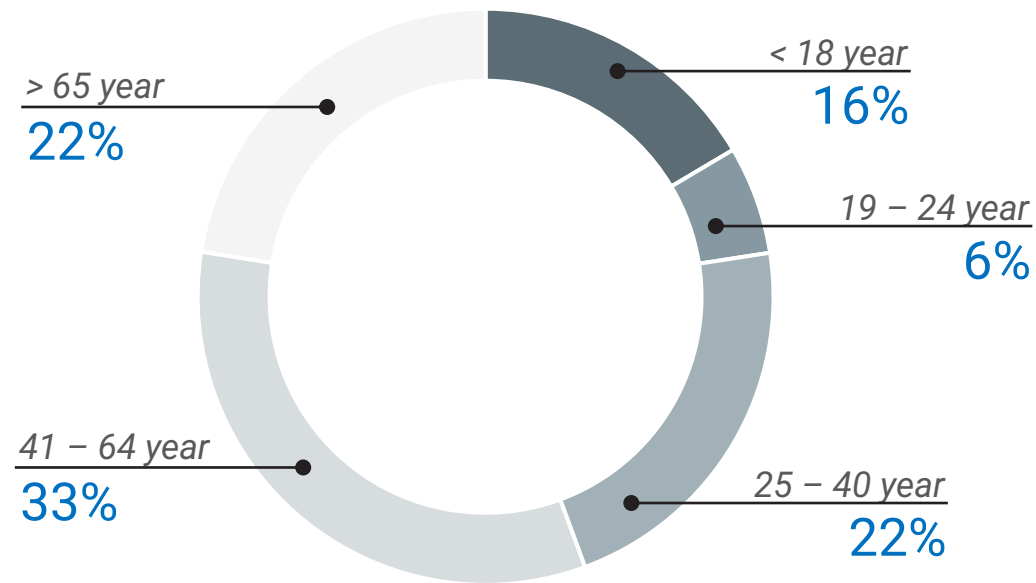
# MILAN DEMOGRAPHIC TRENDS

MILAN POPULATION FORECASTED TO GROW BY CA. 50K INHABITANTS BY 2030, WITH HIGHER GROWTH RATES FOR UNDER 40S

	Age Group	2020	2025	2030	Δ%	Δ
▲	< 18	221.029	225.152	237.139	7%	16.110
▲	19-24	75.973	83.662	87.547	15%	11.574
▲	25-40	290.809	301.388	314.260	8%	23.451
▼	41-64	491.516	493.071	476.751	-3%	-14.765
▲	> 65	313.175	307.562	323.810	3%	10.635
▲	Totale	1.392.502	1.410.835	1.439.507	3%	47.005

75% of total increase of population composed by under 40s

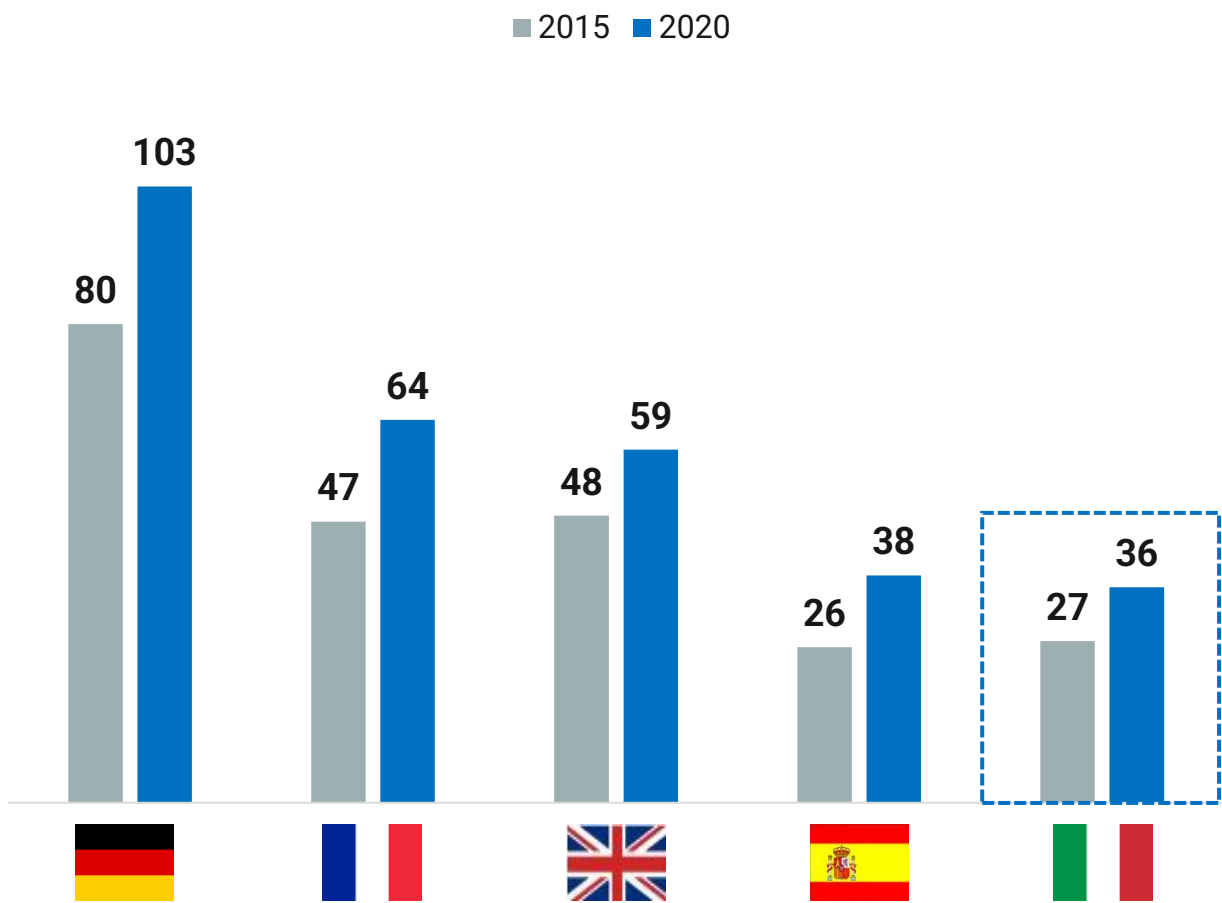
MILAN POPULATION BY AGE GROUP IN 2030



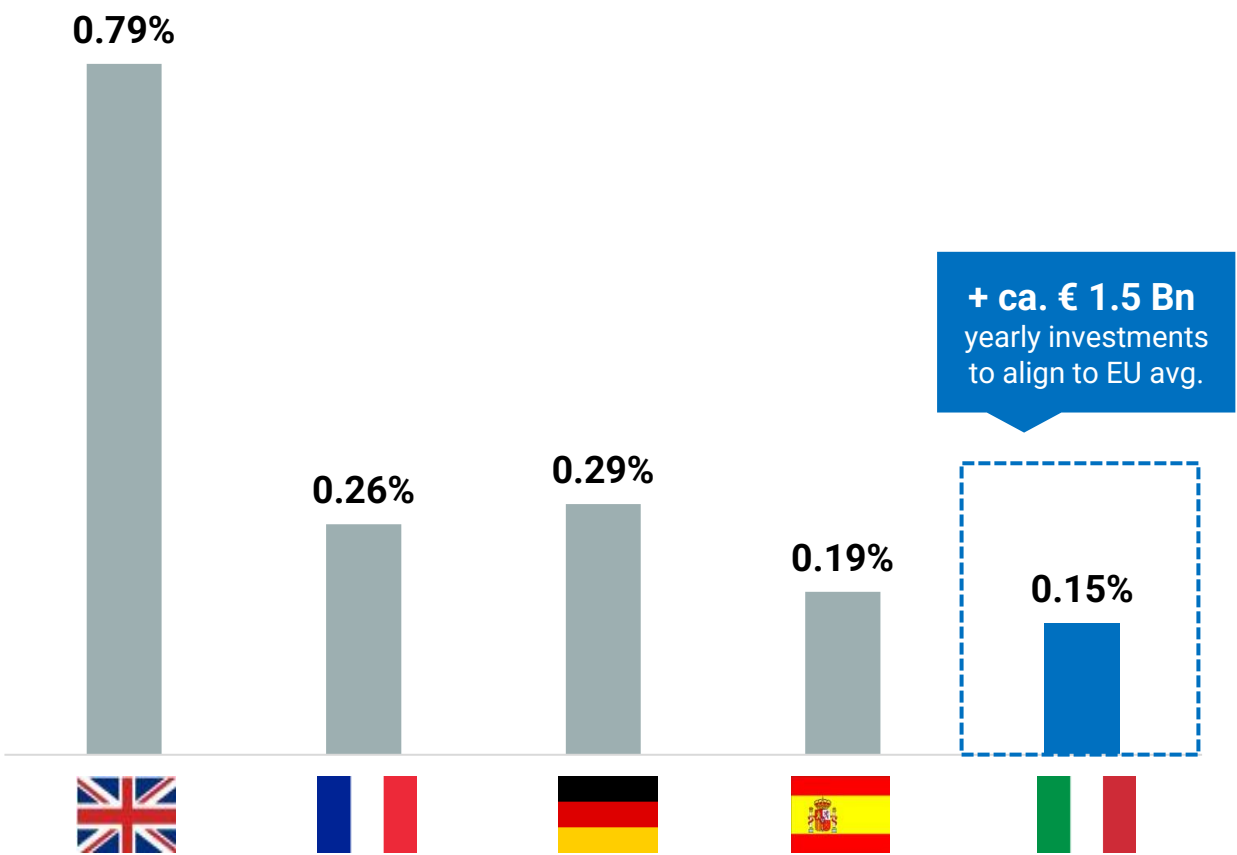
# LOGISTICS INVESTMENTS IN MAIN EU MARKETS

## OBSOLETE ITALIAN STOCK AND LOGISTICS INVESTMENTS STILL BELOW PEERS

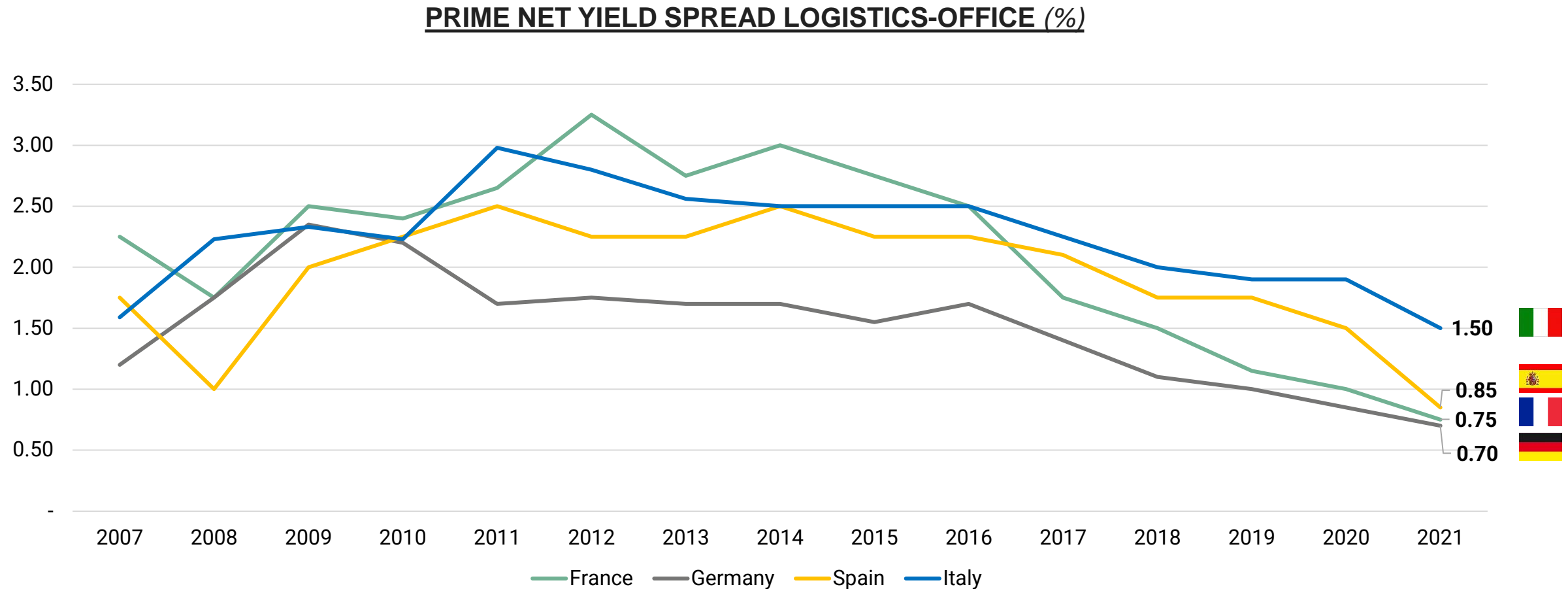
MODERN LOGISTIC STOCK PER 100 INHABITANTS (sqm)



2021 REAL ESTATE LOGISTICS INVESTMENTS (% of GDP)



# LOGISTICS VS OFFICE PRIME NET YIELD SPREADS

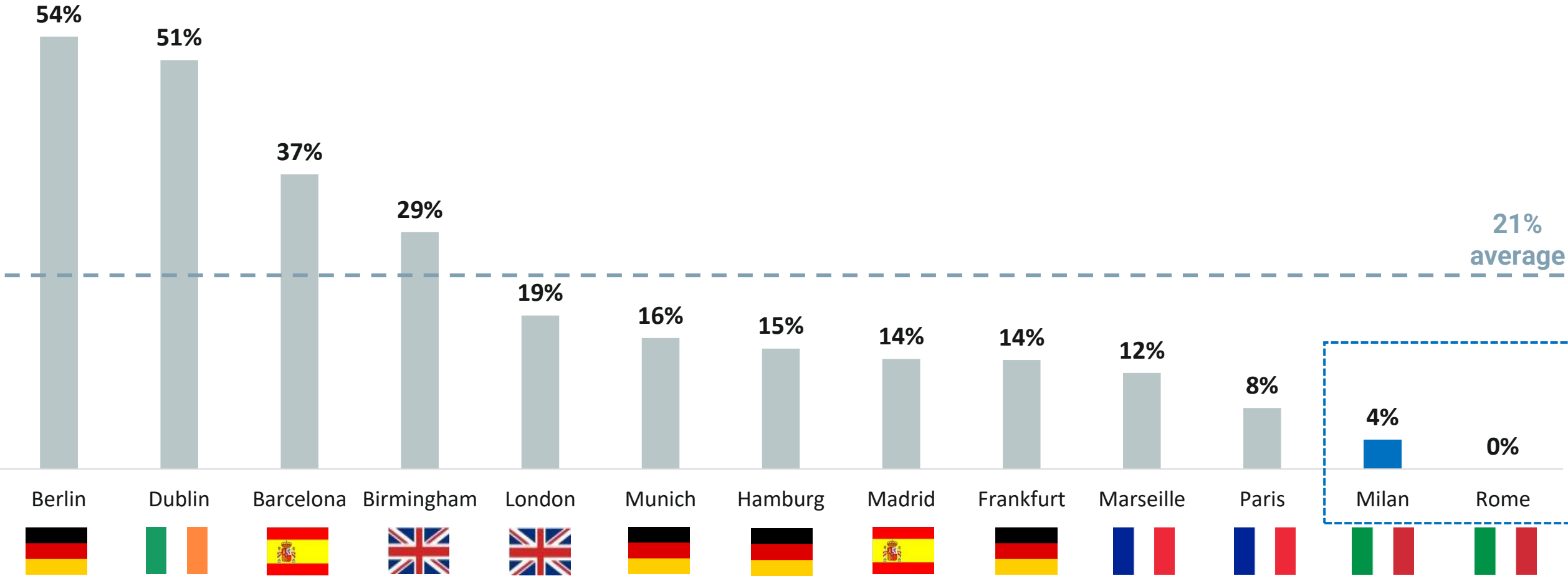


- **Italian logistics** trades at **150 bps discount** to **offices**, while the same **spread in other EU markets** is ca. **75 bps**
- As logistics continues to become an **established asset** class in **Italy**, the **gap** between Italy vs. other markets **should reduce**

# ATTRACTIVE MARKET TIMING FOR THE ITALIAN MARKET

OPPORTUNITY TO HAVE UPSIDE FROM RENTAL GROWTH IN LOGISTICS INVESTMENTS

PRIME LOGISTICS RENTAL GROWTH RATE 2011-2021 (%)





**Real Estate, since 1974**

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**COIMA**

Piazza Gae Aulenti, 12  
20154 Milano, Italy  
[www.coima.com](http://www.coima.com)