



COIMA RES

LETTER FROM THE CEO

Milan, December 18th, 2018

Dear Shareholders,

Dear Investors,

As we approach year end, I wanted to take the opportunity to personally provide you with an update on our business and highlight our key achievements in 2018 and since our IPO – which in our opinion reinforce and validate the COIMA RES' investment proposition, both based on current valuation as well as in terms of growth potential and prospective shareholder returns.

This year marks the completion of the first phase of a journey that began with our IPO in 2016 and saw the **completion of our first investment phase** with the iconic **Pavilion acquisition** in the heart of Milan Porta Nuova (closed in November 2018) and the related IBM lease at a **remarkable 7.2% stabilised yield**. This year we were also active on disposals, completing our **first “roundtrip” success** with the **sale of the Eurcenter in Rome** (purchased in August 2016 and sold in December 2018) for Euro 90.3 million, achieving a **13% premium** over the acquisition price and a **levered IRR of 20%**. Additional asset sales included the non-core disposal of 21 Deutsche Bank branches in the South of Italy for Euro 38.0 million, in line with the IPO contribution value (closed in January 2018). Since IPO we have performed disposals representing 18% of our portfolio at a blended premium to acquisition price of 8%. Recent acquisitions and disposals showcase the attractiveness of our investment strategy – to create value through active management of a high-quality Italian asset base while carefully controlling risk.

Since IPO, our NAV per share grew by 14% (or by 18% when adding back dividends), with growth expected to accelerate on the back of the Pavilion acquisition and Eurcenter disposal.

We own an attractive portfolio of commercial assets – mainly in **Milan**, which now accounts for close to **90% of our portfolio**. Within Milan, we have strong exposure to the attractive Porta Nuova district, a neighbourhood which is expected to deliver combined **rental and occupancy growth of 10%** in 2019-2021 according to Green Street Advisors estimates. Porta Nuova currently accounts for 34% of our overall portfolio.

Our portfolio offers both defensive and growth features. On one hand, our Vodafone Village, Deutsche Bank and Deruta properties – jointly comprising 56% of our portfolio value – provide a stable cash flow base and long lease durations. On the other hand, our remaining assets, accounting for 44% of our portfolio value, offer rental upside: the Pavilion and Gioiaotto properties in the near-term and Tocqueville, Monte Rosa and Bonnet in the medium term following various retrofit projects.



At this time of uncertainty in both Italy and Europe, we decided to focus on Milan – Italy’s largest, most transparent and liquid office market. Milan accounted for more than 60% of the overall Italian office market, both by number of transactions and investment volumes over the last four years. By comparison, Rome accounts for only 22%. Milan is characterised by strong supply / demand fundamentals – in particular due to scarcity of Grade A space, which represent only 10% of total office stock, but accounts for more than 70% of total take up. This imbalance suggests demand may outstrip supply by a factor of 3x over the next several years and underpins strong near-and-medium term rental upside.

In addition to concentrating on Milan, in order to insulate COIMA RES from macroeconomic headwinds in the broader Italian economy, we have opted for a **more conservative stance on leverage going forward, staying below the 40% LTV threshold** (current LTV stands at 35%). As a reminder, our financing structure is substantially set for the next 5 years, with no maturities before 2022, an **average maturity of more than 4 years**, and an attractive **cost of debt of 2.0%** of which **80% is hedged**. Our **dividend policy is equally conservative** giving us **headroom to increase distributions** over the next years.

The broader COIMA platform fully supports COIMA RES – with COIMA SGR providing investment and asset management functions and COIMA Srl offering engineering and technical support. The 150+ person COIMA team, possesses not only deep financial and technical expertise, but has an unmatched track record of acquiring, developing, leasing and managing offices in Milan. The commitment of COIMA SGR and COIMA Srl to COIMA RES goes beyond a standard supplier-customer relationship: COIMA RES is given opportunities to co-invest in high-return projects like Bonnet and, recently, COIMA RES benefitted from COIMA SGR’s right of first refusal on the attractive Pavilion acquisition.

Our **aim to implement best in class governance is a primary focus**, whether by putting in place a strong and independent Board, by adopting “EPRA Gold Standards” on Financial and Sustainability disclosure or by furthering innovation through our participation in the European Think Thank alongside five other leading office REITs.

In summary, we are confident in the quality of our asset base, our management team and our future growth potential. Looking forward, we will continue to manage our business with discipline, further optimise our portfolio, reduce risk where appropriate, and actively manage our assets with shareholder value creation as our top priority.

Best regards,

A handwritten signature in black ink, appearing to read "M. Catella".

Manfredi Catella
Founder & CEO, COIMA RES



COIMA RES is a real estate company listed on Borsa Italiana. COIMA RES manages real estate assets in Italy, primarily focusing on commercial properties. The company operates with the beneficial tax status granted to SIIQs (Società di Investimento Immobiliare Quotate), which is equivalent to the Real Estate Investment Trust (REIT) regime in other jurisdictions. The investment strategy of COIMA RES is focused on creating a high-quality portfolio of real estate assets with the objective of offering stable, growing and sustainable returns to investors.

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