

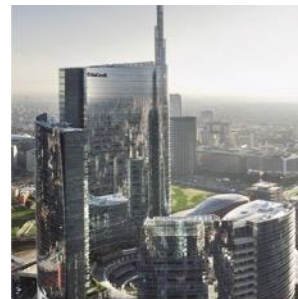


# MACRO & REAL ESTATE MARKET UPDATE

QUARTERLY CALL

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April 27<sup>th</sup>, 2022



# TODAY PROGRAMME

## Introduction

*Manfredi Catella, Founder and CEO, COIMA*

## Russia's War Reorders Global Structure

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

## Italian Agenda

*Manfredi Catella*

## Italian Real Estate Market

*Gabriele Bonfiglioli, Chief Investment Officer, COIMA*

## Closing Remarks

*Manfredi Catella*

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# RUSSIA'S WAR REORDERS GLOBAL STRUCTURE

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*Komal Sri-Kumar*

# GLOBALIZATION PLAYED WITH NEW RULES



Russia Is Mostly Isolated

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Yet: EU Dependent on Russian Nat Gas

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War Halts Recovery From Covid

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Inflation, Bond Yields Surge

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Shanghai in Lockdown

# RUSSIA: NO LONGER A BENIGN FORCE



Food, Metal Prices Have Surged

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Input Prices for Construction Rise

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US: Stagflation Déjà Vu?

---



European Union: Recession Ahead

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Trade Patterns Are Shifting

# GROWTH, INFLATION & BOND YIELDS



IMF Cuts World Growth Forecast

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US Inflation At 40-Year High

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Eurozone Inflation: Highest Ever!

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Fed, ECB Take Different Tacks

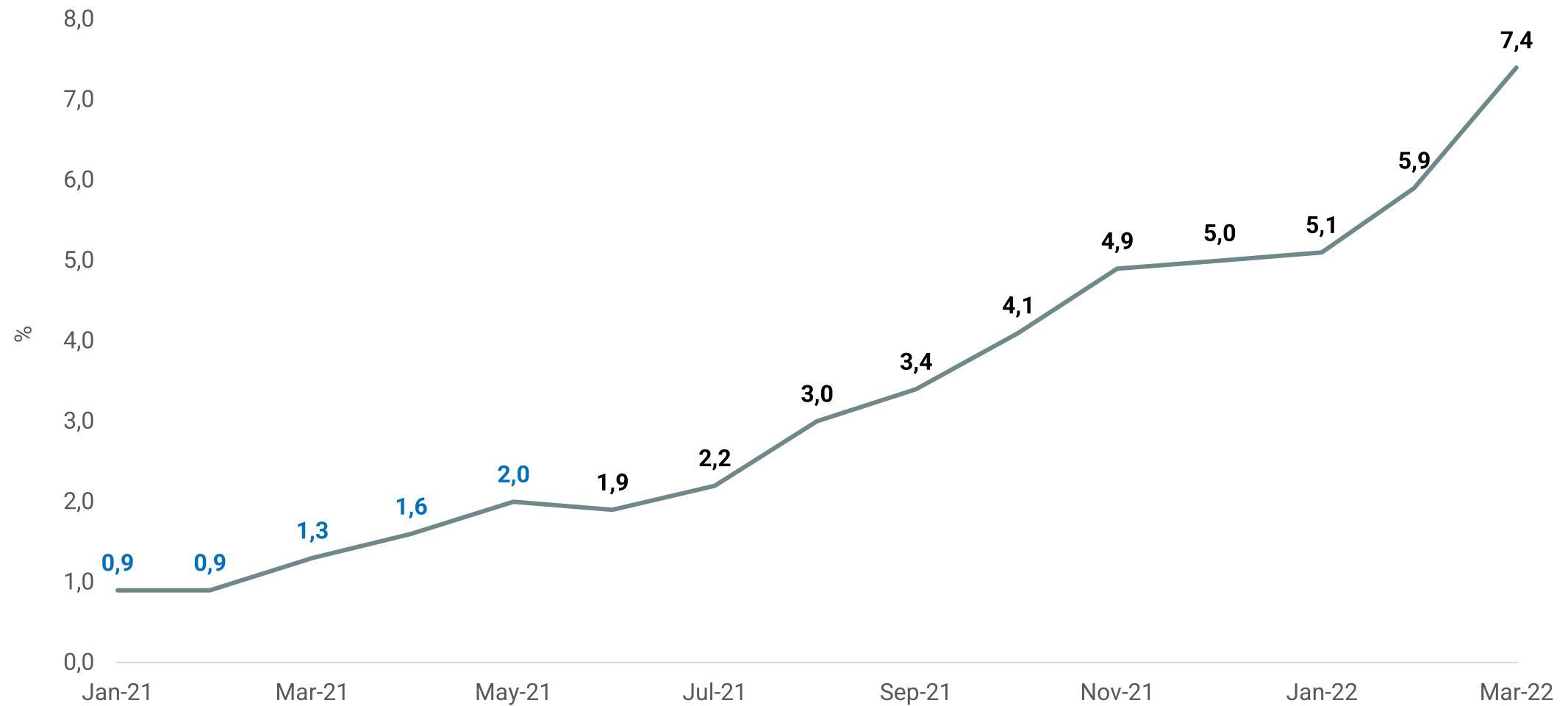
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UST, Bund Yields Surge

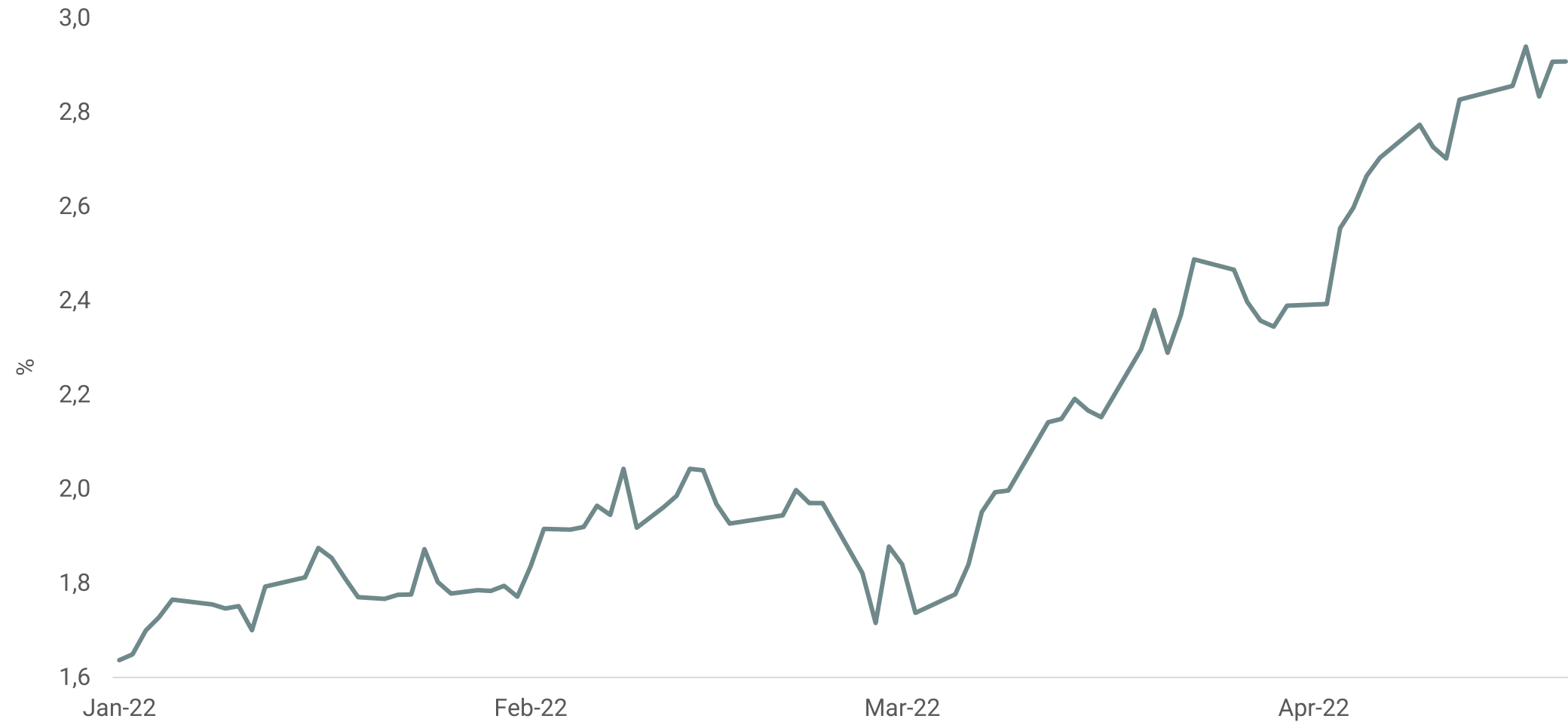
# EUROZONE INFLATION RATE

At Record High



# US TREASURY 10-YEAR YIELD

Surge Began in Early March





# GERMANY 10-YEAR BUND YIELD

From Negative to Highly Positive



# EURO EXCHANGE RATE

## Why Currency Has Weakened



# FED & ECB: POLICIES DIVERGE



Powell Cements 50bp Rise For May 4

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B/S Reduction to Start in June

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Lagarde Seeks “Gradual Way”

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ECB Bond Buys to End 3Q2022

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ECB Rate Hike: No Decision Yet

# ITALY: STRENGTHS & WEAKNESSES



Economy Still Growing at Reduced Pace

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Draghi Reforms Have Lowered Risk

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ECB, EU Backstops to Continue

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Dependence on Russian Energy A Negative

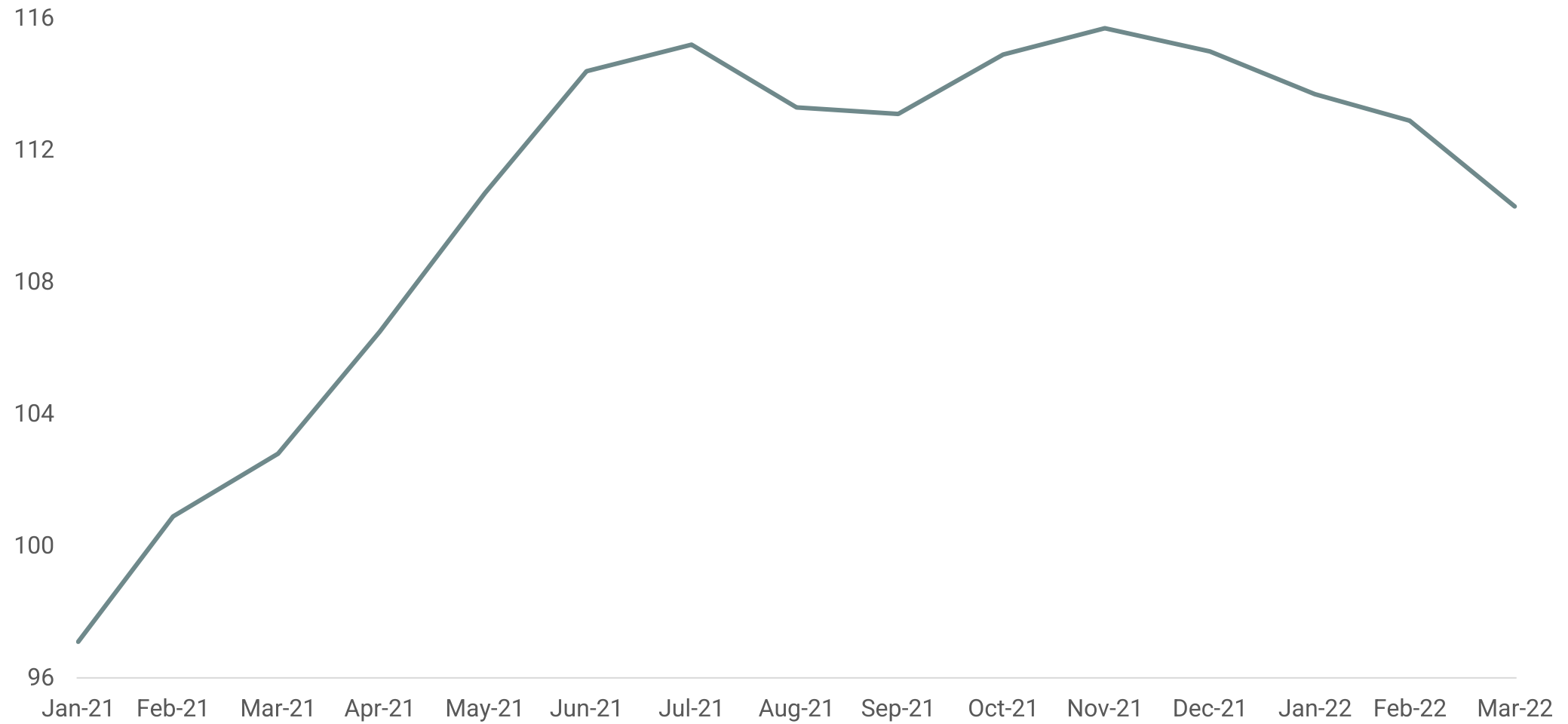
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Russia Nat Gas Ban Would Raise Inflation

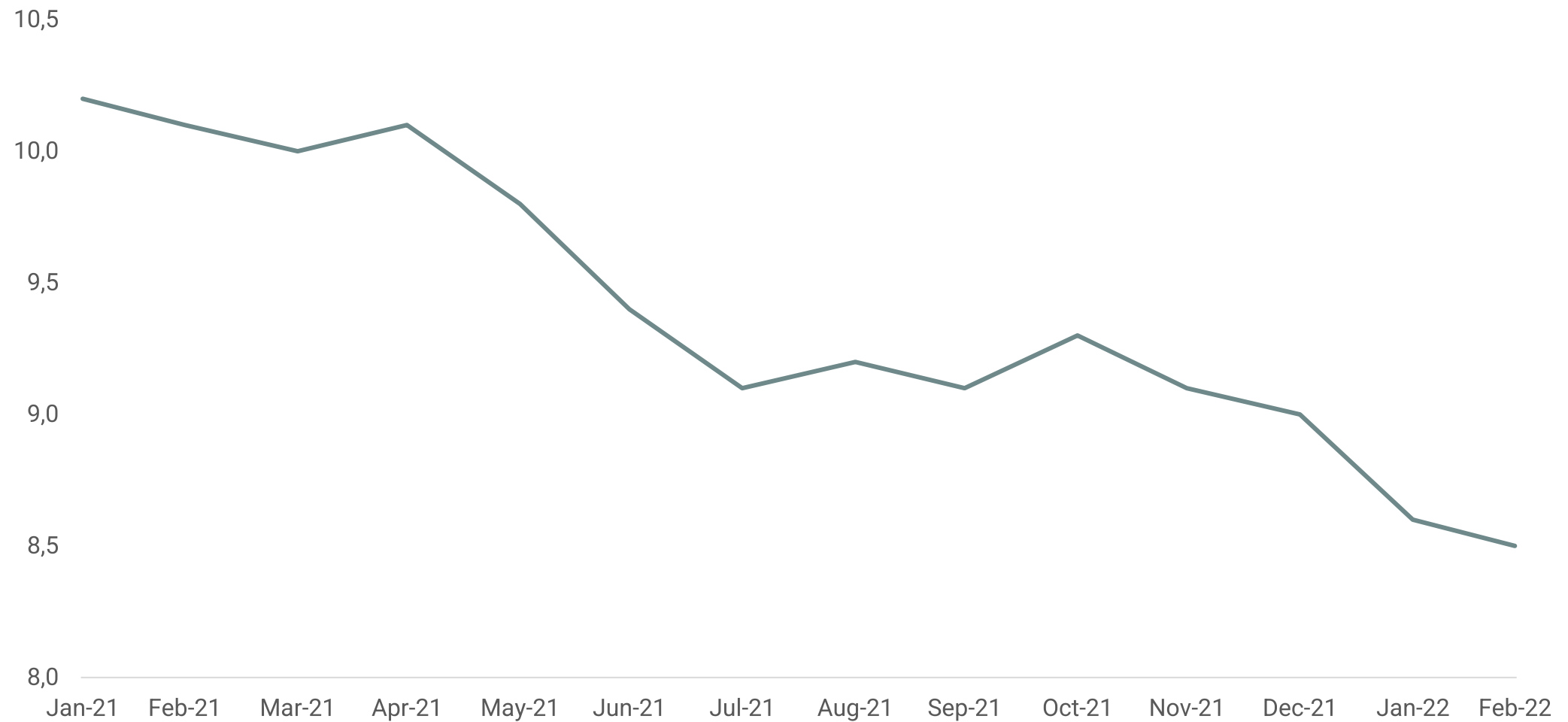
# ITALY BUSINESS CONFIDENCE INDEX

Still Elevated Despite Russian Invasion



# ITALY: UNEMPLOYMENT RATE

Continuing to Head Downward



# ITALY 10-YEAR BOND YIELD

Rise Matches Surge in Germany



# CONCLUDING REMARKS



Europe At Frontline of Ukraine Crisis

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Energy Is Region's Achilles' Heel

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Adjustments Positive Over Long-term

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Policy Will Remain Accommodative

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Italy: A Value Play



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# ITALIAN AGENDA

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*Manfredi Catella*

# ITALY: MACRO UPDATE

Draghi government continuing to pursue reforms, while managing the impact of the war



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



**MARIO DRAGHI PRIME MINISTER –  
ELECTIONS EXPECTED IN MARCH 2023**

## SAME PRIORITIES

### GOALS ACHIEVED

- ✓ Delivered the first tranche of € 21 Bn after having successfully completed the 51 PNRR goals (100%) for 2021
- ✓ Parliament approved budget planning document confirming deficit target for 2022 at 5.6% of GDP
- ✓ Agreements with Algeria, Angola and Congo to increase gas imports to 22.5 Bn m<sup>3</sup> by 2023 (ca. 78% of 2021 Russian supply\*, passing from 40% to 9%) and with Qatar

### NEXT STEPS

- PNRR: 102 goals to complete in 2022 to release ca. € 40 Bn of EU funds (2<sup>nd</sup> and 3<sup>rd</sup> tranches)
- Structural reforms: fiscal system, market competition, judicial system, retirement system
- Negotiate additional gas import contracts and increase national production to replace all Russian imports in 24-30 months



**Draghi leads initiative for the introduction of an EU cap to Russian gas price, to be discussed at the next European Council based on a document of the EU Commission**

# RECOVERY IN MOBILITY AS RESTRICTIONS ARE REDUCED

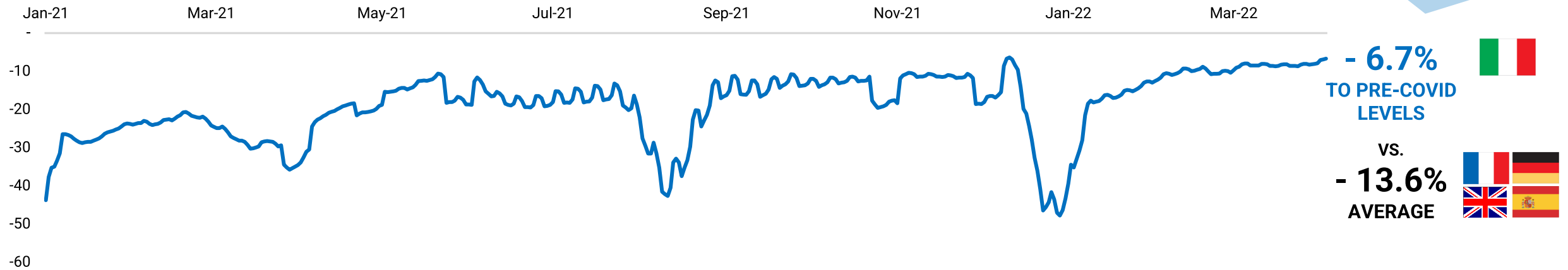
Mobility levels recovering and close to pre-Covid after first Omicron wave, ahead of European peers



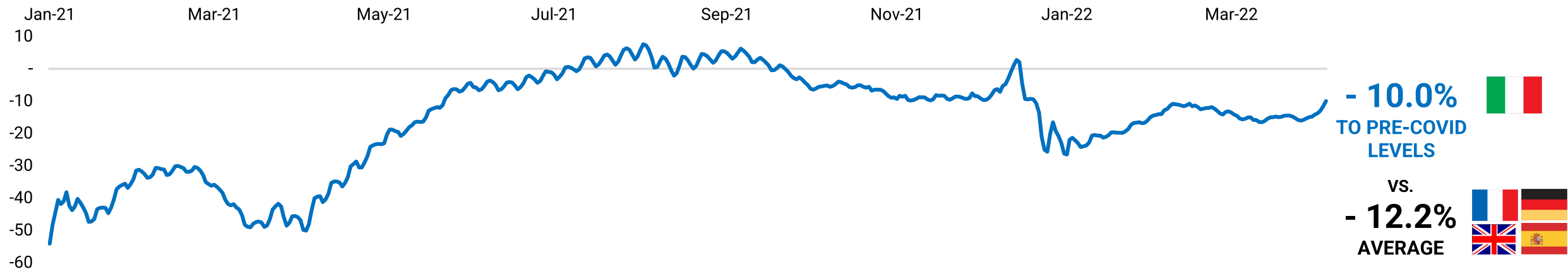
## ITALIAN MOBILITY – WORKPLACES (% change vs Jan 2020\*)



70% of workers come to office every day vs. 85% pre-Covid



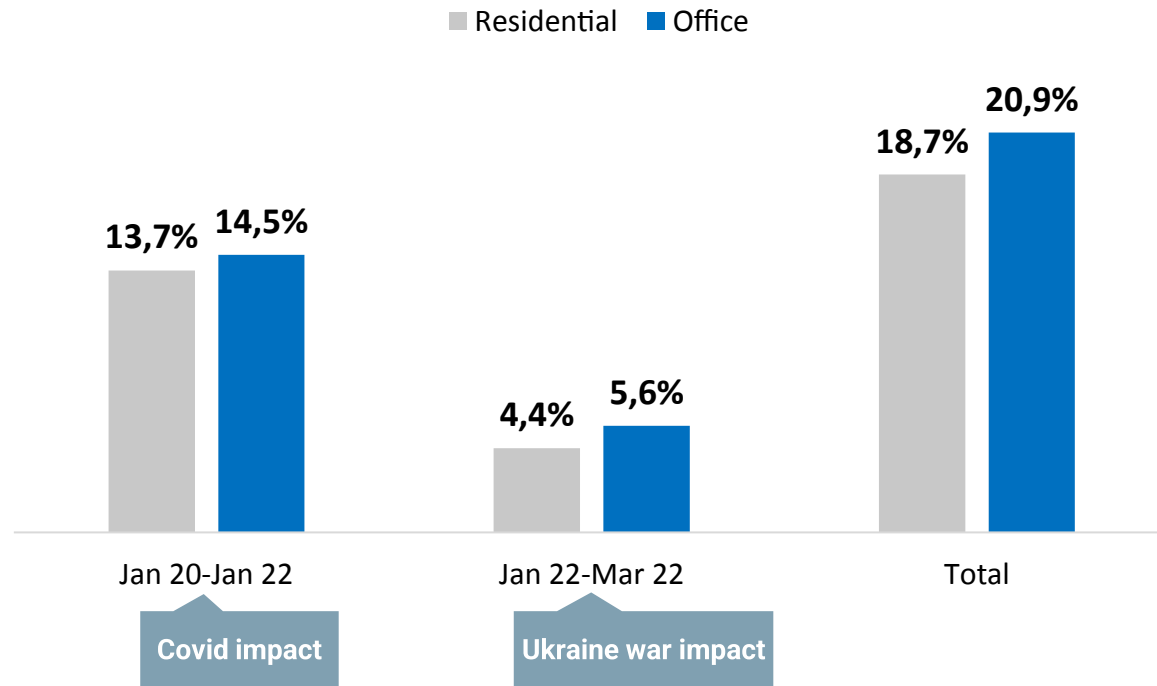
## ITALIAN MOBILITY - RETAIL & FREE TIME (% change vs Jan 2020\*)



# CONSTRUCTION COSTS INCREASES DRIVEN BY MACRO FACTORS

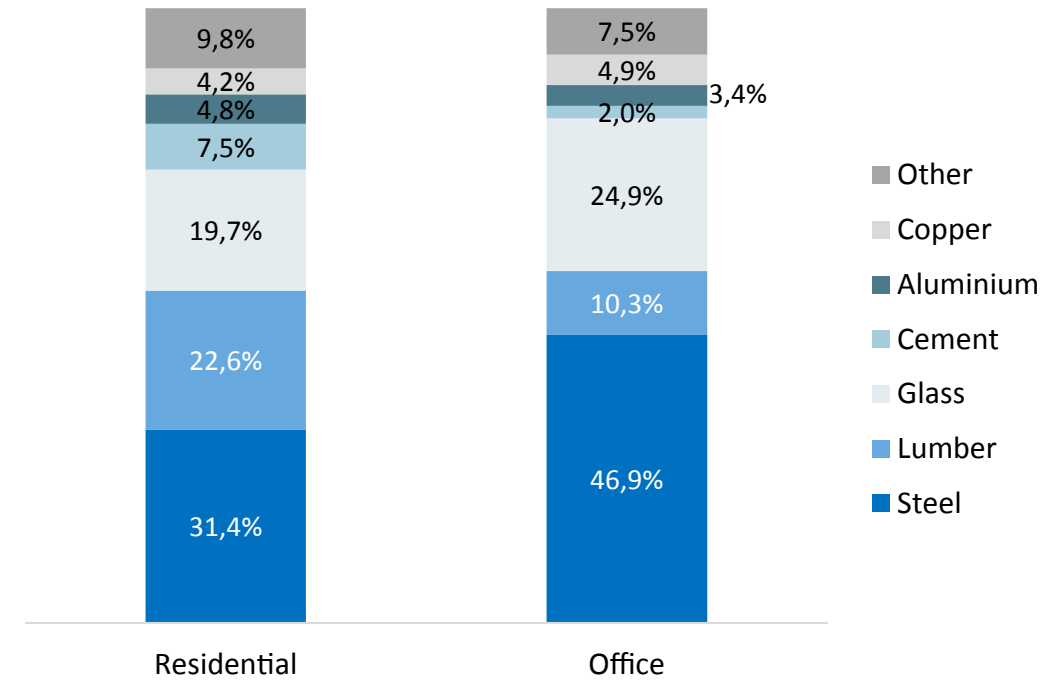
Ukraine war impact on commodities markets has added upward pressure on construction costs

**CONSTRUCTION COST CHANGE: SAMPLE PROJECTS – ITALY (%)**



**CONSTRUCTION COST INCREASE BY MATERIALS - ITALY**

(Jan 20-Mar 22, % of total increase)



## PROSPECTIVE VIEW

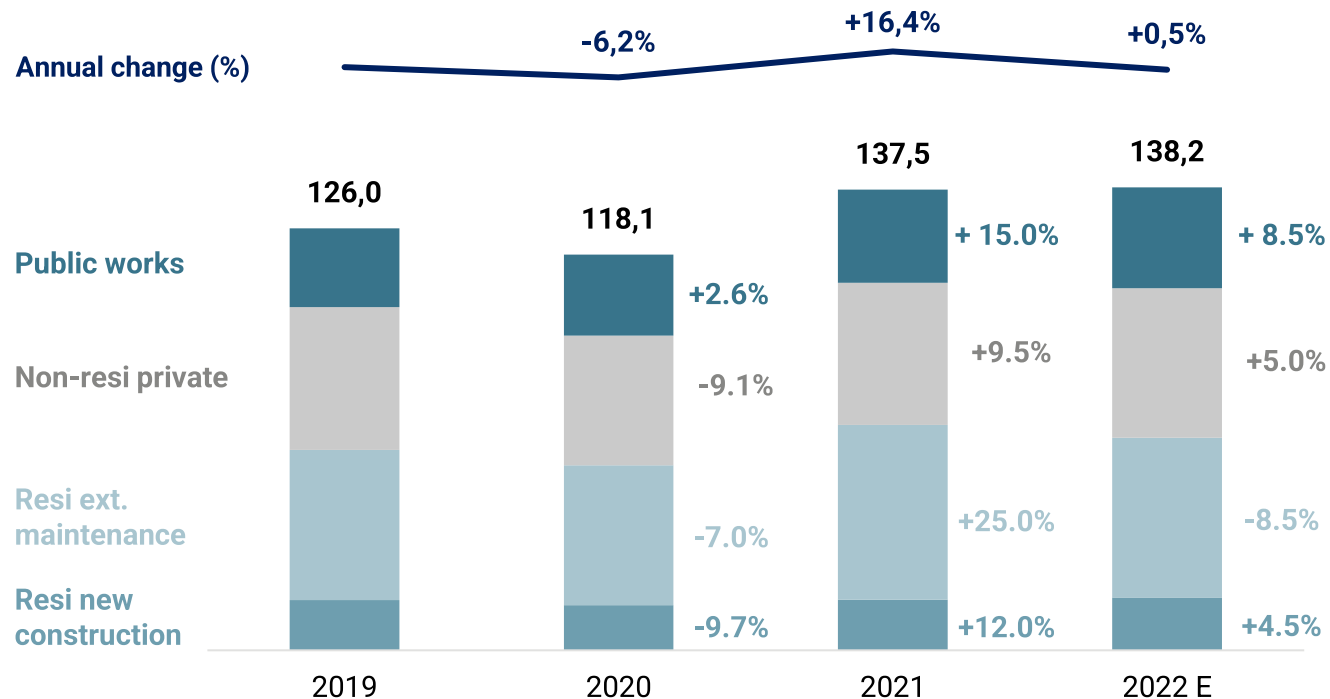
Construction cost	Mar 22-Dec 22	Dec 22-Dec 23
Residential	-6.2% <b>-2.0%</b> vs. Jan 22	-0.1%
Office	-5.5% <b>-0.2%</b> vs. Jan 22	0.0%

- **Uncertainty** related to the **residual duration of the Ukraine war**
- **Assuming war end by Q2 22**, based on **forecasts of normalization of commodities markets** it is expected that **costs of construction will decrease to the pre-war levels by Q4 22**

# CONSTRUCTION PRODUCTION ABOVE PRE-COVID LEVELS

Continued increase of construction investments and significant development pipeline in Milan

## INVESTMENTS IN CONSTRUCTION - ITALY (€ Bn - 2015 prices)\*



**2021 increase more than a post-lockdown rebound: +9.1% vs. 2019**

▶ Tax bonuses pushed residential ext. maintenance in 2021 (+25.0%)

▶ PNRR accelerated existing public projects in 2021 (+15.0%)

## MILAN FOCUS: LARGE CONSTRUCTION PROJECTS PIPELINE

### Main masterplans

- Porta Romana Railway Yard
- Porta Nuova Gioia
- MIND
- Santa Giulia
- New stadium
- Snai area
- Milano Sesto
- Railway yards

20% by COIMA next 4 years

€ 1.3 Bn per year  
(next 10 years avg.)

Ca. 20% of large general contractors capacity

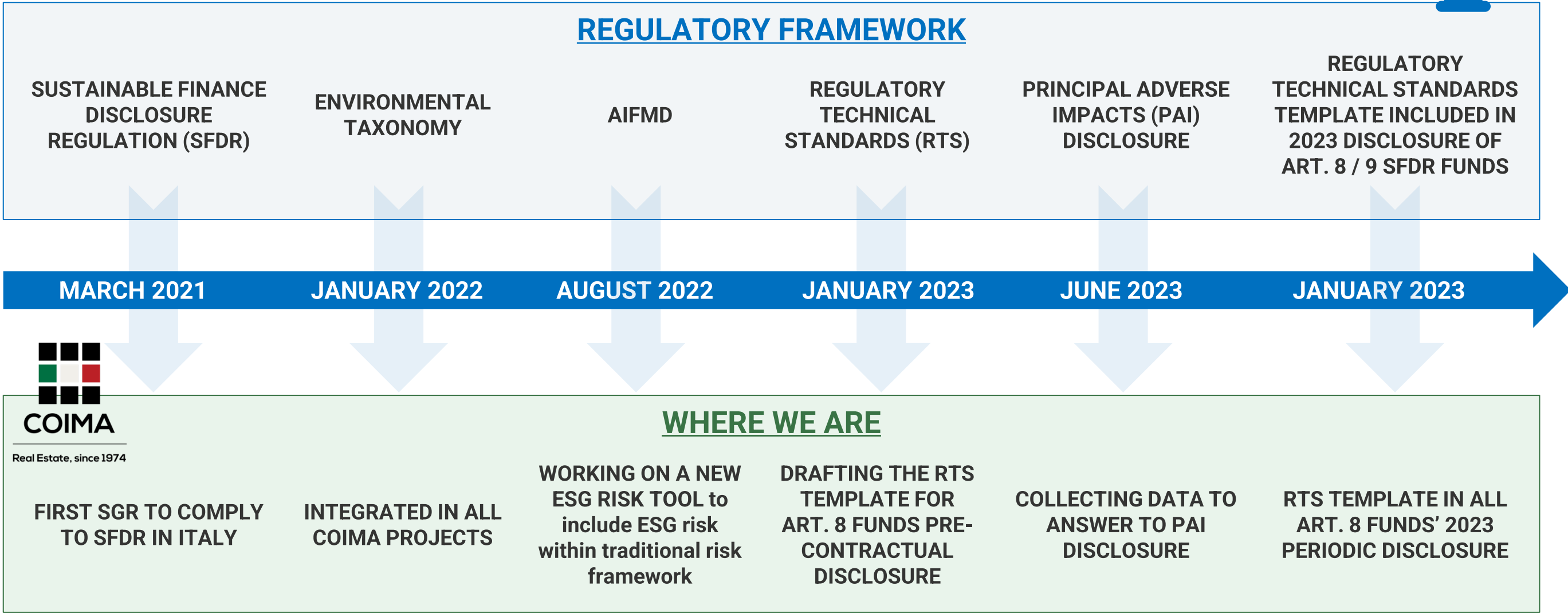
General contractors active in private construction sector with turnover > € 50 M

### COIMA APPROACH

- ▶ Integrated development management team leveraging on procurement capabilities, data access, direct relationships with contractors, sub-contractors and manufacturers
- ▶ Sizeable development pipeline enables economies of scale and more bargaining power
- ▶ Strategic partnerships to have contractors early on board for the value engineering of projects

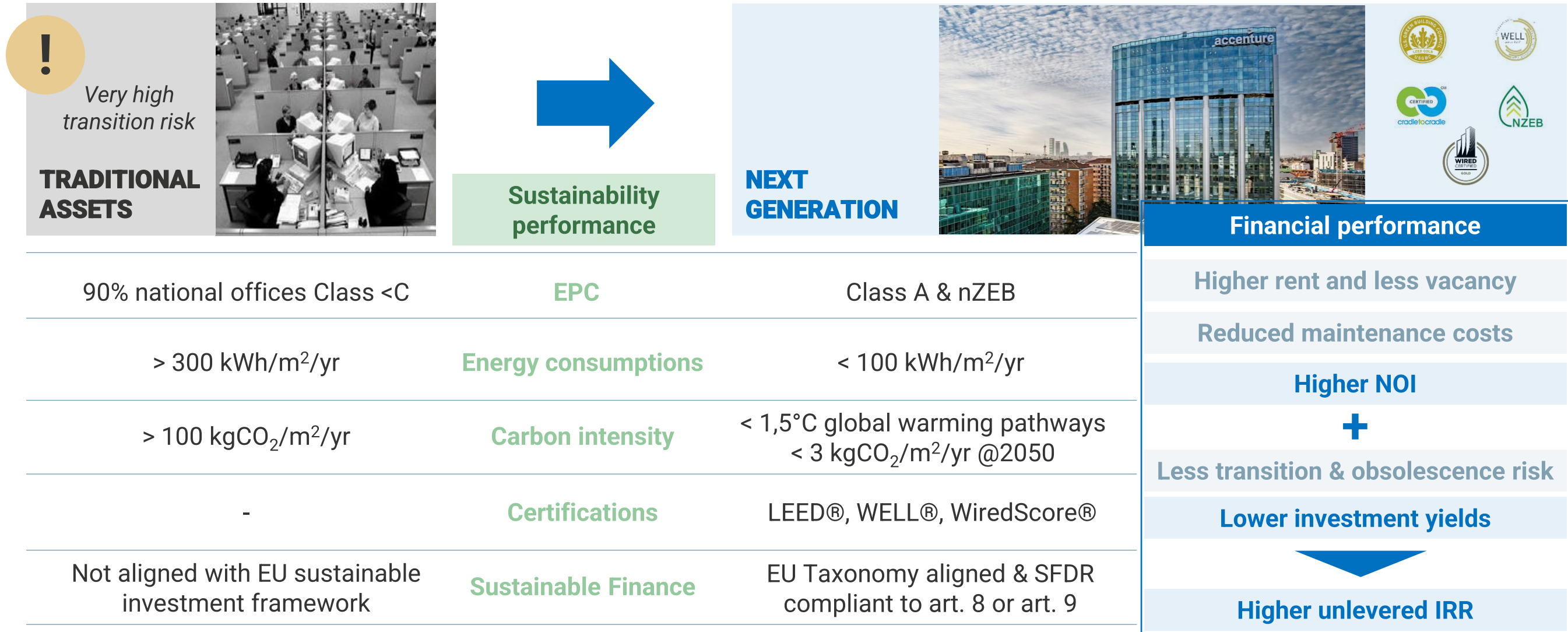
# SUSTAINABLE FINANCE DISCLOSURE REGULATION

COIMA anticipated and proactively approached regulatory requirements



# FINANCIAL IMPACT OF ESG PRACTICES

COIMA developing a model to measure impact of sustainability features on financial performance



# URBAN REGENERATION PLAYING A KEY ROLE IN THE PNRR

The key to pursue PNRR's objectives, in particular green transition, social and territorial inclusion and health



**€ 222 Bn**  
TOTAL PNRR & COMPLEMENTARY FUND SOURCES



**Ca. € 48 Bn (ca. 22%)**  
TOTAL PNRR & COMPLEMENTARY FUND SOURCES  
ALLOCATED TO URBAN REGENERATION PROJECTS

## MAJOR AREAS OF DIRECT IMPACT

- € 13.9 Bn ecobonus & sismabonus for **energy efficiency** and **building safety**
- € 3.3 Bn for **urban regeneration projects**
- € 2.8 Bn for the **innovative program of quality living**
- € 1 Bn to enhance **tourism/heritage locations**

## MAJOR AREAS OF INDIRECT IMPACT

- € 1.6 Bn for safe and sustainable **hospitals**
- € 800 M for **new schools** to reduce energy consumption
- € 600 M for **protection and enhancement of architecture and rural landscape**



# PUBLIC INITIATIVES MEETING URBAN REGENERATION NEEDS

Definition of a national legislative framework to set timing and rules for regeneration

## NATIONAL LAW ON URBAN REGENERATION UNDER DEFINITION

- ▶ Simplification of the administrative procedures for urban regeneration projects at municipality level
- ▶ Incentives for sustainability and more favorable legislative provisions for NZEB projects



### MILAN

#### PNRR: allocated projects



**0.8 Bn**

Regeneration of residential areas & social housing



**0.3 Bn**

Services & logistics infrastructures for peripheries

#### 2026 WINTER OLYMPICS



Re-use of infrastructures, sustainability and zero impact



### ROME

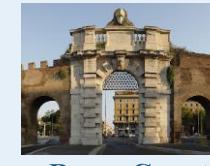
#### PNRR: allocated projects



Jubilee 2025

**1.4 Bn**

City regeneration & modernization



Roma Caput Mundi

**0.5 Bn**

Interventions on cultural heritage & tourism

#### 2030 EXPO

**EXPO**  
**2030**  
Candidate

*Expo theme*

**People and territories: urban regeneration, inclusion and innovation**

Additional funds still to be allocated to impact the cities

# MILAN RESIDENTIAL PIPELINE AND DEMAND

Housing shortage vs. demographics: +3.4% vs. +4.0% for 2020-2030



**+2.5%**  
RESIDENTIAL STOCK  
(2011-20)



**+6.2%**  
HOUSEHOLDS  
(2011-20)



**+3.4%**  
RESIDENTIAL STOCK  
(2020-30)

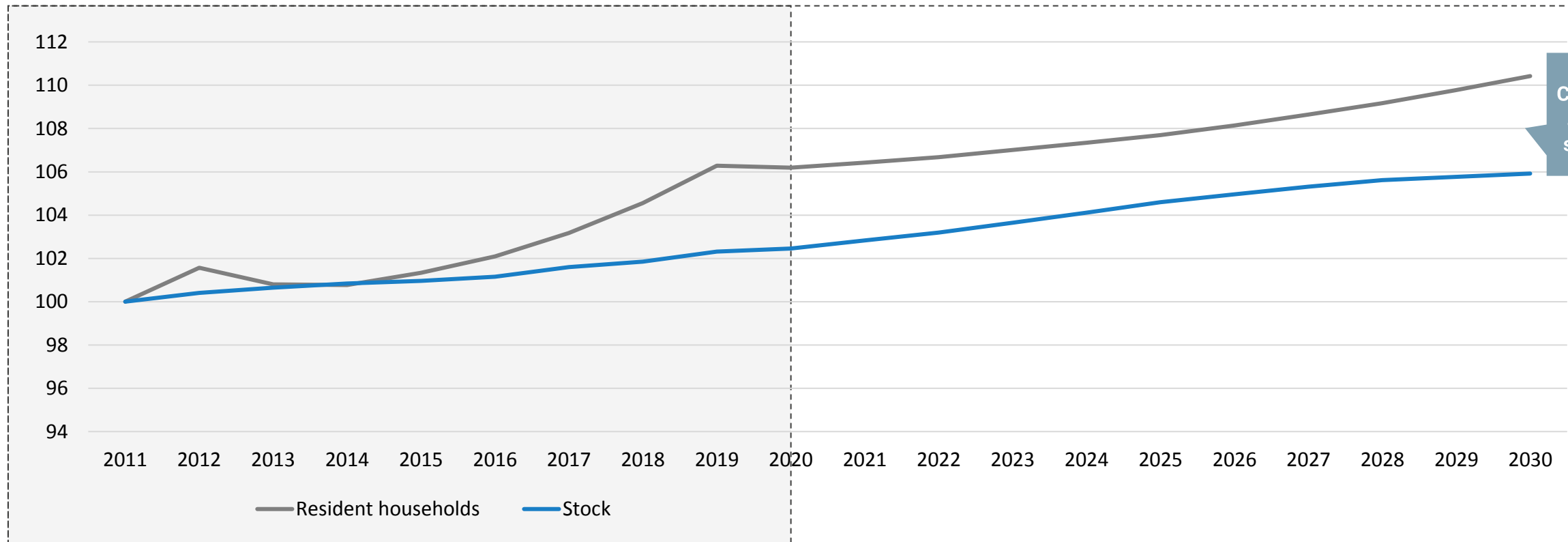


**+4.0%**  
HOUSEHOLDS  
(2020-30)

Pressure on market with households significantly outgrowing stock

Limited market re-balancing as households still outpace stock growth

**MILAN STOCK AND RESIDENT HOUSEHOLDS** (2011=100)

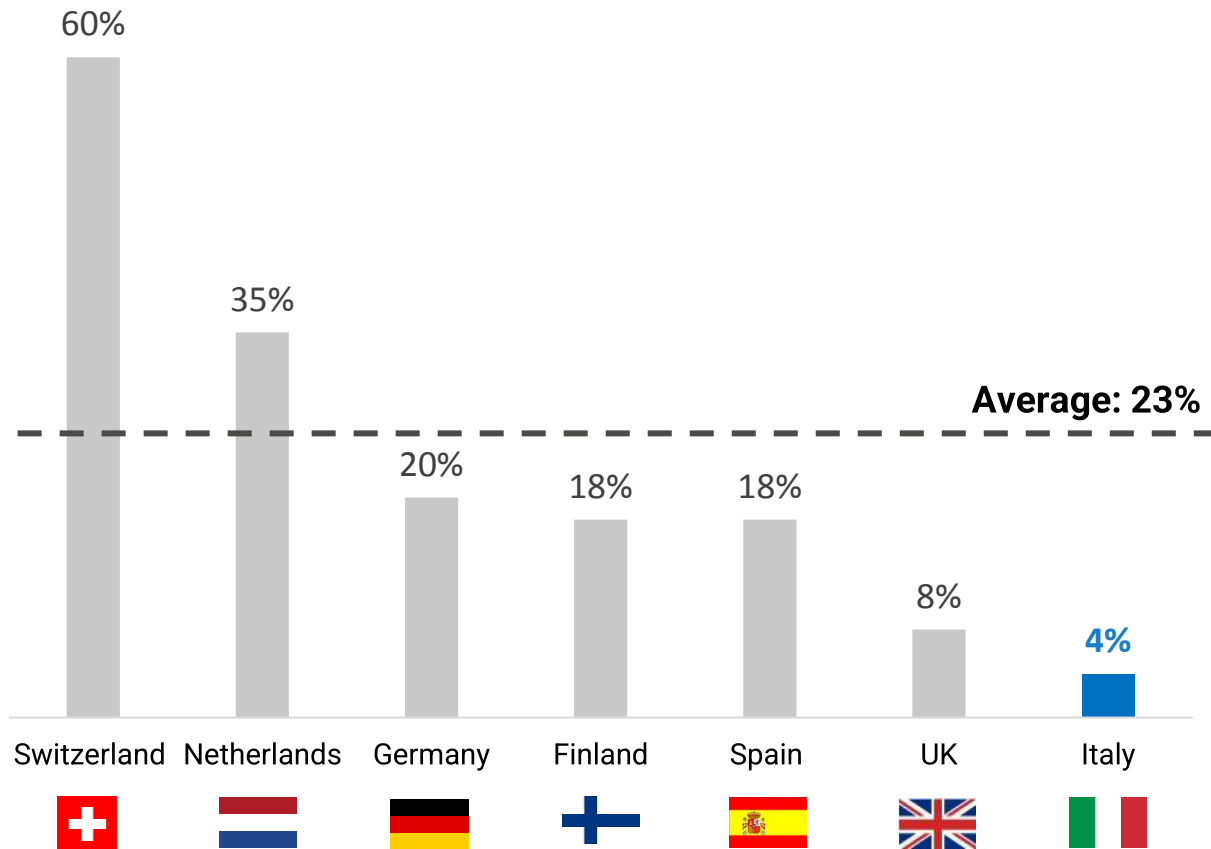


Ca. 30,000 units average housing shortage 2020-30

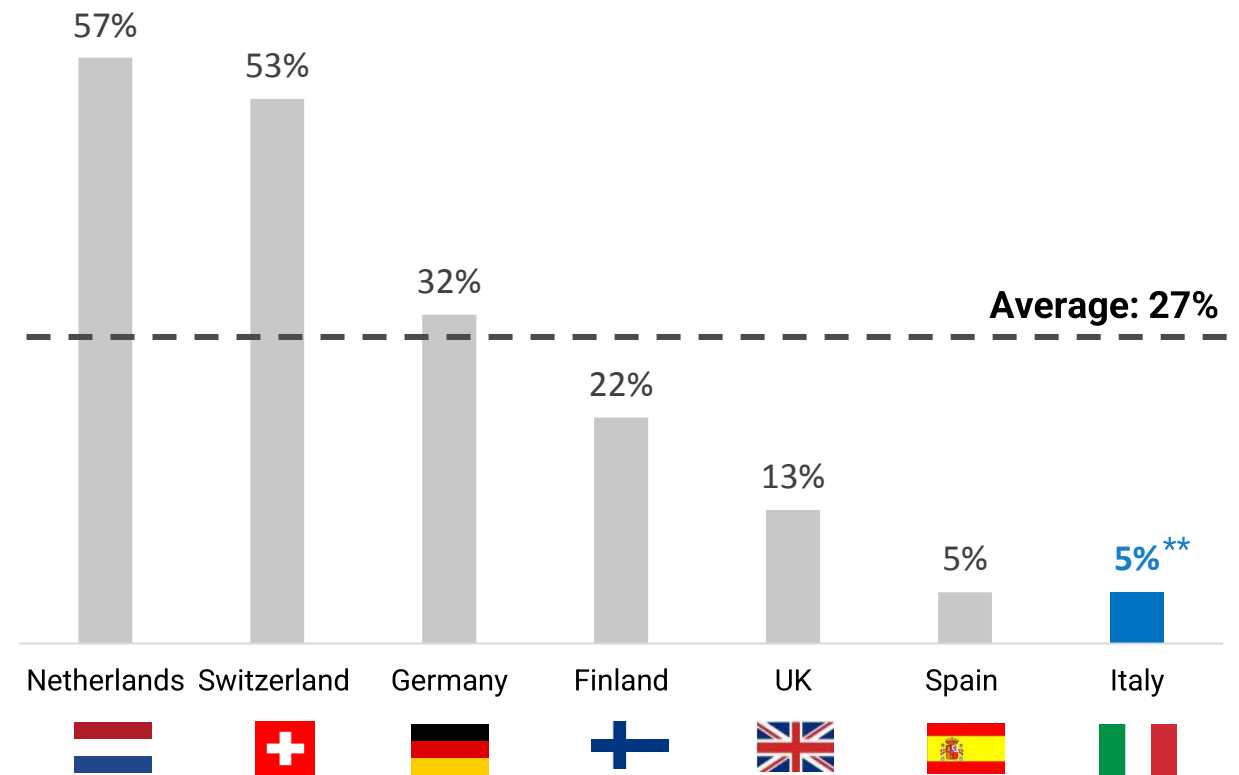
# UNDERDEVELOPED PRS SECTOR IN ITALY

Opportunity for institutional investors as Italian PRS market is fragmented and investments lag behind peer countries

**SHARE OF PRS INVESTMENTS** (% of total CRE investments)\*



**STOCK OWNED BY PROFESSIONAL LANDLORDS** (% of total)



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# ITALIAN REAL ESTATE MARKET

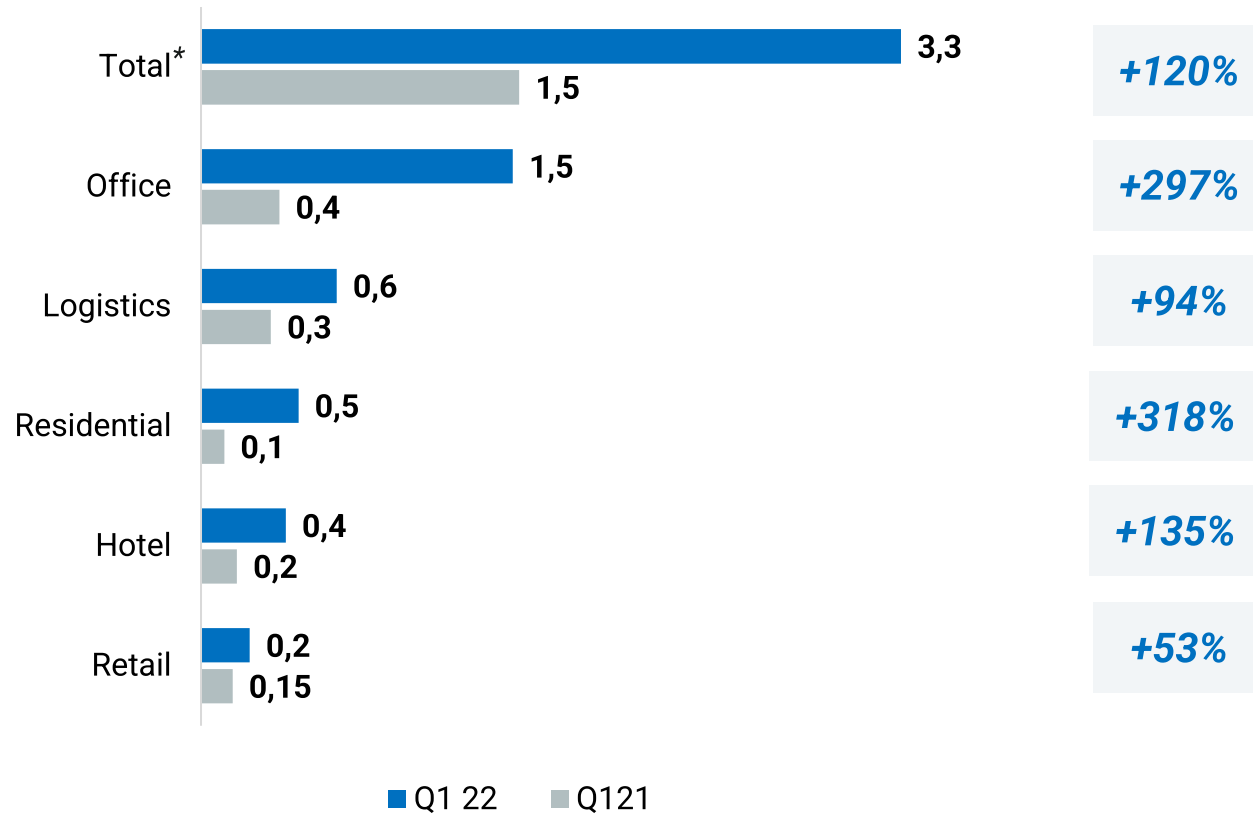
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*Gabriele Bonfiglioli*

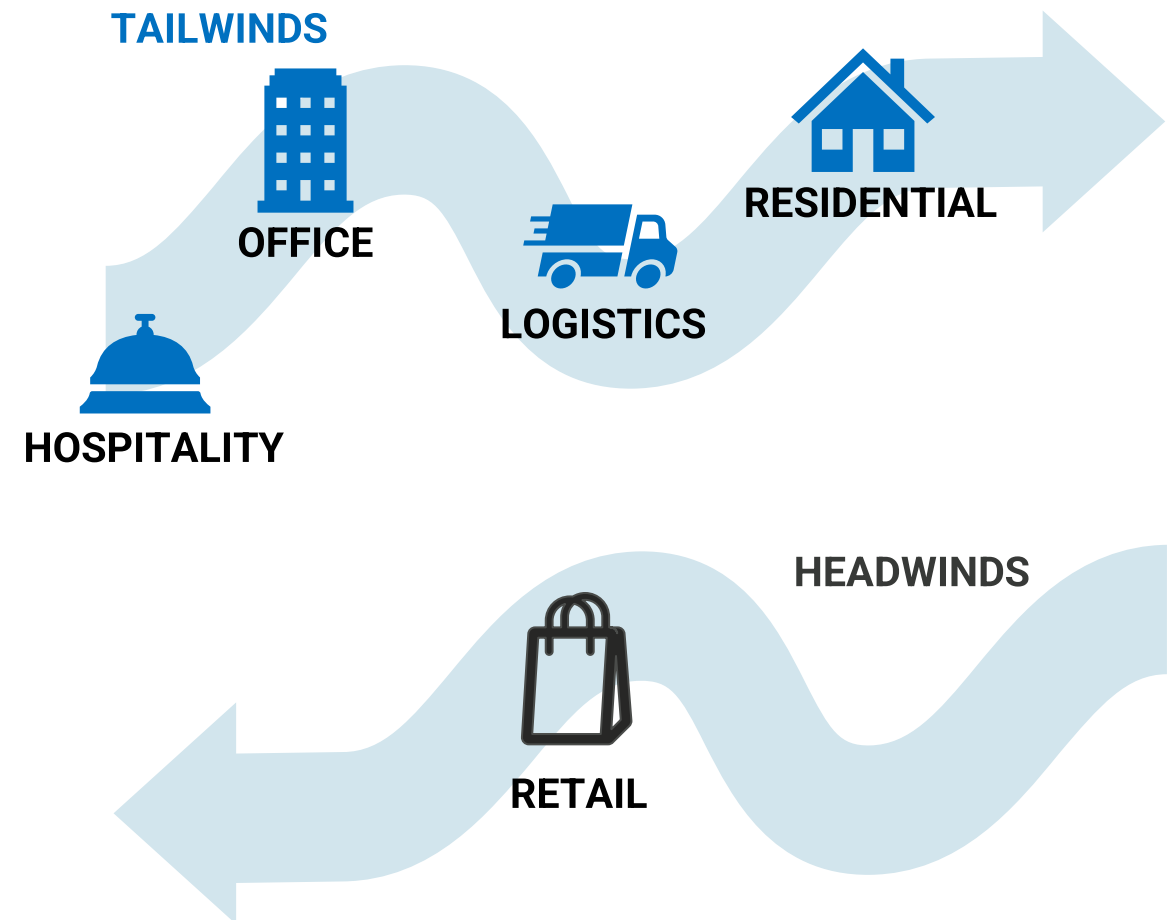
# INVESTMENT MARKET

Record transaction volume in Q1 2022, driven by strong recovery of offices

**INVESTMENT VOLUME BY ASSET CLASS (€ Bn)**



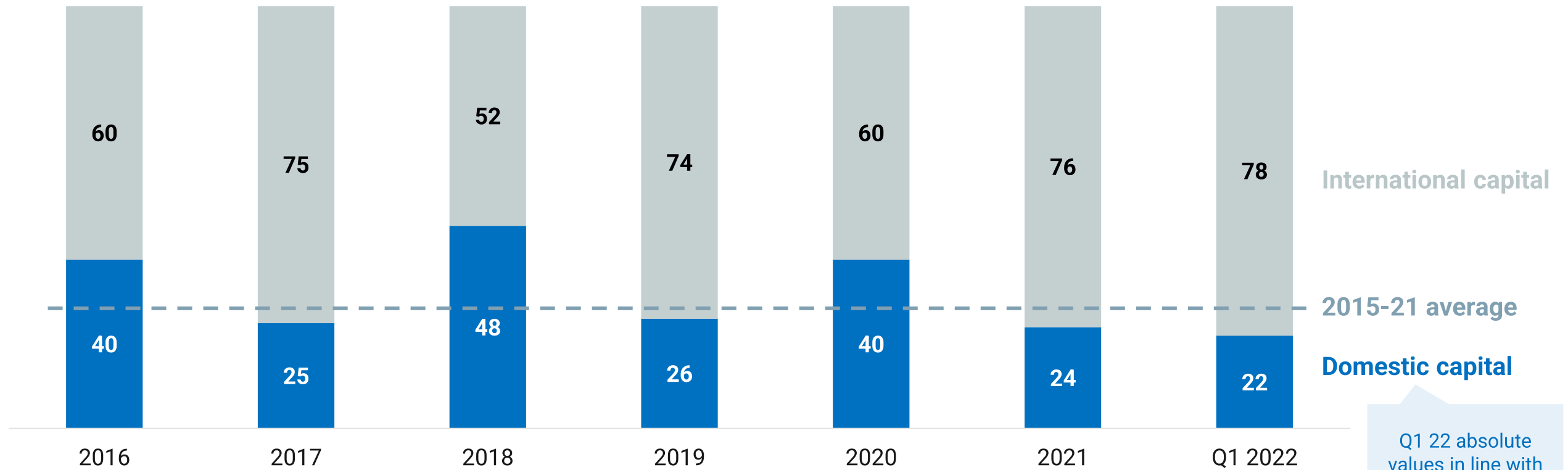
**SECTORS OUTLOOK**



# STRONG ACTIVITY OF INTERNATIONAL INVESTORS



## SOURCE OF CAPITAL (% on total)



Q1 22 absolute values in line with last 5-y average

# COMPETITION FOR CORE ASSETS, THAT LACK IN THE MARKET

Interest for value-added and development investments, given the sizeable return premia



## VIA MONTEBELLO – Edge of CBD



Core asset  
Ongoing  
Net yield  
~ 3.00% exp.

## VIA S. GIOVANNI S. M. – Edge of CBD



Core asset  
Ongoing  
Net yield  
~ 3.10% exp.



## PALAZZO MANCINI – CBD



Core asset  
Ongoing  
Net yield  
<3.30% exp.

## VIA S. MARIA SEGRETA – CBD



Core asset  
Closed  
Net yield  
2.85%

## PIRELLI HQ2 – Bicocca



Core asset  
Closed  
Net yield  
4.60%

## LUNGOTEVERE BRESCIA – Center



Core asset  
Closed  
Net yield  
~4.00%



PRIME YIELD 2.90%



VALUE-ADDED &  
DEVELOPMENT

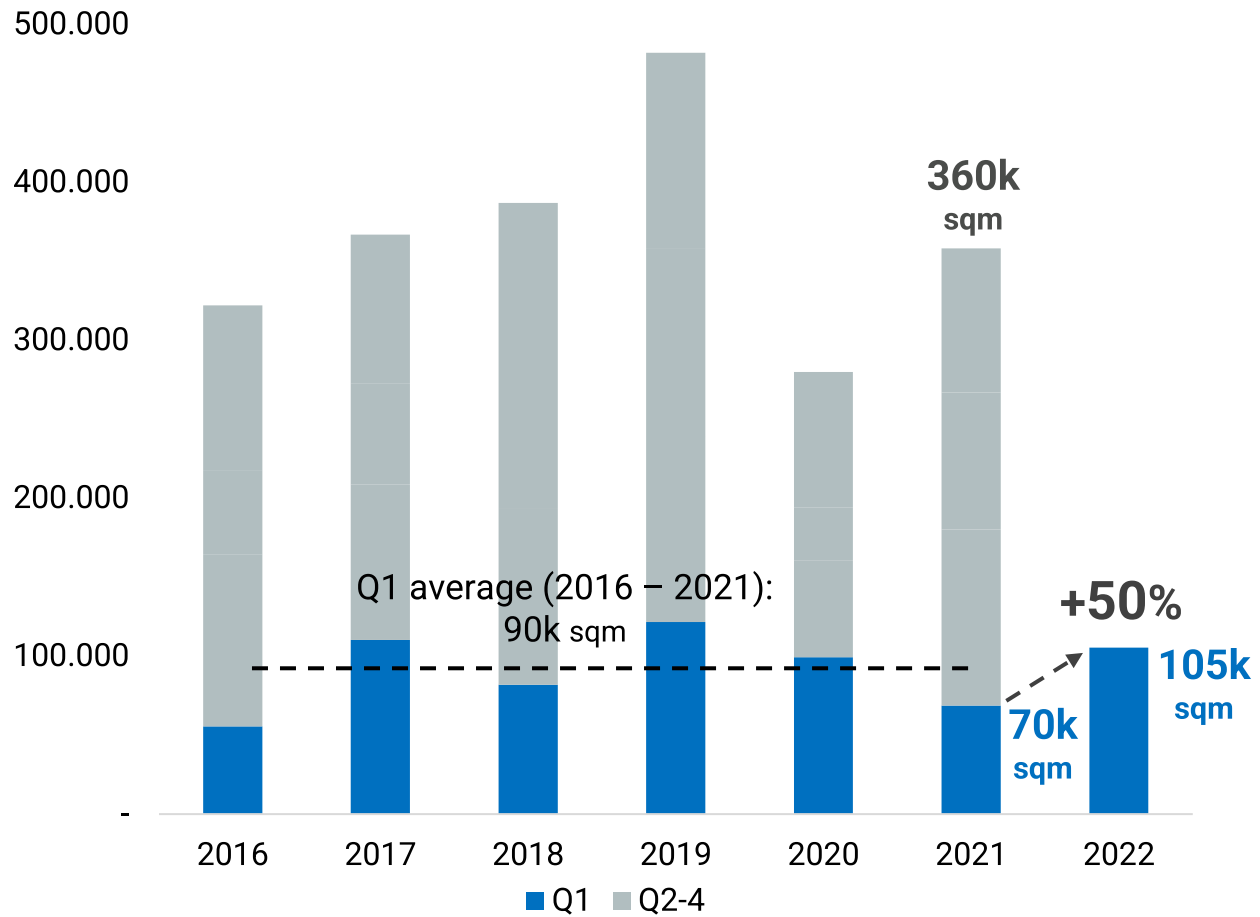
+150/200 bps

# REBOUND IN LEASING ACTIVITY

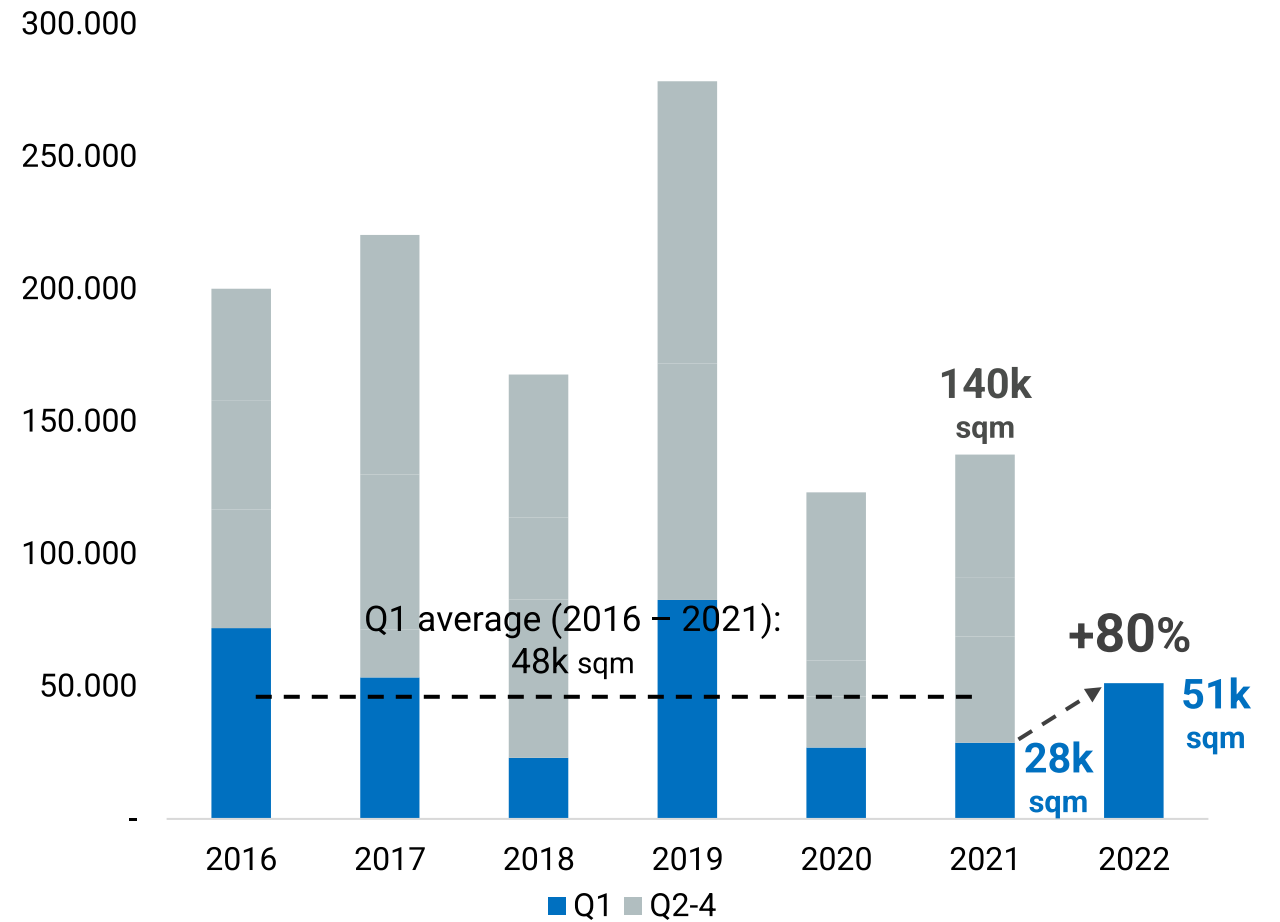
Increase in take-up and active searches in Q1, with focus on Grade A space



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



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





# RECENT LEASE TRANSACTIONS

Leasing recovery and limited supply put upward pressure on rent of Grade A offices in prime areas



## THE MEDELAN – CBD



**€ 680/sqm**

ca. 3,000 sqm



## THE MEDELAN – CBD



**€ 630/sqm**

ca. 3,000 sqm



## SAN SILVESTRO – CBD



**€ 480/sqm**

ca. 1,400 sqm



## GARAGE TRAVERSI – CBD



**€ 630/sqm**

ca. 1,500 sqm

AUDEMARS PIGUET  
*Le Brassus*

## CORSO MATTEOTTI 5 – CBD



**€ 600/sqm**

ca. 1,300 sqm



HOULIHAN LOKEY

## VIA VENETO 89 – CBD



**€ 520/sqm**

ca. 2,200 sqm



**+6.7%**  
y-o-y

### PRIME RENT CBD

**€ 640/SQM** ↑

### PRIME RENT Center

**€ 480/SQM** →

**+5.6%**  
y-o-y

### PRIME RENT CBD

**€ 475/SQM** ↑

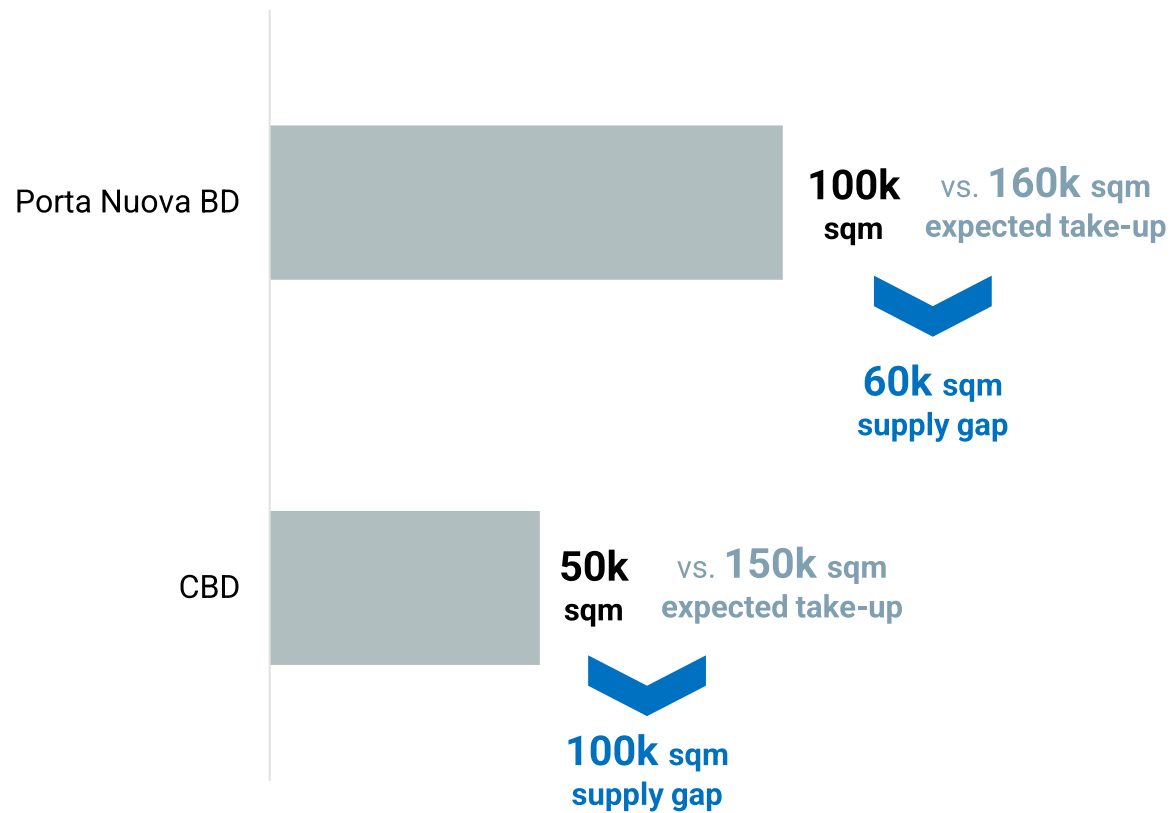
### PRIME RENT EUR

**€ 350/SQM** →

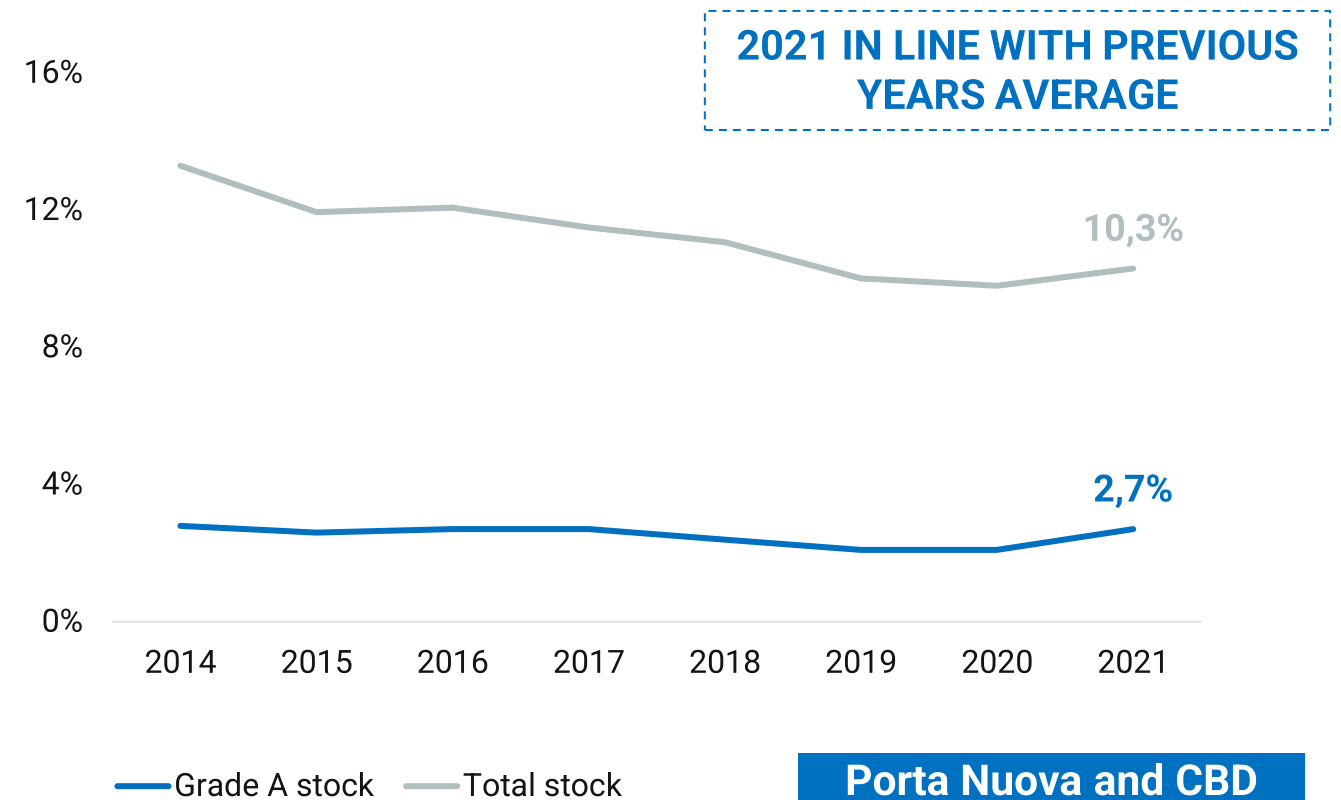
# MILAN: LIMITED GRADE A PIPELINE IN PRIMARY SUBMARKETS

Strong fundamentals given the supply and demand imbalance for Grade A products in key submarkets

**MILAN 2022-2024 SPECULATIVE OFFICE PIPELINE UNDER CONSTRUCTION (Sqm)**



**MILAN GRADE A & TOTAL OFFICE VACANCY (%)**

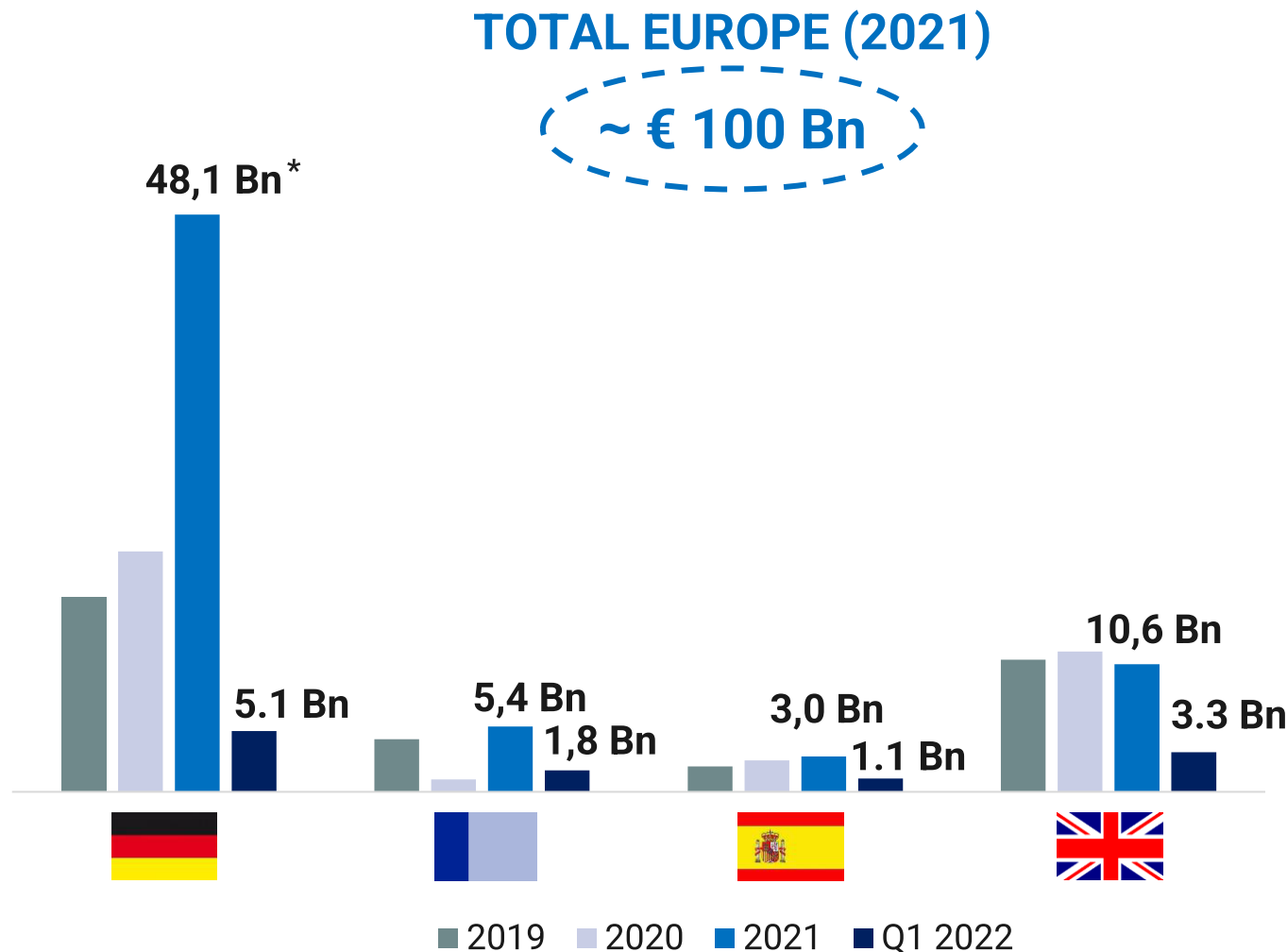


**Porta Nuova and CBD  
Grade A vacancy  
~ zero**

# POSITIVE MOMENTUM FOR RESIDENTIAL

Italian institutional investments show a sustained growth trend, still far below EU peers in terms of volume

INSTITUTIONAL INVESTMENTS – EUROPE (€ Bn)



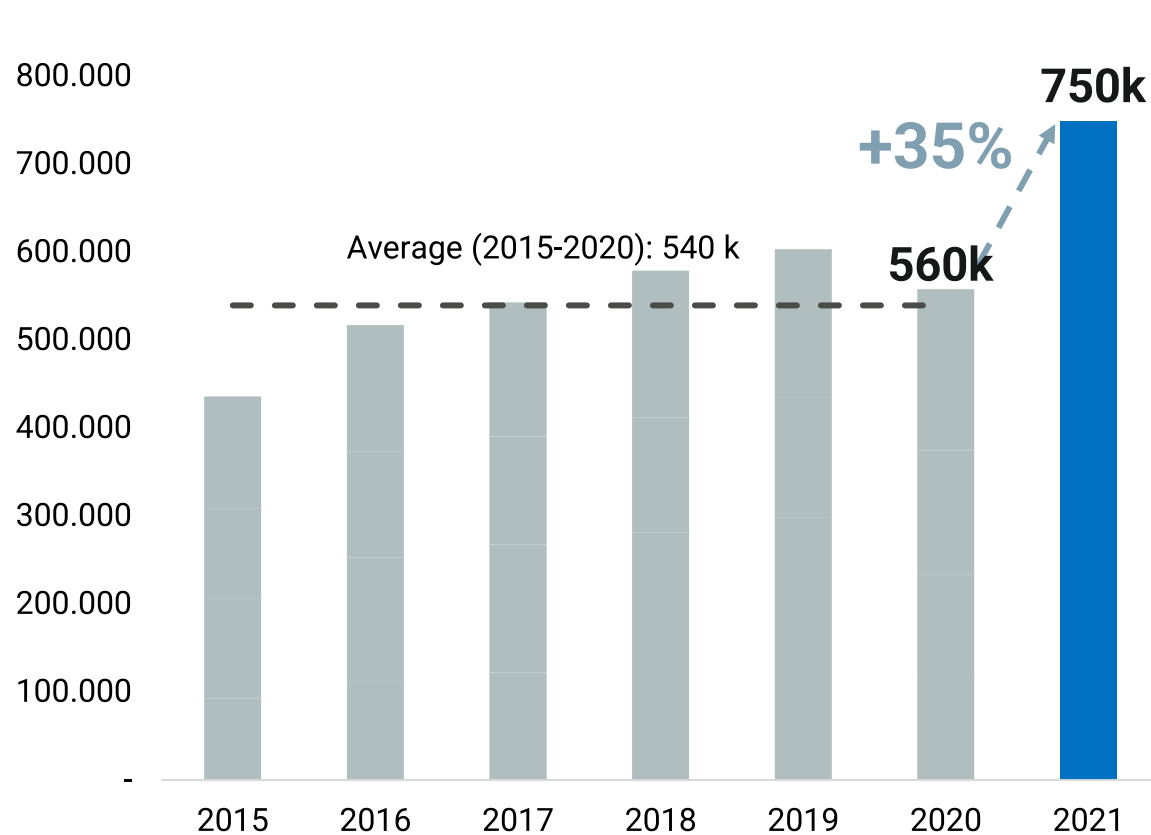
INSTITUTIONAL INVESTMENTS – ITALY (€ M)



# FAVOURABLE MARKET TIMING FOR ITALIAN RESIDENTIAL

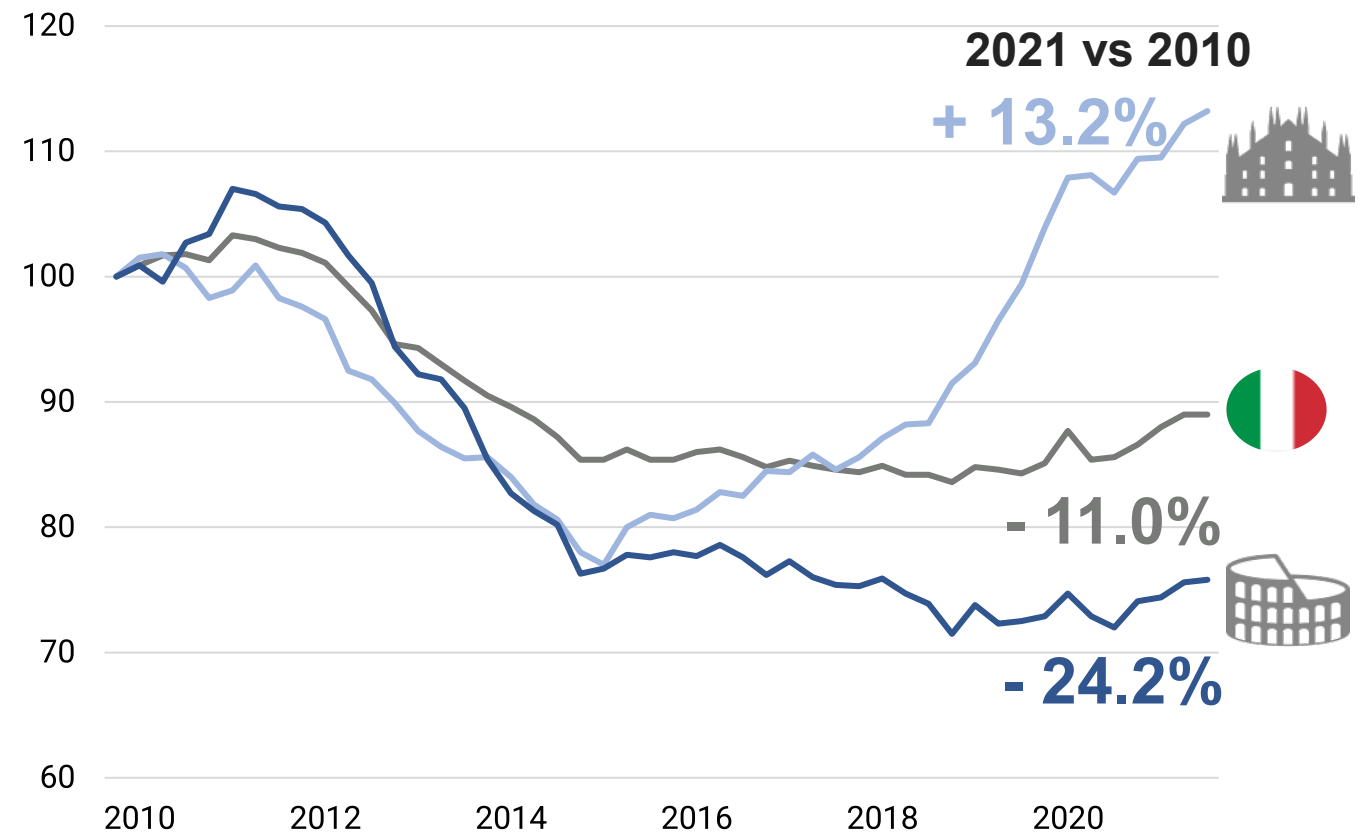
Strong growth of transactions above pre-Covid levels and prices on an increasing trend




**ITALIAN RESIDENTIAL TRANSACTIONS**



 **+ 24%**  
2021 vs 2019 pre-COVID

**RESIDENTIAL PRICE (2010=100)**

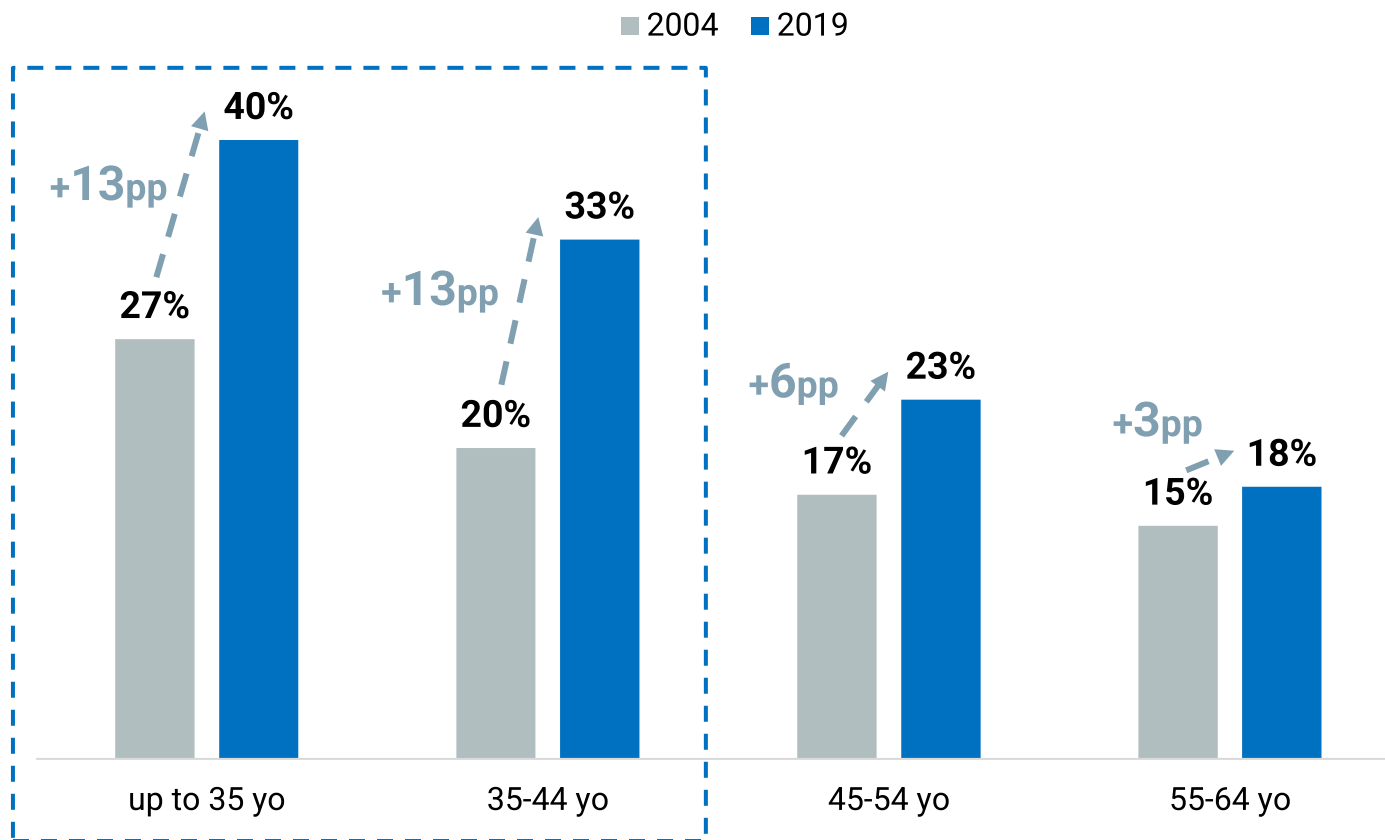


 **+5.6%**  **+13.9%**  **+4.6%**  
Q4 21 vs Q4 19 pre-COVID

# INCREASING PREFERENCE FOR RENT OF YOUNG PEOPLE

Cities demographic growth driven by young generations to foster rental demand in coming years

## POPULATION IN RENTED ACCOMMODATIONS BY AGE - ITALY (% of total)

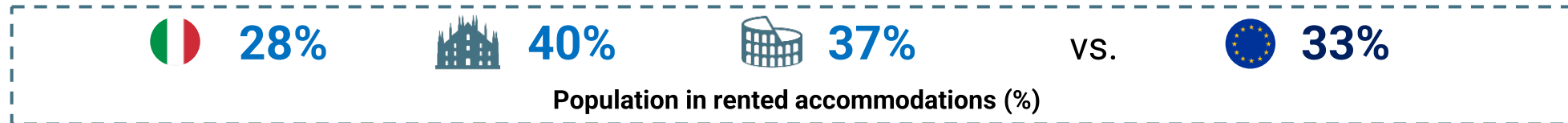


## MILAN EXAMPLE: POPULATION BY 2030



Ca. +50,000 people by 2030

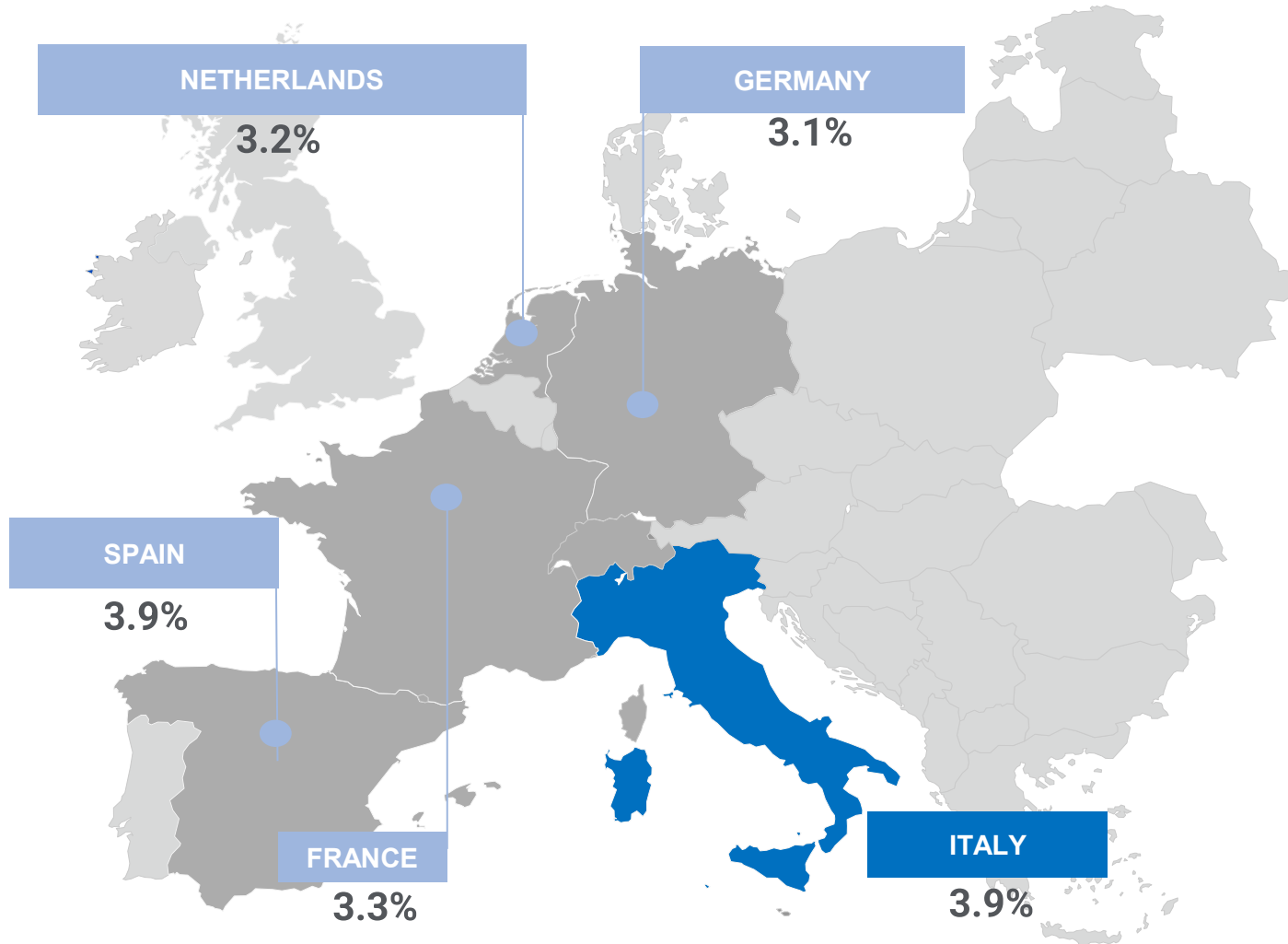
>75% of total increase of population composed by "under 40"



# LOGISTICS INVESTMENT MARKET

Attractive entry point in the Italian market, with increasing activity of foreign institutional investors

## PRIME LOGISTICS YIELD IN MAIN EU MARKETS (%)



Italian prime yields at a premium vs. peer markets

### LOGIMAN PORTFOLIO – Northern Italy



300,000 sqm  
Fwd. purch.  
**Conf.**

### ZALANDO VERONA – Veneto



130,000 sqm  
Core  
**Net yield**  
**~4.00%**

### VERONA LOGISTICS PARK – Veneto



76,000 sqm  
Core  
**Net yield**  
**~3.90%**

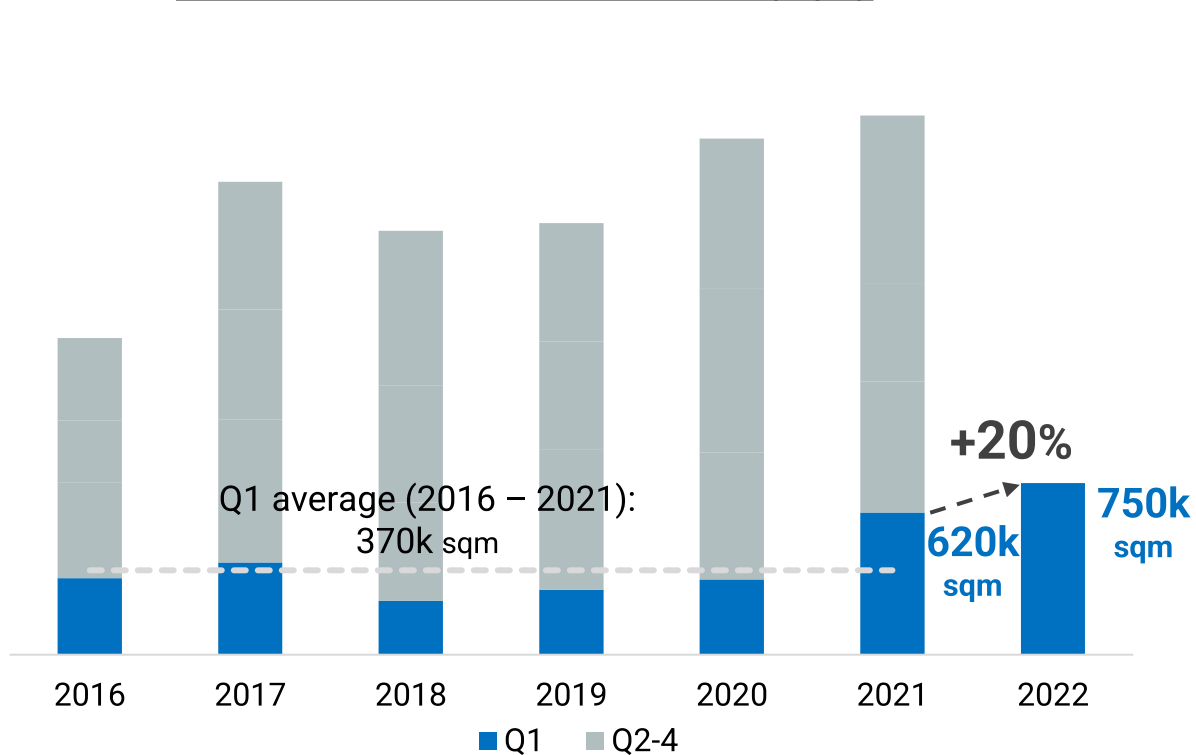
€ 640 M - Q122 Investments (+94% yoy)

# LEASE DEMAND CONTINUES TO BE DRIVEN BY E-COMMERCE

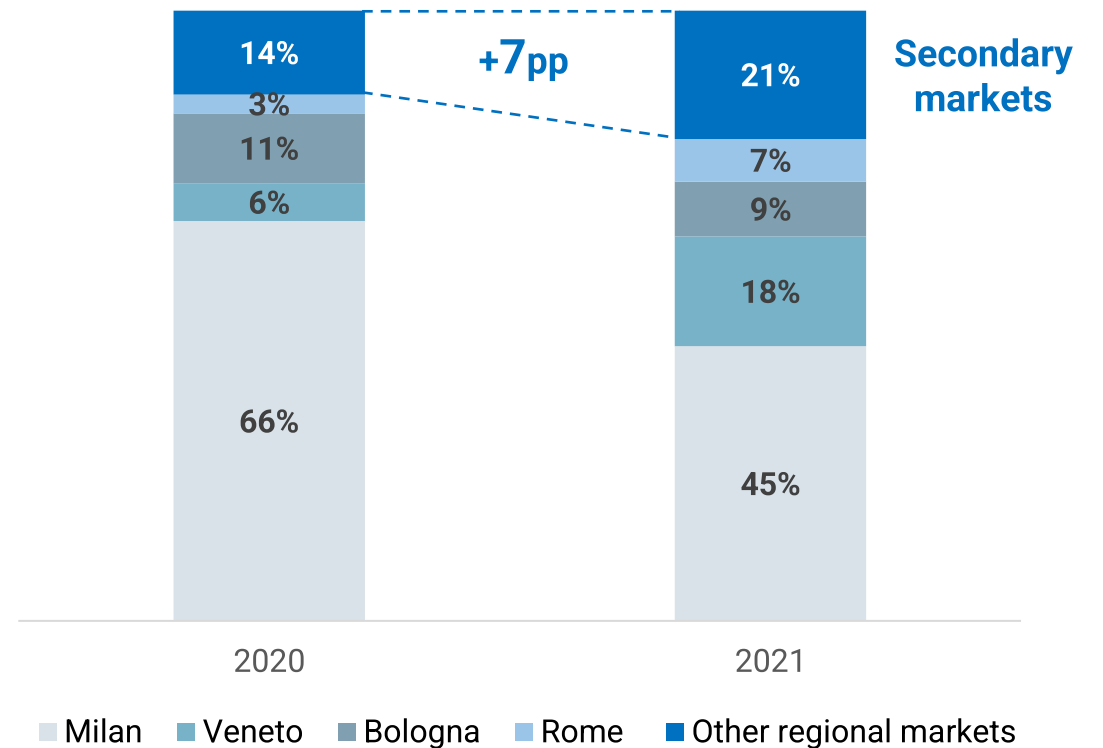
E-commerce players need capillary territorial presence and increase demand for secondary markets



ITALIAN LOGISTICS TAKE-UP (sqm)



LOGISTICS TAKE-UP BY SUBMARKET (% of total)

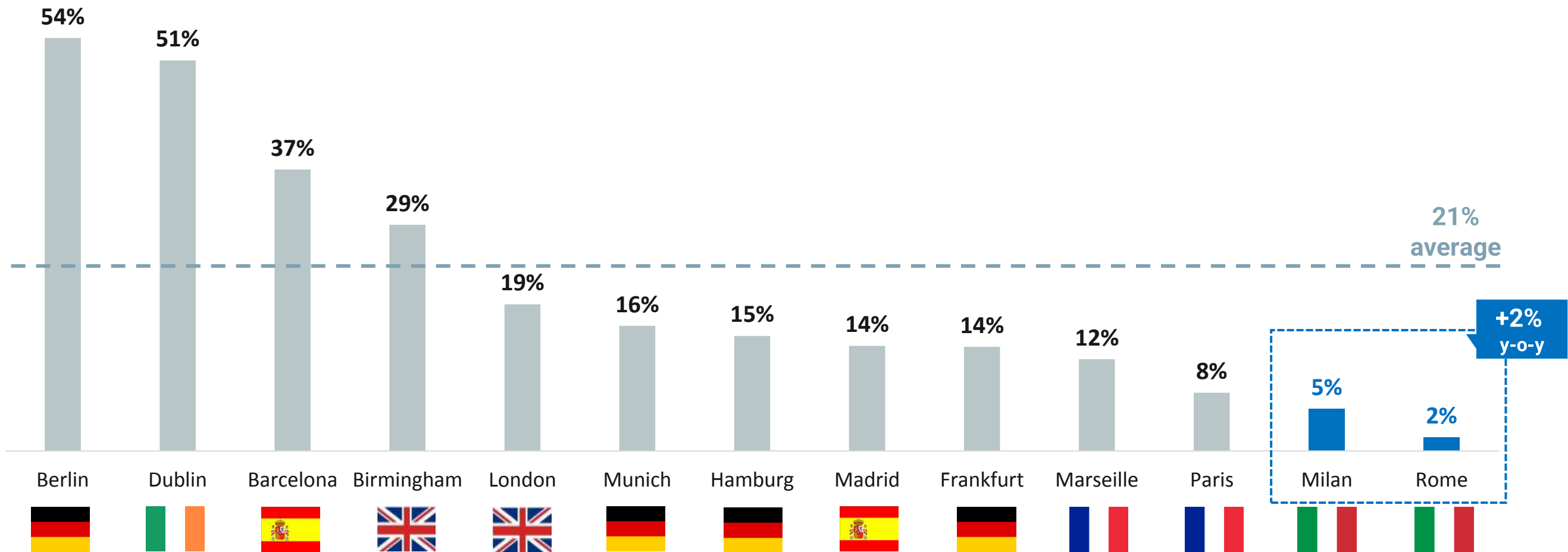


The need of capillary territorial presence of e-commerce pushes top-tier tenants to expand in secondary markets

# ATTRACTIVE MARKET TIMING FOR THE ITALIAN MARKET

Opportunity to have upside from rental growth in logistics investments in Italian market, which has just started a positive momentum that happened 2 years ago in other markets

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)