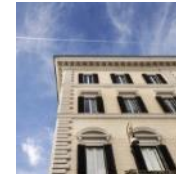


Real Estate SIIQ

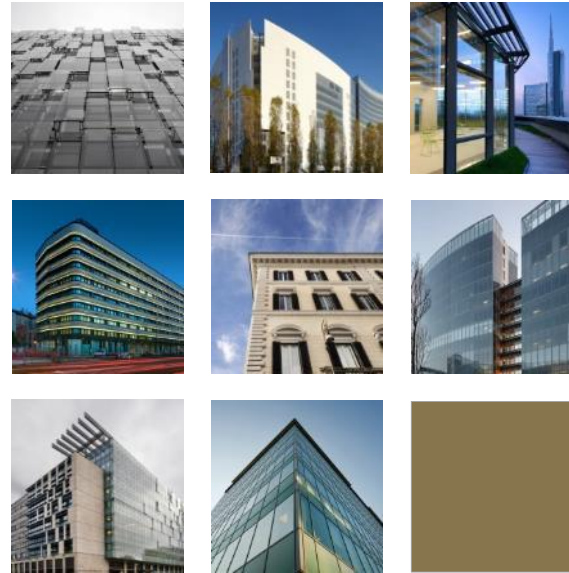


November 30th, 2017

MONTHLY CALL



1. ITALIAN POLITICAL & ECONOMIC SCENARIO UPDATE



ITALY – ELECTIONS, WHAT TO EXPECT?



GENERAL OBSERVATIONS

■ TIMING

- ✓ Most likely scenario entails elections between early March 2018 and late May 2018

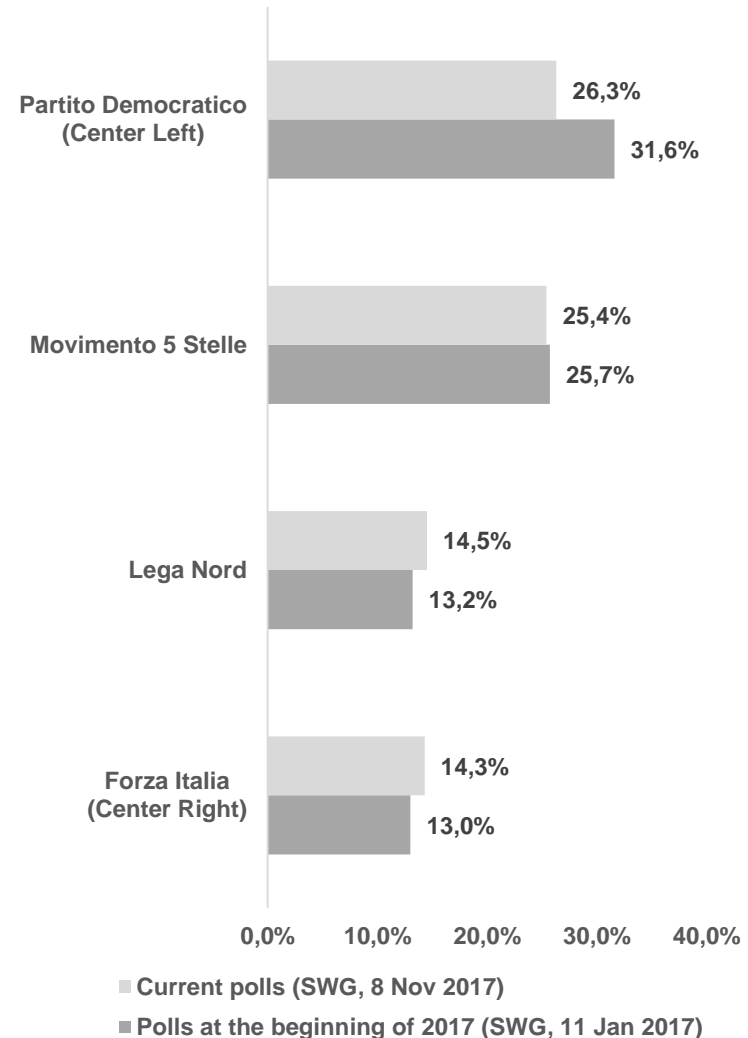
■ NEW «MARKET FRIENDLY» ELECTORAL LAW

- ✓ Approved last October by Upper and Lower House
- ✓ Sponsored by Partito Democratico, Forza Italia and Lega Nord whilst criticized by Movimento 5 Stelle
- ✓ Finalised to harmonise the composition of the two houses and to allow the formation of a stable coalition government
- ✓ Mechanics:
 - 37% of seats allocated on a majority method
 - 61% of seats allocated using a proportional method
 - 2% of seats allocated through votes of Italians living abroad
- ✓ Cut-offs:
 - 3% cut-off for single parties
 - 10% cut-off for coalitions

■ POTENTIAL 2018 ELECTION OUTCOME

- ✓ Unlikely one party able to secure a majority
 - Most likely scenario entails a coalition

LATEST POLLS (NOVEMBER 2017)





2018 BUDGET LAW - KEY PILLARS

■ TIMING

- ✓ Draft Budget Law submitted by Italian Government to Upper and Lower House on October 17th, 2017
- ✓ Final approval by December 31st, 2017
 - Previous Budget Laws (2013-2017) approved between December 11th and December 28th

■ SIZE AND SOURCES OF FUNDING

- ✓ Total spent of c. €20.4bn
 - Targets a 0.3% reduction in structural deficit and deficit / GDP of 1.6% by year end 2018
 - Total of c. €20.4bn funded by (i) c. €9.5bn savings and higher proceeds and (ii) c. €10.9bn by higher deficit
 - Expansionary measures accounting for c. €4.7bn, €15.7bn aimed at avoiding VAT and tax increase

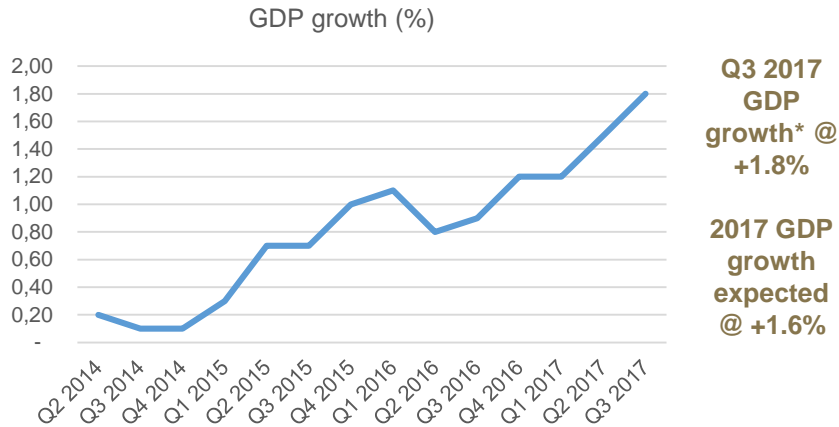
■ MAIN MEASURES

- ✓ Reduction of fiscal wage for newly-hired employees
 - 50% tax relief on social security contribution for first three years for employees under 35 years of age hired in 2018
 - 100% tax relief for businesses in the South of Italy
- ✓ Industry 4.0 previous tax incentives confirmed with some new elements introduced
 - Hyper-depreciation and super-depreciation schemes confirmed
 - New tax credit for investment in digital training/education to boost Italian education system
- ✓ Other measures
 - €300m allocated to sustain low income section of the population
 - Increase in wages for public sector employees
 - Tax benefits on IPO related consultancy costs
 - Real Estate eligible for PIR schemes

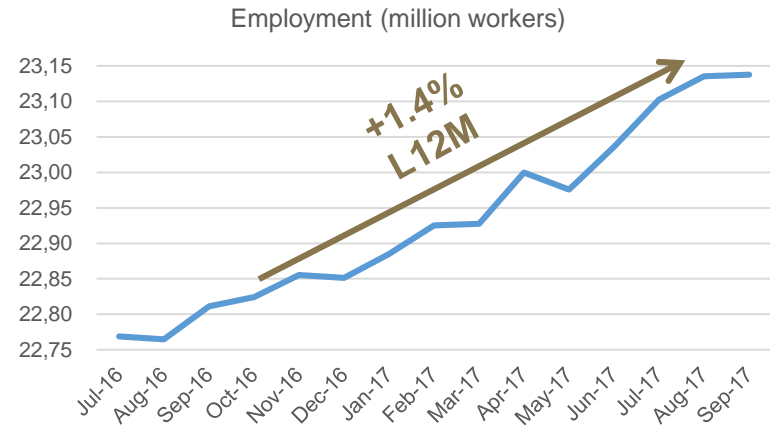
ITALY – CONTINUED MACRO IMPROVEMENTS



GDP GROWTH POSITIVE TREND CONTINUING



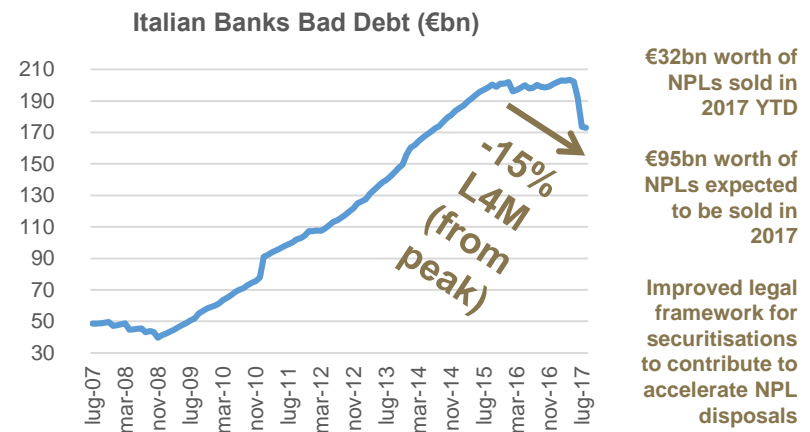
NEW JOBS BEING CREATED



INDUSTRIAL PRODUCTION GROWTH



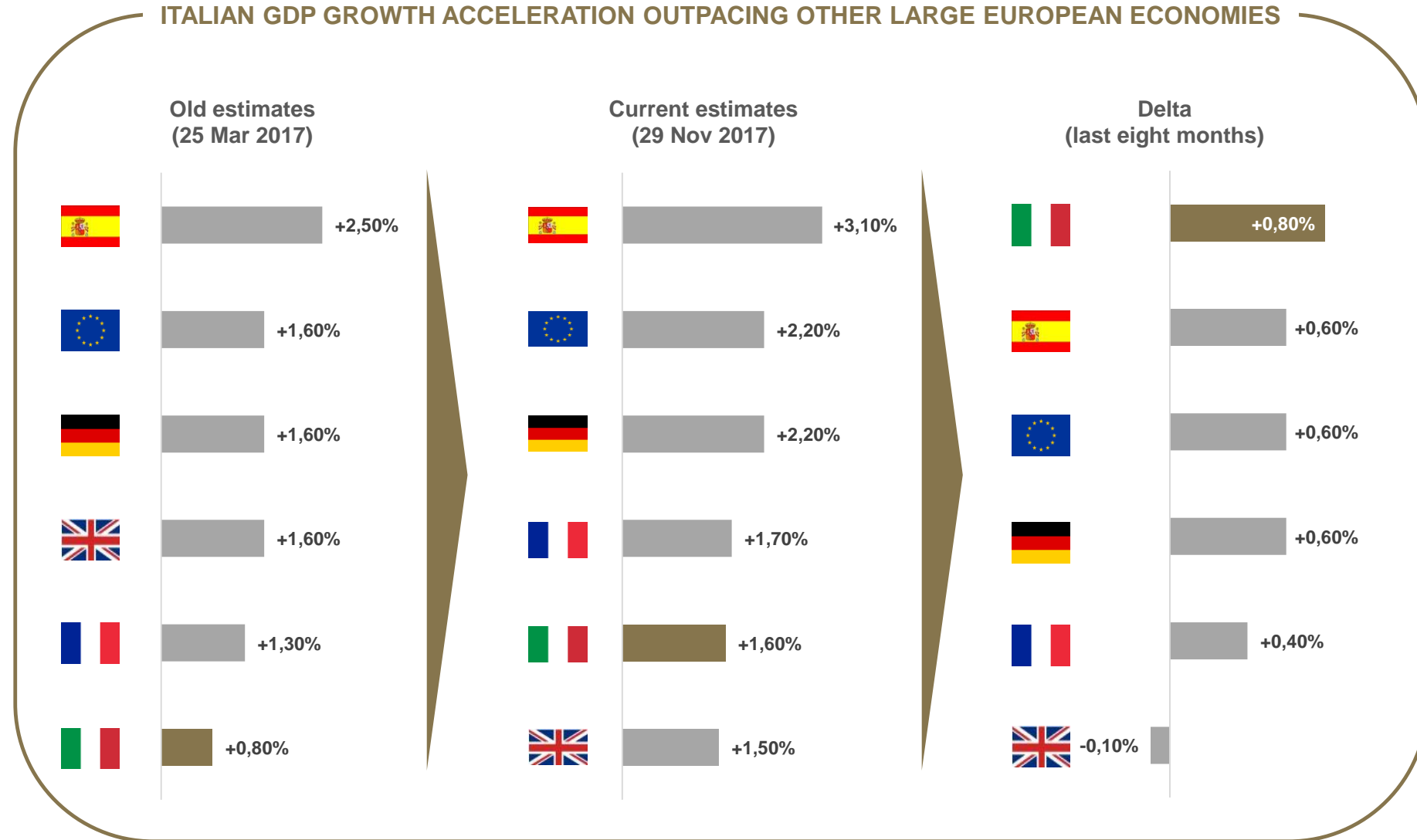
ITALIAN BANKS BAD DEBT DECLINING



ITALIAN 2017 GDP GROWTH ACCELERATING



ITALIAN GDP GROWTH ACCELERATION OUTPACING OTHER LARGE EUROPEAN ECONOMIES



ITALIAN OUTLOOK – ANALYST CONSENSUS



■ Macro:

- Pre-crisis competitiveness trends have reversed in favour of Italy
- Italy seems to be enjoying very strong growth momentum

■ Political view:

- New electoral law, which favours coalitions, could represent mitigation of electoral risk

■ Public debt:

- Positive outlook spreads in 2018



■ Macro:

- Above consensus call in 2018, with GDP growth at 1.5%
- Economic recovery is well entrenched,
- Strong labour market recovery

■ Political view:

- New electoral law for a stable coalition government

■ Debt:

- Public finances on the mend: Italy's primary balance surplus is already well above the level that would stabilise its debt ratio



■ Macro:

- Economic growth accelerating in Italy and will continue to improve for 18/19
- Industrial production continued to expand robustly
- Unemployment rate ticked down

■ Political view:

- Receding cost of capital and political risk supportive to equity markets



■ Macro:

- Supportive underlying indicators (GDP, unemployment, etc.)
- Italy's growth forecasts on the way up
- Macro environment looks positive

■ Political view:

- Market-friendly new electoral law

■ Public debt:

- Recent decrease in rates to a lower country risk, with the sovereign spread, now below 150bps

PIR – UPDATE ON REAL ESTATE INCLUSION

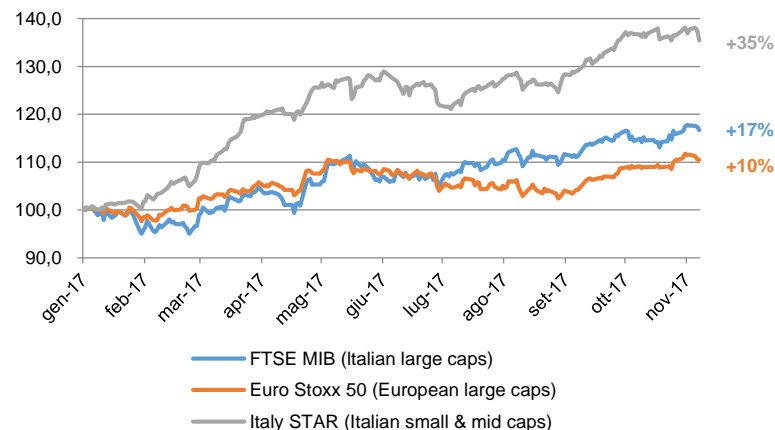


OVERVIEW OF PIR

■ PIR are tax exempt (income and capital gains tax) investment schemes with the following features:

- Maximum annual investment of €30k per year
- Investment in PIR to be kept for 5 years
- At least 70% invested in financial instruments issued by listed or non-listed Italian companies (with the exception of real estate) of which, at least, 30% invested in companies not part of FTSE MIB (i.e. needs to be invested in small & mid caps)
- Residual 30% can be invested in any financial instrument

PIR EFFECT ON ITALIAN SMALL & MID CAPS



REAL ESTATE INCLUSION

■ The current draft of the 2018 Budget Law includes changes to Art 1, comma 102 of PIR regulation to allow real estate, including REITS and real estate funds, to become eligible for inclusion in PIR

- If change is approved (deadline is December 31st, 2017), inclusion in PIR would be effective from January 1st, 2018

PIR - EXPECTED INFLOWS

EUR million	2017	2018	2019	2020	2021
Inflows					
Year 1	10,000	9,000	8,000	7,000	6,000
Year 2		5,000	4,500	4,000	3,500
Year 3			2,500	2,250	2,000
Year 4				1,250	1,125
Year 5					625
Total inflows	10,000	14,000	15,000	14,500	13,250
Outflows	-	(1,400)	(2,660)	(3,894)	(4,955)
Net cumulated inflows	10,000	22,600	34,940	45,546	53,841

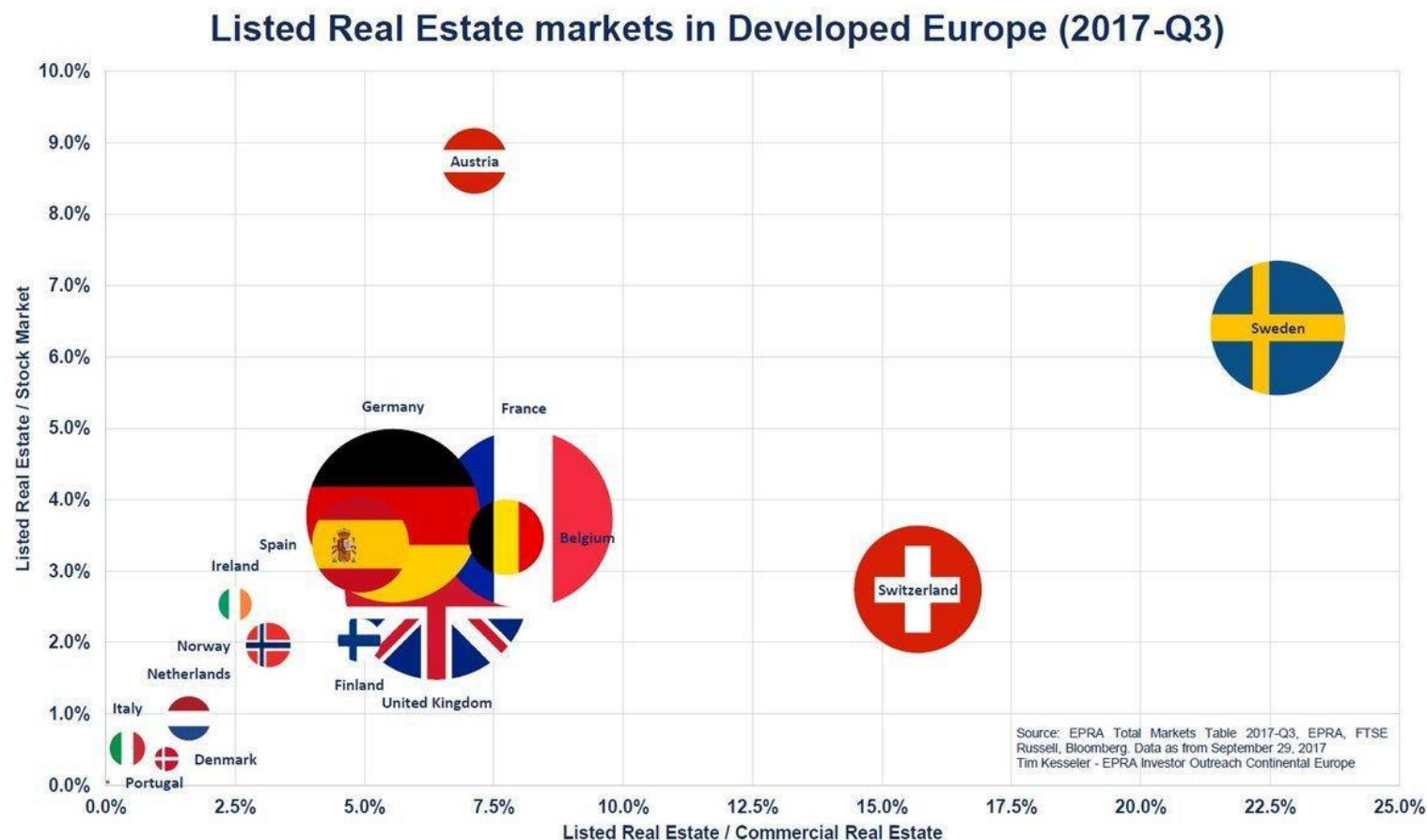
PIR – POTENTIAL BOOST FOR ITALIAN LISTED REAL ESTATE MARKET



■ MILAN'S STOCK EXCHANGE: 33 SHARE ISSUES IN 2017 OF WHICH 24 IPOs

✓ the highest number of new listings since dotcom bubble in 2000

■ INCLUSION OF SIIQ IN THE PIR AS POSITIVE CATALYST FOR THE GROWTH OF REAL ESTATE SECTOR BY CAPITAL INCREASES AND NEW IPOs



LOMBARDY AND VENETO REFERENDUM VS CATALUNYA



- Unlike the Catalan referendum (which was a request to become an independent republic), the Lombardy / Veneto referendum are requests to transfer certain functions from the Italian Government to a Regional level (fully in accordance to the Italian Constitutional framework)

	LOMBARDY / VENETO	CATALUNYA
DATE	October 22 nd , 2017	October 1 st , 2017
VIEW FROM CENTRAL GOVERNMENT	Legal (in accordance with Article 116 of the Constitution)	Illegal
ASK	More functions managed at Regional level	Political independence
QUESTION ASKED	<p>Lombardy: “ Do you want the Lombardy Region, in view of its special feature, <u>within the framework of national unity</u>, to undertake the institutional initiatives necessary to require the State to assign further forms and special conditions of autonomy, with its resources, according to and for the effects referred to in the third paragraph of Article 116 of the Constitution and with reference to any legislative matter for which such proceedings are admissible on the basis of the Article referred to?”</p> <p>Veneto: “Do you want that further autonomy forms and conditions being given to the Veneto Region?”</p>	<p>“Do you want Catalonia to become an <u>independent</u> state in the form of a <u>republic</u>?”</p>
TURN-OUT	<p>Lombardy: 39.5%</p> <p>Veneto: 57.2%</p>	43.0%
OUTCOME	<p>Lombardy: Yes 95.5%</p> <p>Veneto: Yes 98.1%</p>	Yes: 92.0%

MILAN REGION GDP GREATER THAN NORWAY, AUSTRIA, IRELAND



17% of Italian population

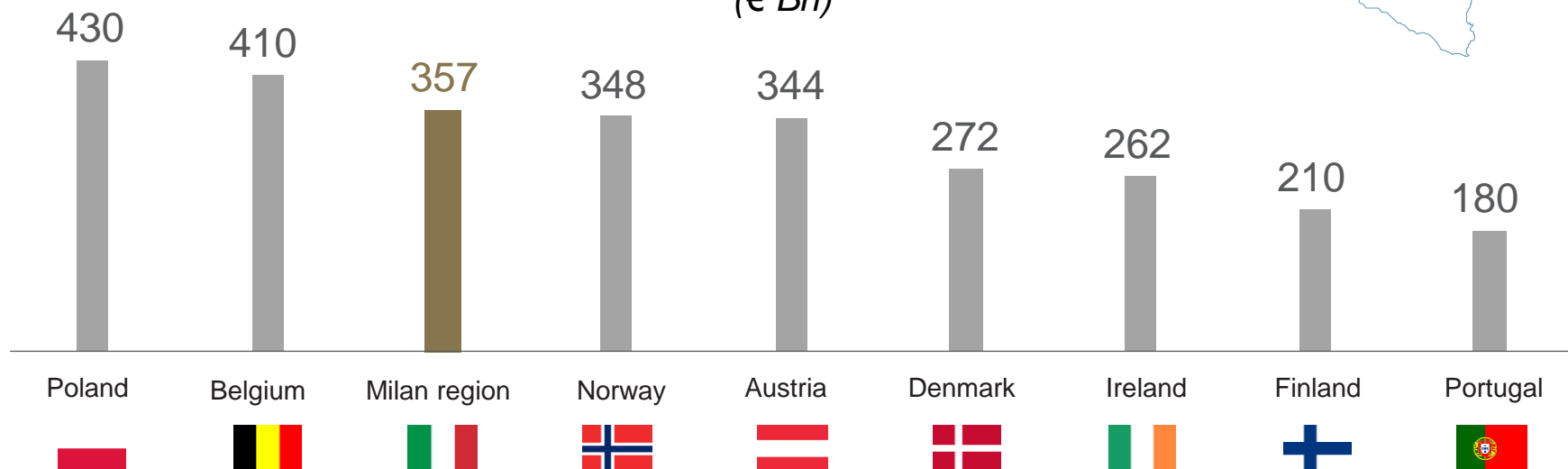
27% of Italian exports

22% of Italian GDP

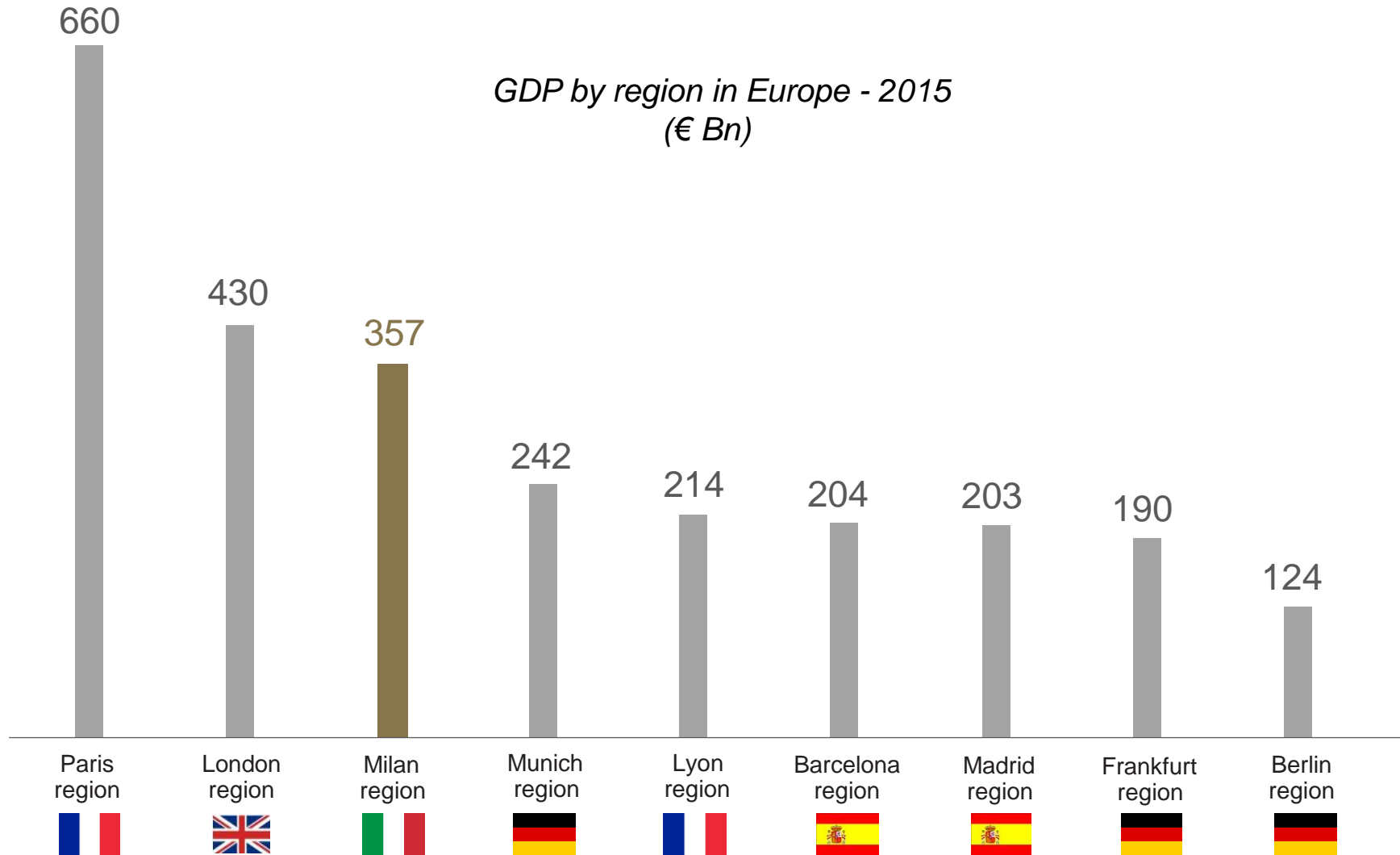
4.3% cumulated GDP growth in 10 years more than Italy



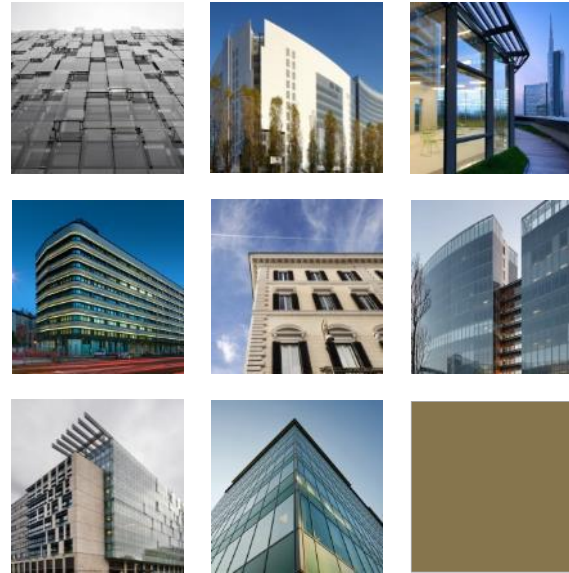
*GDP comparables in EU - 2015
(€ Bn)*



MILAN REGION - THE 3rd BY GDP AMONG EUROPEAN REGIONS



2. ITALIAN REAL ESTATE MARKET UPDATE



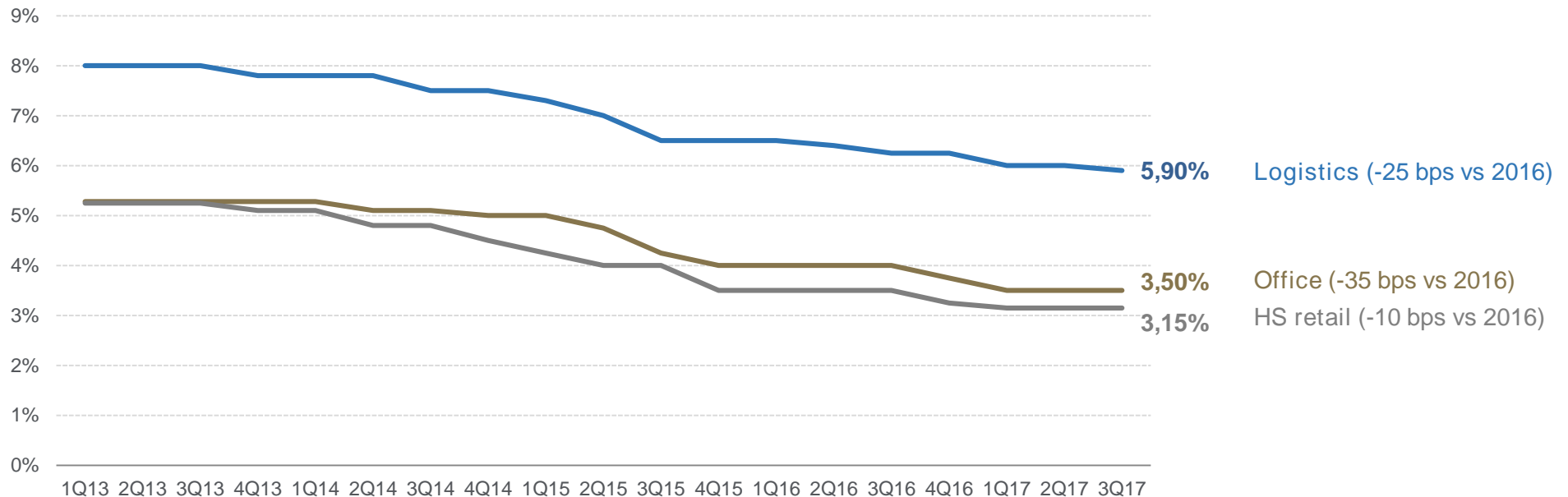
MARKET UPDATE – ITALIAN REAL ESTATE MARKET OVERVIEW



Investment transaction volume

~ € 7.1 Bn in Q1-Q3 2017  + 31% (vs. Q1-Q3 2016)

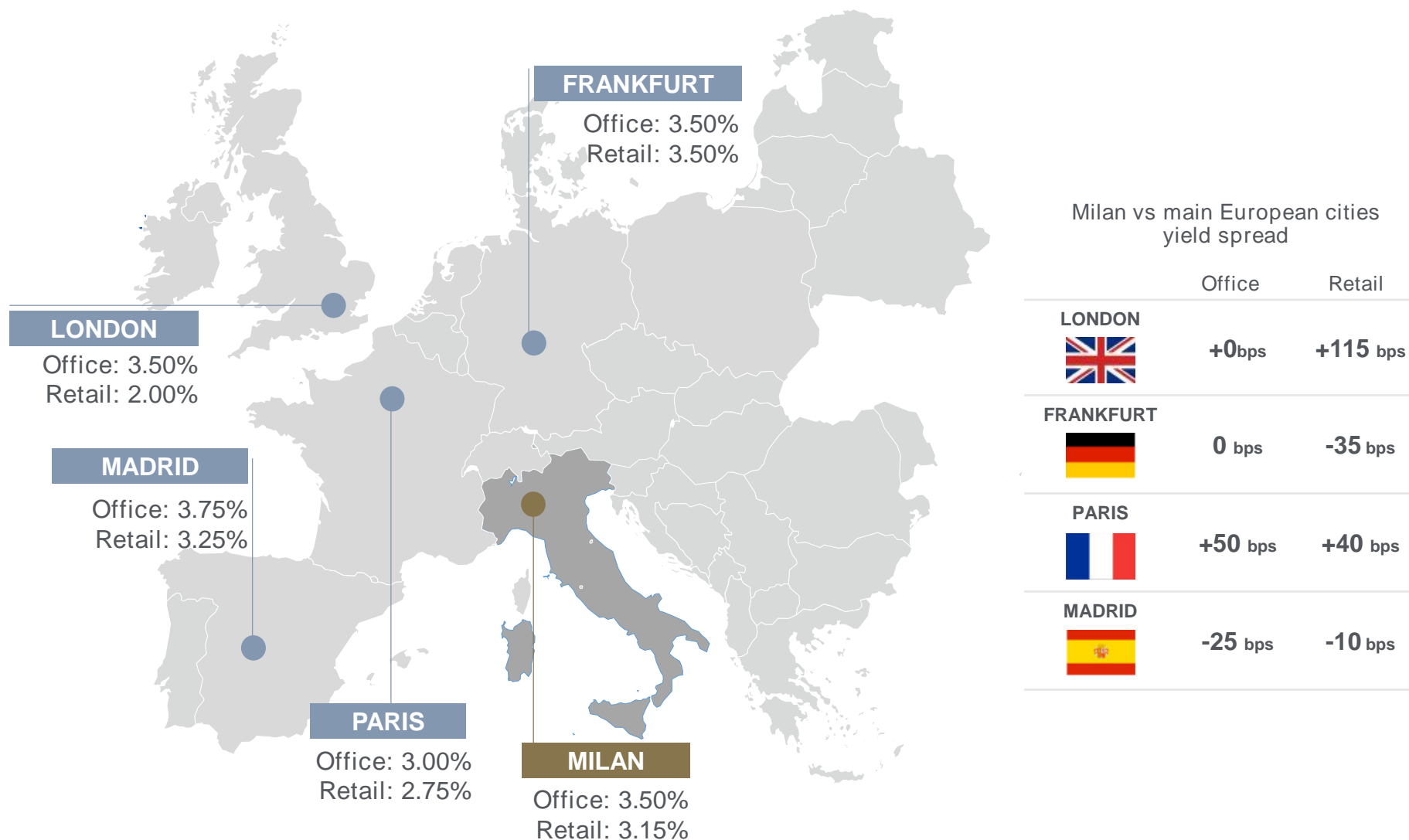
Net yield by asset class (Q1 2013 – Q3 2017)



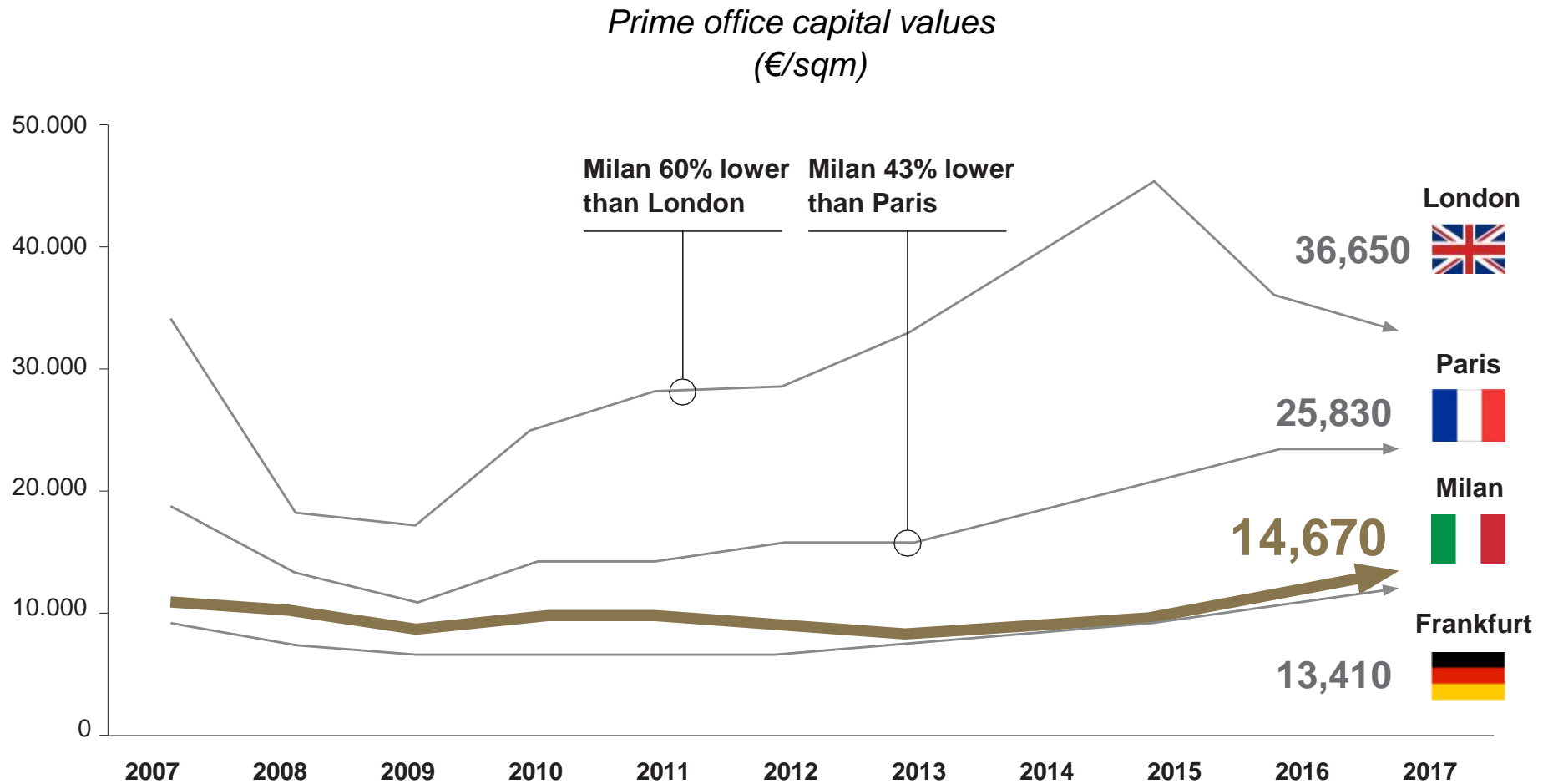
ITALY VS EUROPE – PRIME YIELDS



Prime office net yields in Milan with a spread up to 50 bps vs Core European cities



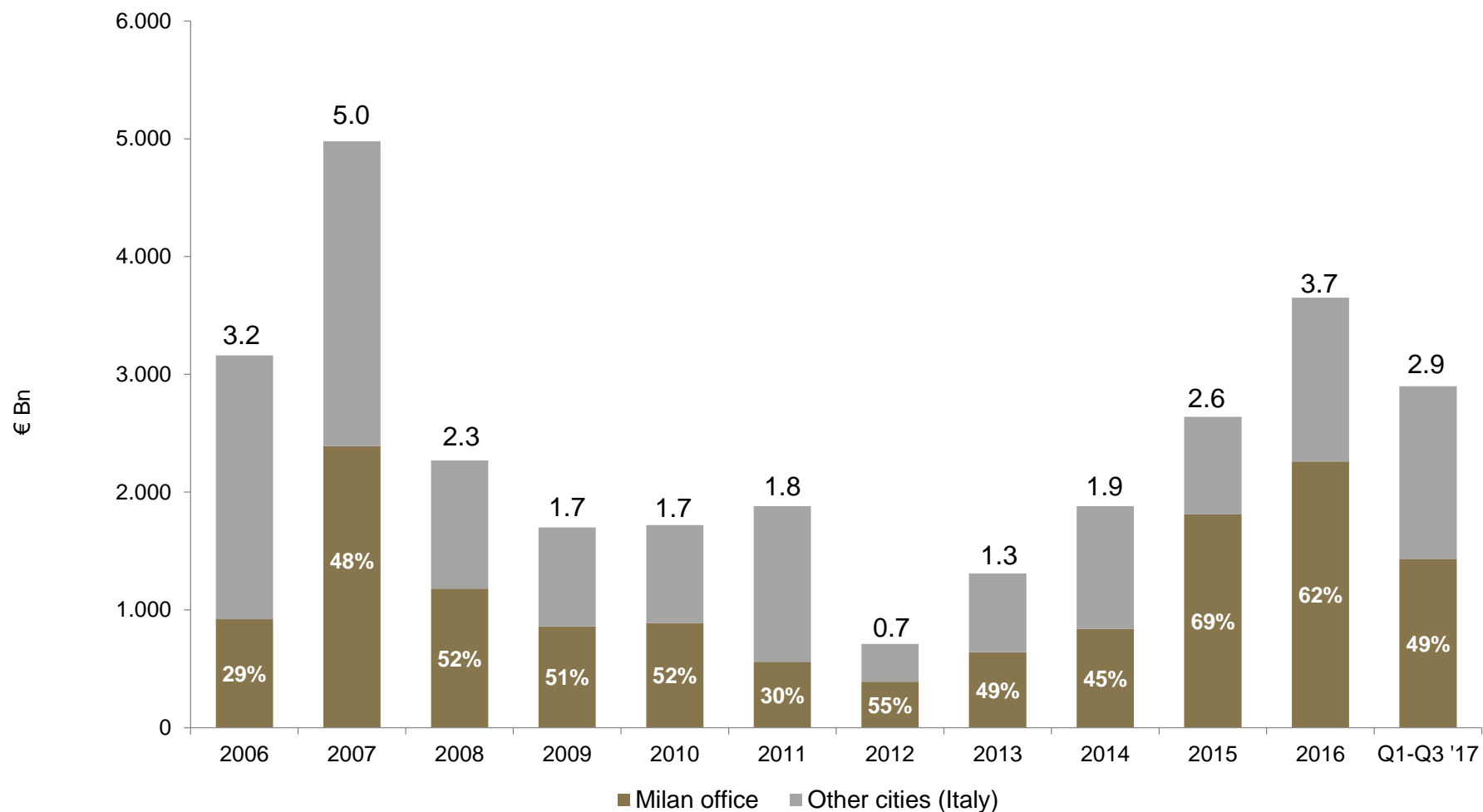
MILAN CAPITAL VALUES ATTRACTIVE COMPARED TO LONDON AND PARIS



MILAN >50% OF ITALIAN OFFICE INVESTMENT VOLUME



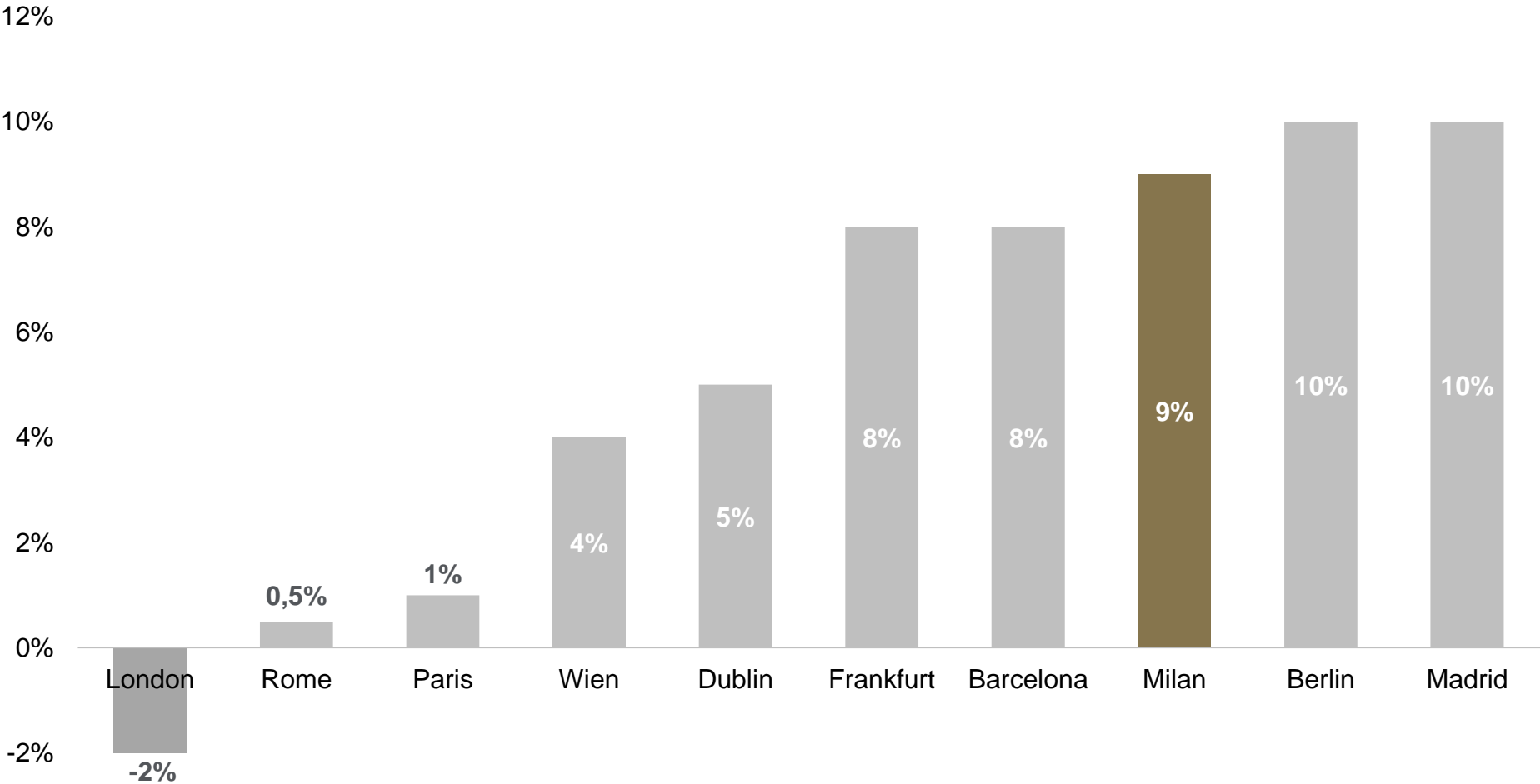
Office investment volume



2017 RENTAL GROWTH – EUROPE CITIES OVERVIEW



2017 year on year rental growth rates in Europe (% change)

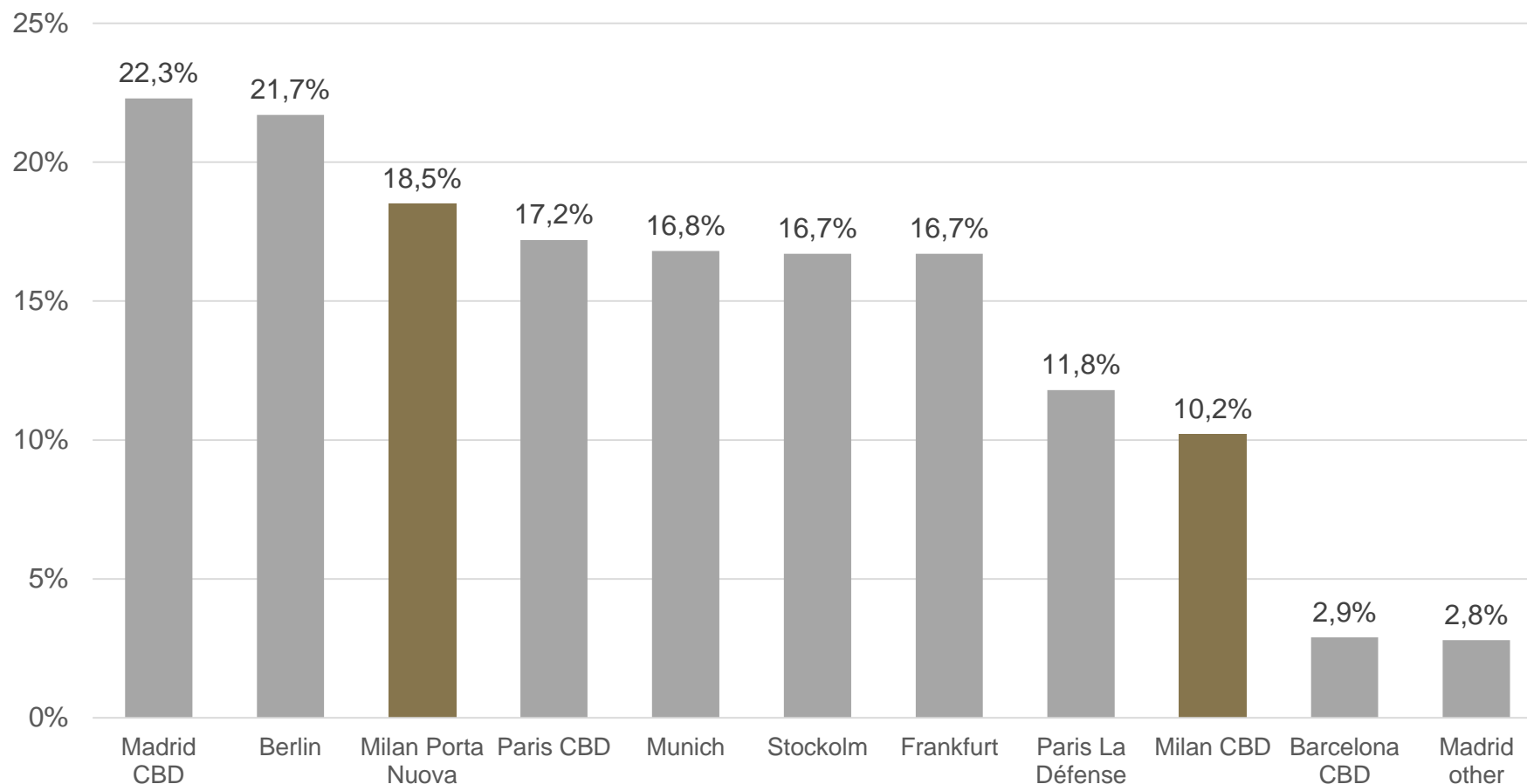


2018-2020 EXPECTED RENTAL GROWTH – EUROPE CITIES OVERVIEW



■ MARKET RENTAL GROWHT OUTLOOK: MILAN, MADRID AND BERLIN TOP 3 PICK¹

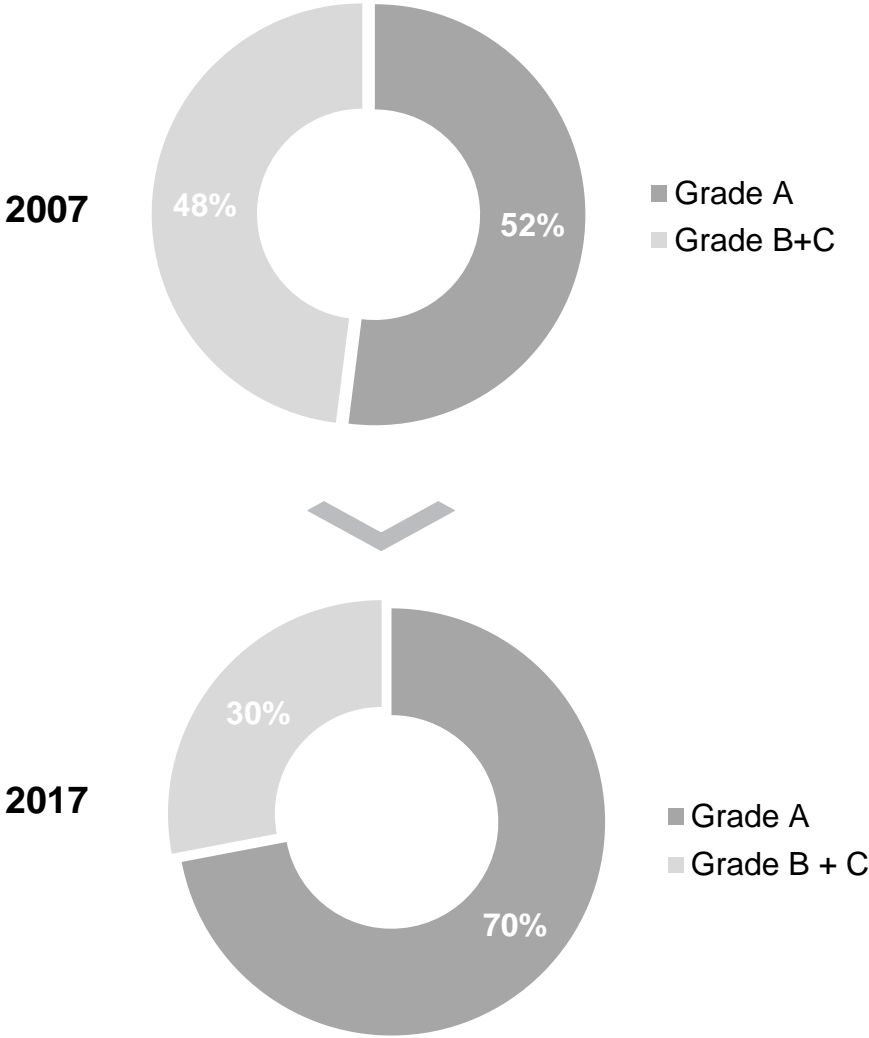
Rental growth rate expected in Europe: 2018E - 2020E



TENANT DEMAND CONCENTRATED ON GRADE A PRODUCTS

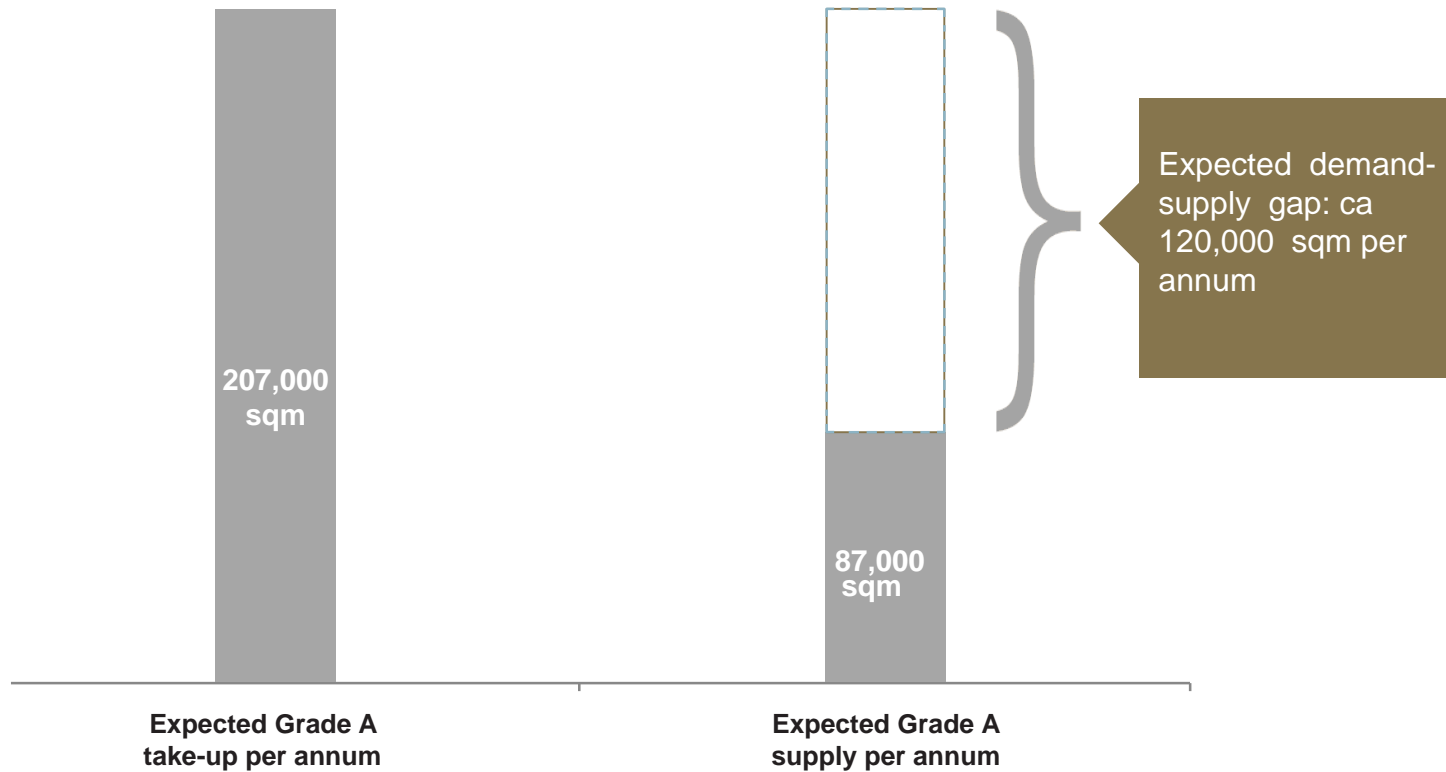


■ GRADE A SPACE ACCOUNTED FOR MORE THAN 60% OF MILAN OFFICE TAKE-UP IN THE LAST 10 YEARS



Vacancy rate (2017)	
Milan	12%
Milan – Grade A	< 2%
Milan – Porta Nuova Grade A	0%

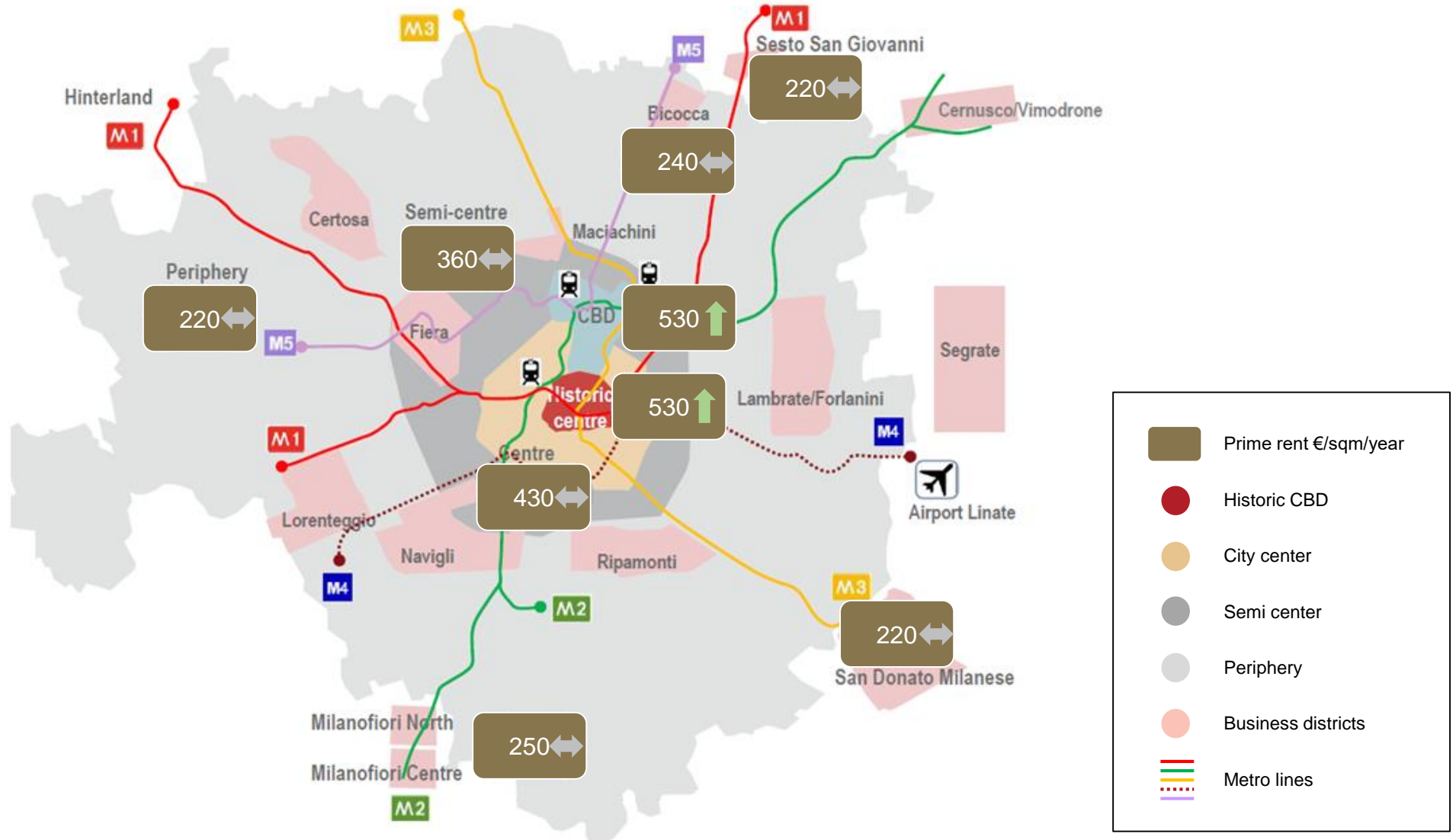
GRADE A OFFICE DEMAND EXCEEDING SUPPLY IN THE NEXT 3 YEARS



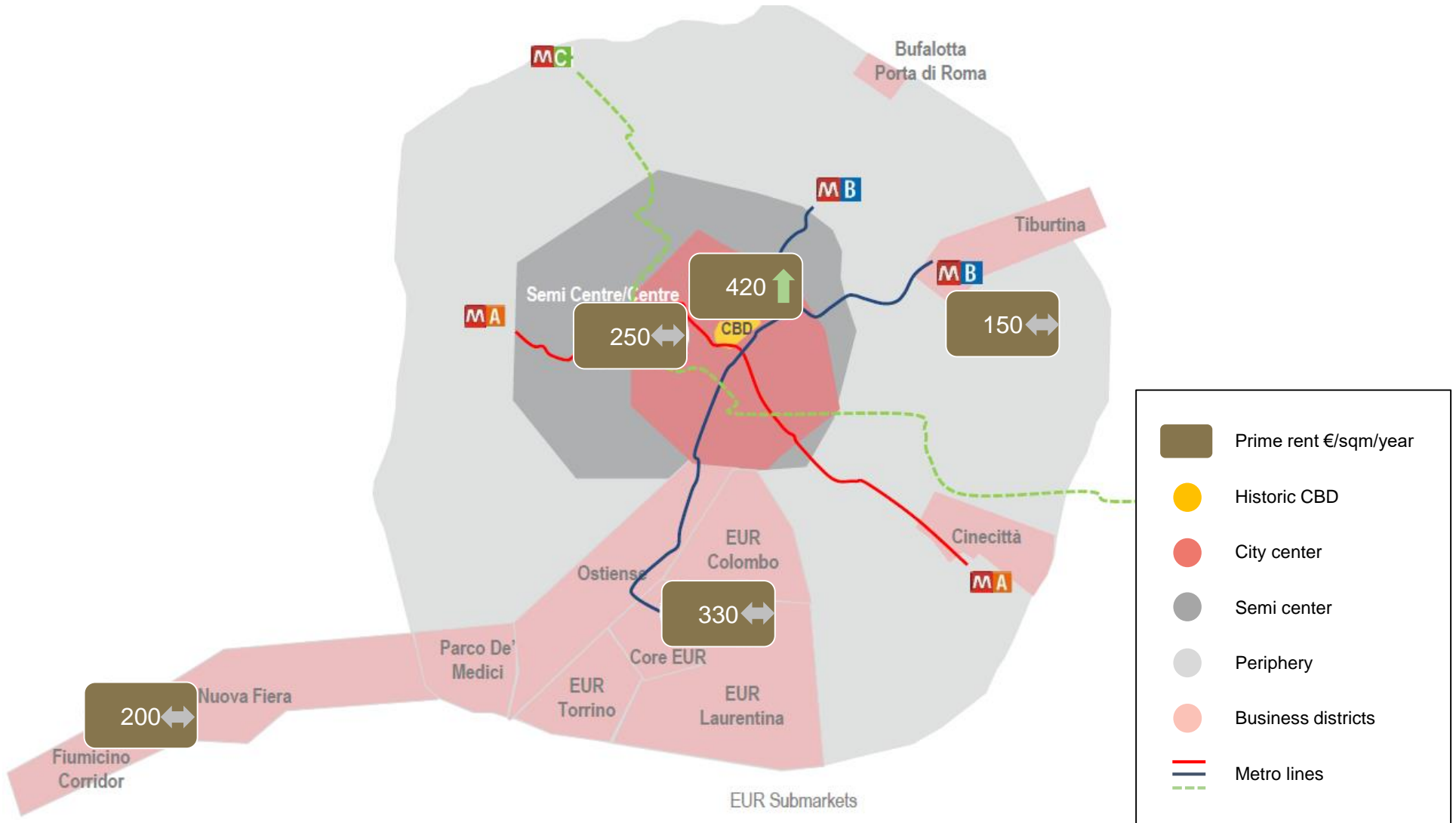
MILAN KEY AREAS AND PRIME RENTS



■ Key Areas and Prime Rents



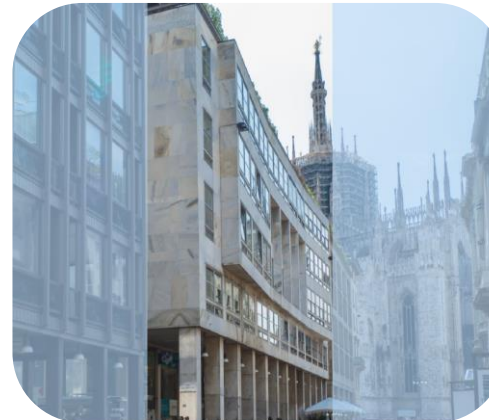
ROME KEY AREAS AND PRIME RENTS



MILAN OFFICE INVESTMENT TRANSACTIONS SEPT - NOV 2017



Palazzo Edison
Milan - Office
Size: 30,000 sq.m
Exp. Price: € 272 M



CARIGE – Corso Vittorio Emanuele
Milan – Office/Retail
Antirion
Price: € 108 M



Fulvio Testi 250
Milan – Office
Axa RE
Price: €44 M



Piazza Affari 1
Milan –Office
Generali
Price: € 40 M

MAIN OFFICE LEASE TRANSACTIONS SEPT - NOV 2017



■ CBD



Via Broletto 20
Milan - Office
Legance
Size: 6,200 sqm
Rent (€/sqm): 530



Via S. Margherita
Milan - Office
Confidential
Size: 3,000 sqm
Rent (€/sqm): n.a.



■ Historic City Center



Via Fatebenefratelli 14
Milan - Office
Trussardi
Size: 3,300 sqm
Rent (€/sqm): 400



Via Cernaia 8/10
Milan - Office
Amundi
Size: 7,200 sqm
Rent (€/sqm): 450



KEY MARKET OPPORTUNITIES



■ CAPITAL FLOW

- ✓ Continued interest from **international investors** (ca. 70% of investment volume in the last 12 months)
- ✓ Additional liquidity from **Italian investors** (insurance companies and pension funds)
- ✓ **Lack of product** is the major obstacle to a further acceleration of the investment flows

■ MARKET TREND

- ✓ **Prime core cap-rates** in the **office** segment equal to **3.5% net**
- ✓ Expected increase in asset **capital value** driven mainly by **rental increase** in the next months

■ RENTS

- ✓ Leasing – prime rents: **upward pressure on rents** increasing in Milan CBD/Porta Nuova; tenant incentives reducing
 - Expected prime rental growth with upward pressure in selected areas such as Milan CBD/Porta Nuova and in **Grade A buildings**
 - Stable in Rome
- ✓ Take-up trend: **growing tenant demand**, mainly focused on **Grade A space**. Main take-up drivers:
 - improving **office space quality**
 - prospective occupiers are switching from "**cost-saving**" to "**expansion**" mode



Piazza Gae Aulenti, 12
20154 - MILANO

Tel. + 39 02.65.56.09.72
Fax. +39 02 73.96.50.49

Investor Relations - contact details
Email: alberto.goretti@coimares.com | ir@coimares.com

www.coimares.com