CORONAVIRUS

IMPACT ON THE PROPERTY MARKETS
FOCUS: EUROPE

MAY 2020

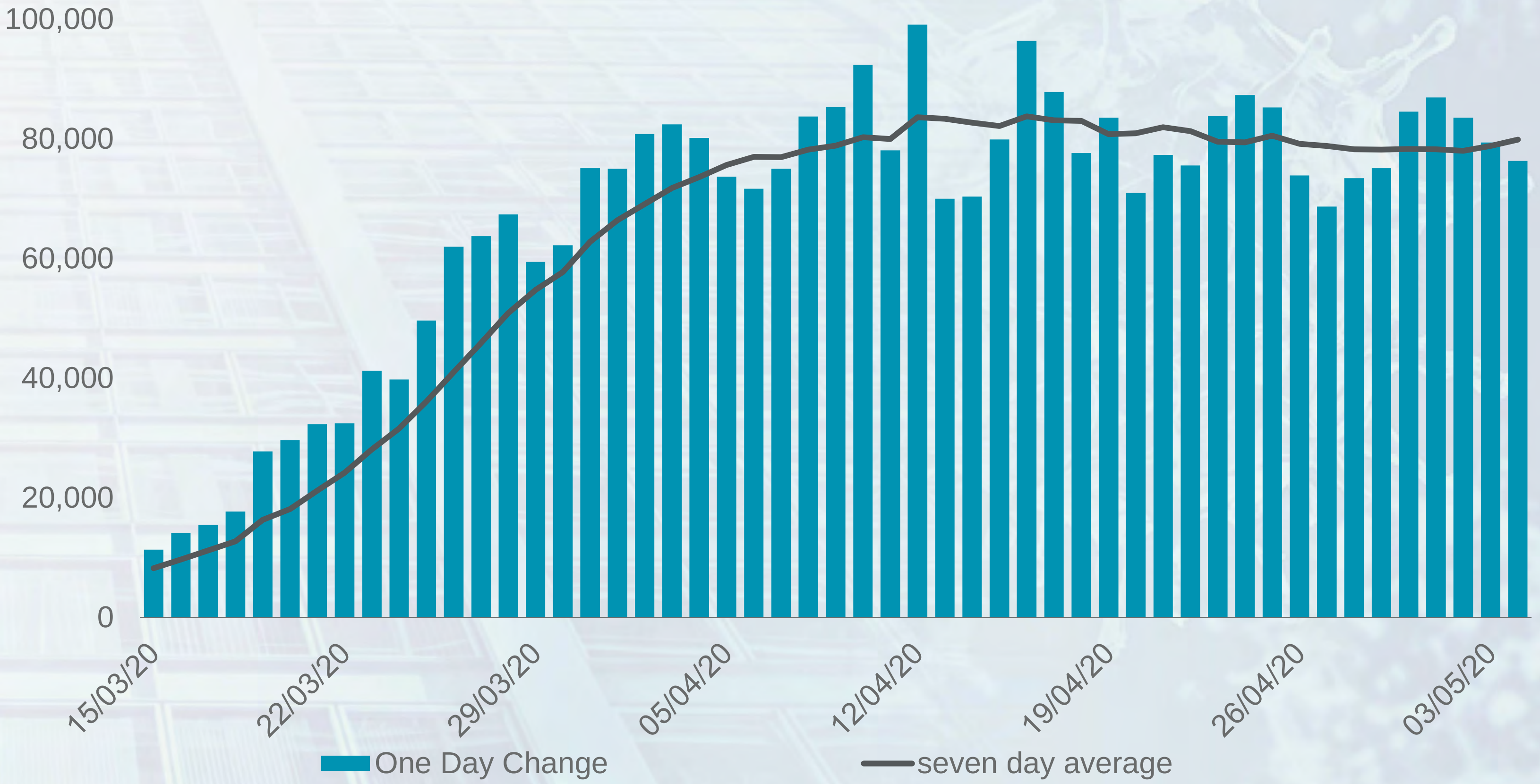
CUSHMAN & WAKEFIELD

COVID-19 TRACKER

The path of the virus – its spread, its duration, its severity – are all central to our ability to model the impact on property.

PROGRESS IS BEING MADE

Daily Growth in Global Confirmed Cases



Source: John's Hopkins University, Cushman & Wakefield Research
Updated 06-05-2020

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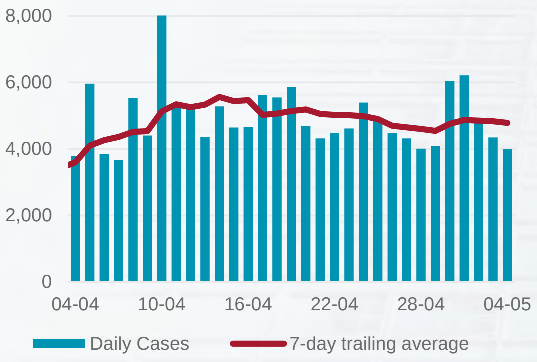
Key Observations:

- The number of new cases has stabilized and appears to have peaked over the last two weeks.
- However, although trending better globally, the virus is spreading at different rates across different communities.
- Countries are unlikely to loosen lockdowns and restrictions until they are confident that the number of active cases has fallen to a low level and the daily growth in newly confirmed cases is low (~1%).
- Discussion of next steps has moved from lockdown to reopening the economy in many countries. We aren't there yet, but we are moving in the right direction.

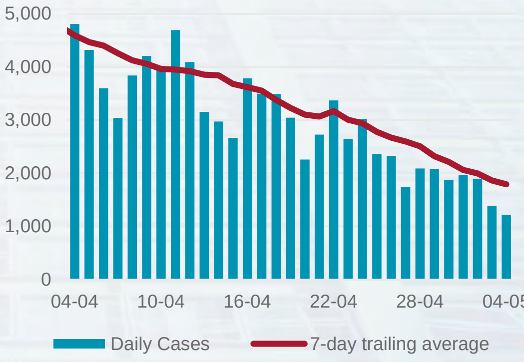
BUT AT DIFFERENT STAGES: DAILY GROWTH IN CONFIRMED CASES

Stabilizing/Trending Better

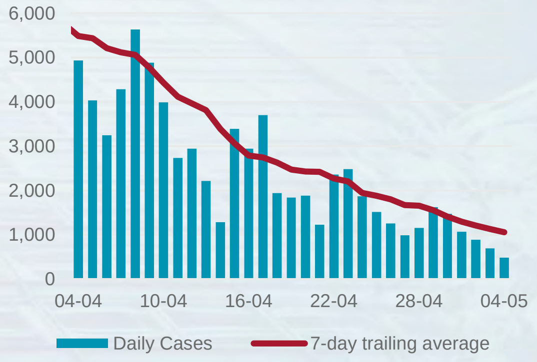
United Kingdom



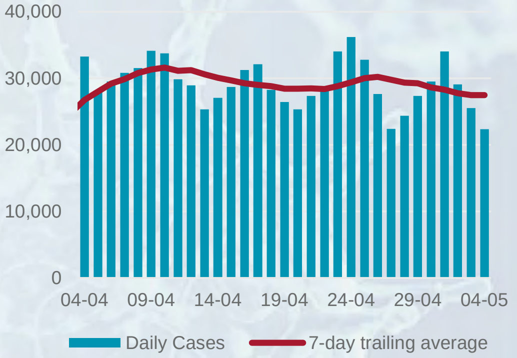
Italy



Germany

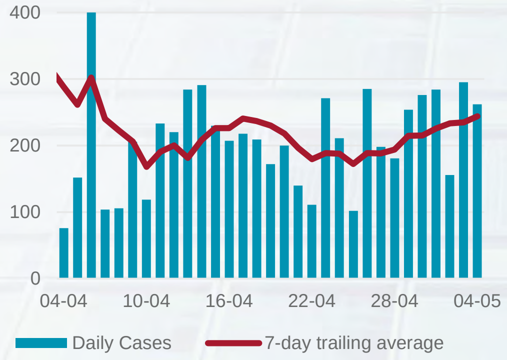


United States

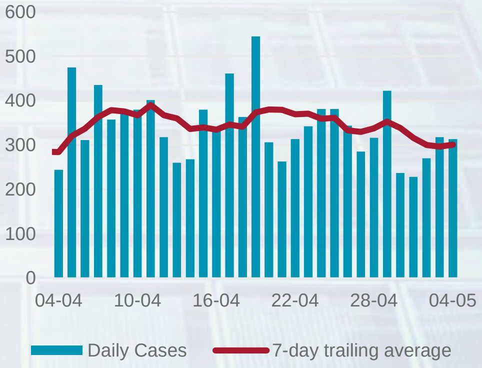


Unclear/Trending Worse

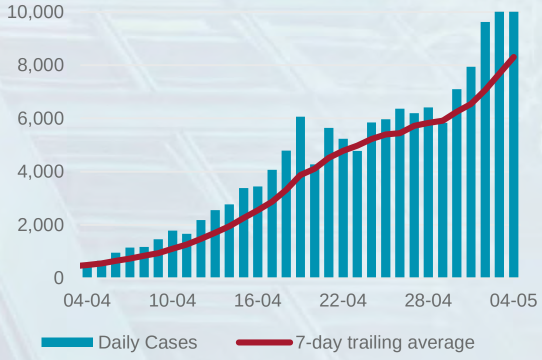
Philippines



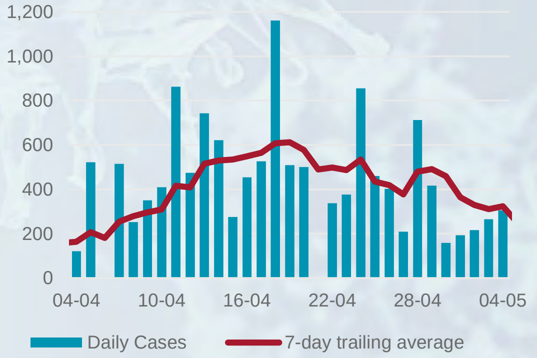
Poland



Russia



Japan



Source: Johns Hopkins University & Medicine Coronavirus Research Center
Updated 06-05-2020

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GETTING A BETTER SENSE OF TIMING

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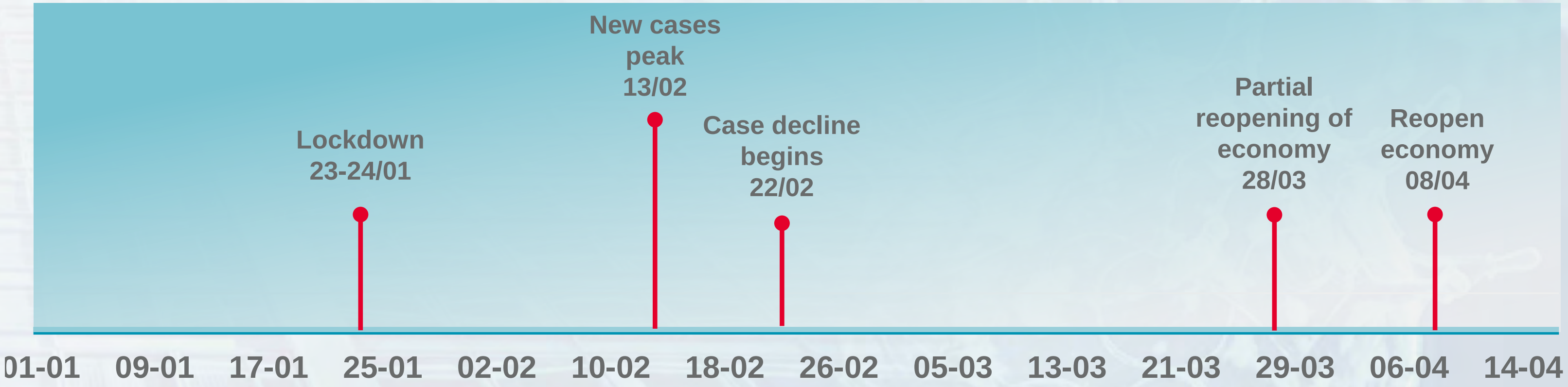
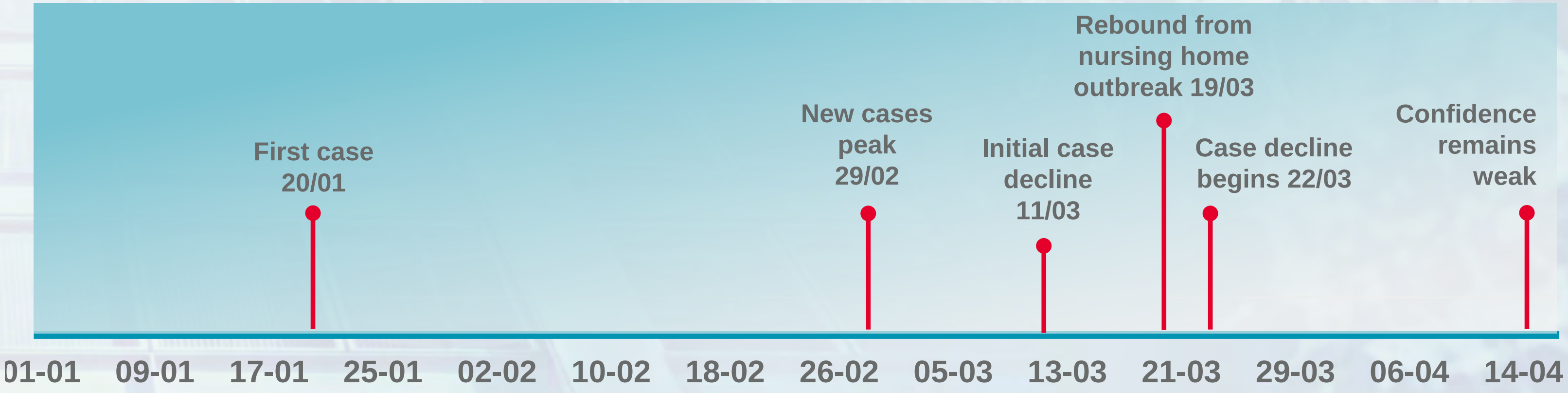
MAINLAND CHINA



SOUTH KOREA



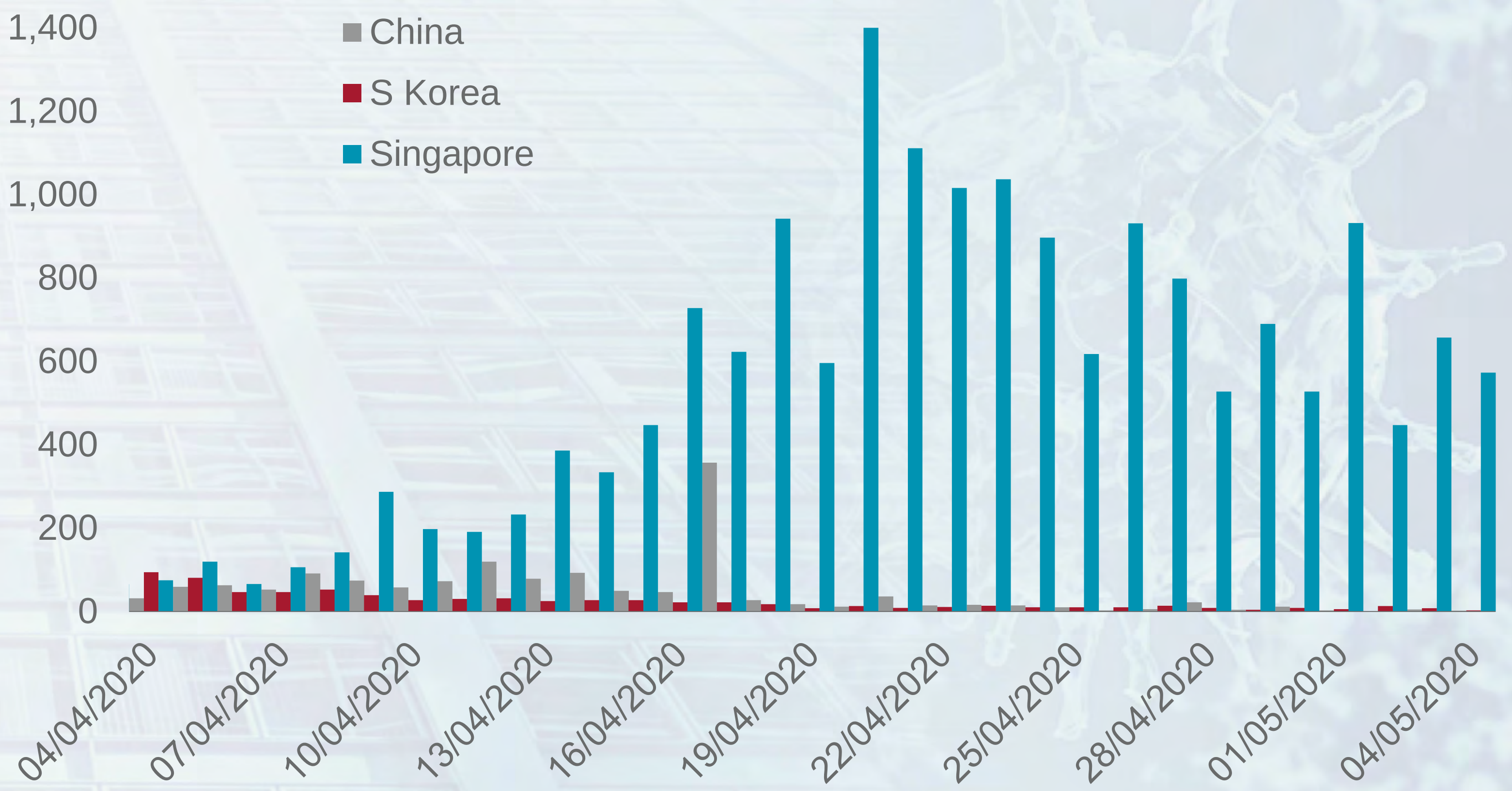
Source: Johns Hopkins University, Various media outlets, as at April 2020

Key Observations:

- China & South Korea are often cited as countries that have a better handle on combating the virus.
- Using Mainland China as a roadmap, the lockdown period for most of the country lasted 75 days before they partially reopened the economy.
- South Korea is combating the virus without completely closing its economy, but activity and confidence remain very weak.

COVID-19 RESURGENCE TRACKER

Daily Growth in Confirmed Cases



Source: Johns Hopkins University
Updated 06-05-2020

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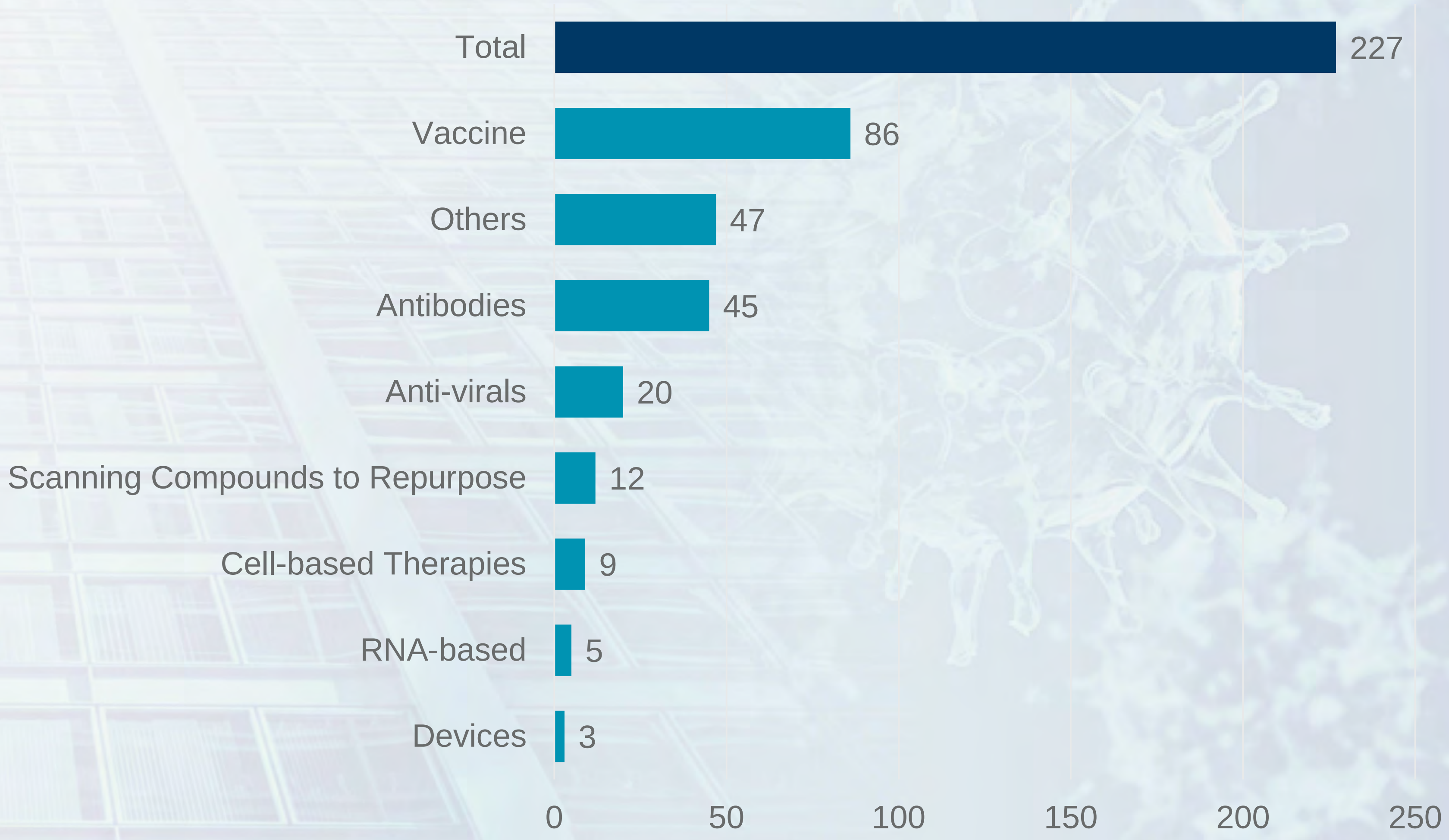
Key Observations:

- There is risk that this is seasonal, meaning it goes away and comes back, or that we keep re-infecting each other.
- We are observing a resurgence in Singapore where the second wave of infections is larger than the first, leading to a return of lockdowns. A resurgence is also occurring in Hong Kong & Taiwan.
- We continue to watch these daily trends very carefully to inform our analysis.

REASONS FOR OPTIMISM

Treatment/Vaccine Tracker



Source: Milken Institute Covid-19 Tracker, Cushman & Wakefield Research, as at April 2020

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Key Observations:

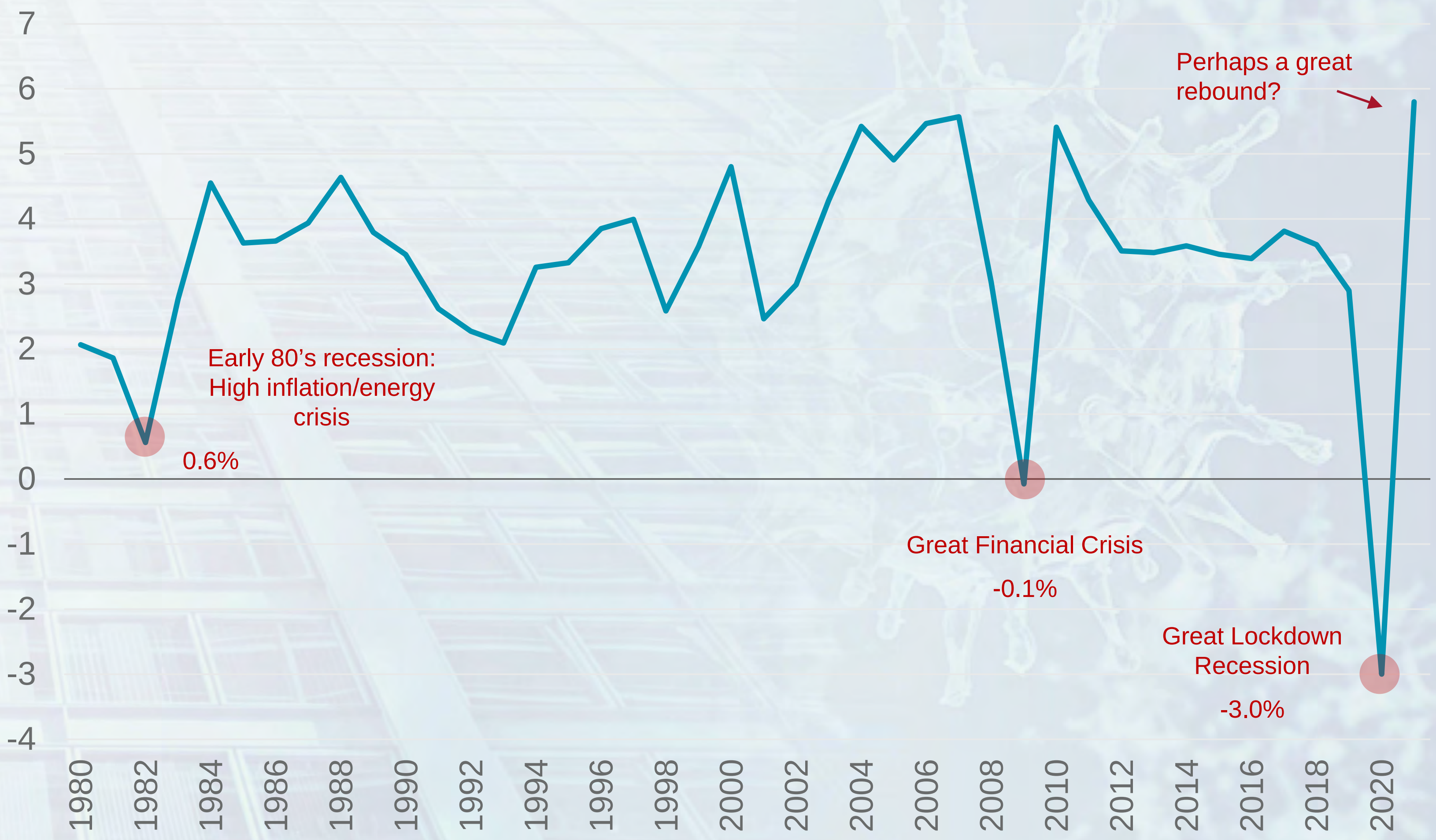
- The international science community is all over this.
- There are 86 coronavirus vaccines already in development globally, and three already being tested in human trial.
- Other experimental drugs and therapies are showing promise.
- Studies indicate some portion of the world's population have already been infected and have built up immunity. Others show that the transmission rate is likely to drop substantially as the warmer summer months approach.

ECONOMIC IMPACT

A painful – but possibly short-lived recession – and then the rebuild begins.

GLOBAL RECESSION IN 2020

World GDP, %



Source: IMF, Cushman & Wakefield Research, as at April 2020

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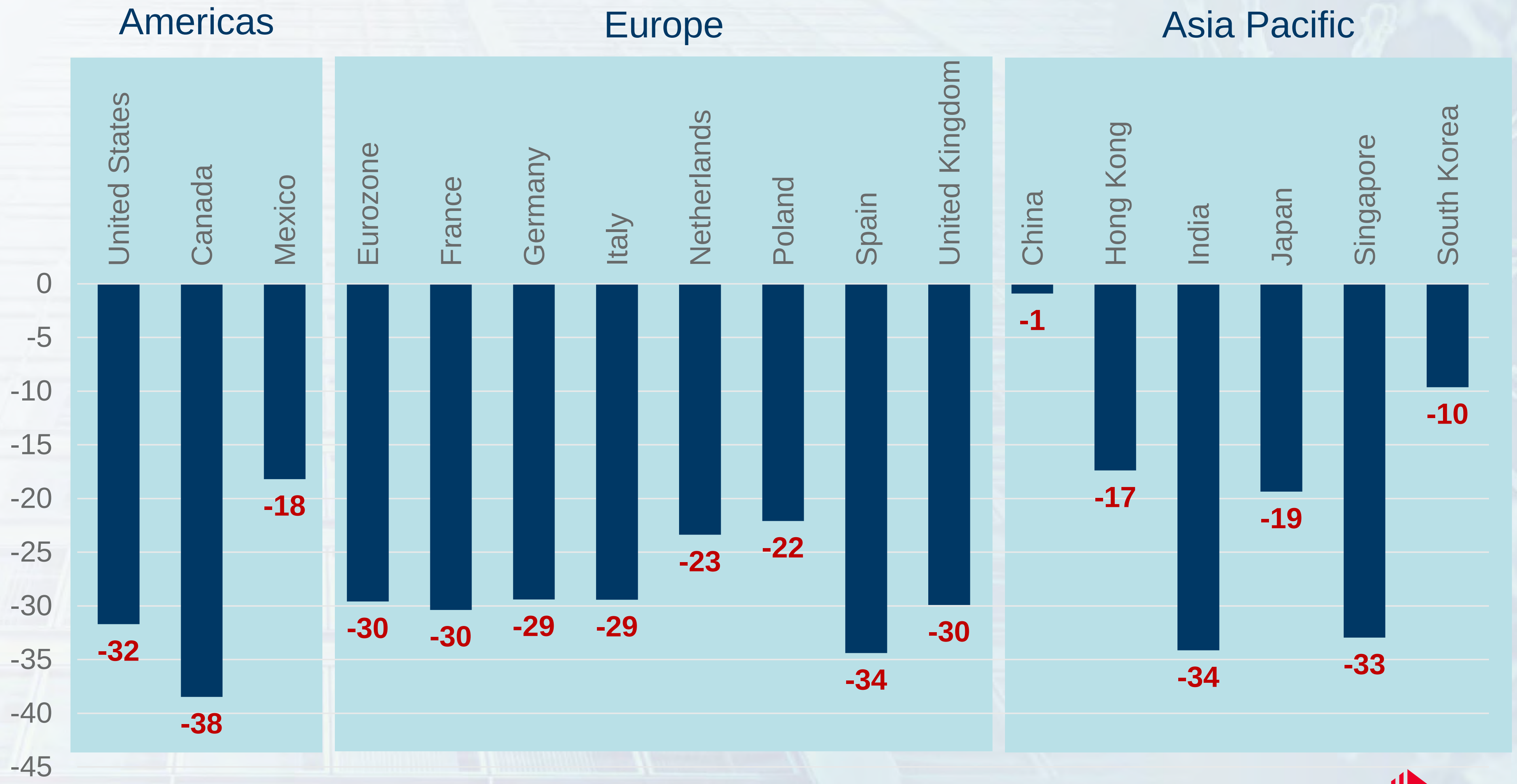
Key Observations:

- COVID-19 and government-imposed "lockdowns" are shrinking global growth dramatically.
- The global economy is projected to contract sharply, by -3% in 2020, much worse than during the GFC.
- The majority of advanced and emerging economies are assumed to be in recession in 2020H1.
- Assuming the pandemic fades in the second half of 2020, the economy is expected to rebound sharply and grow by 5.8% in 2021.

BRUTAL Q2

Real GDP, Second Quarter of 2020, Annualized %



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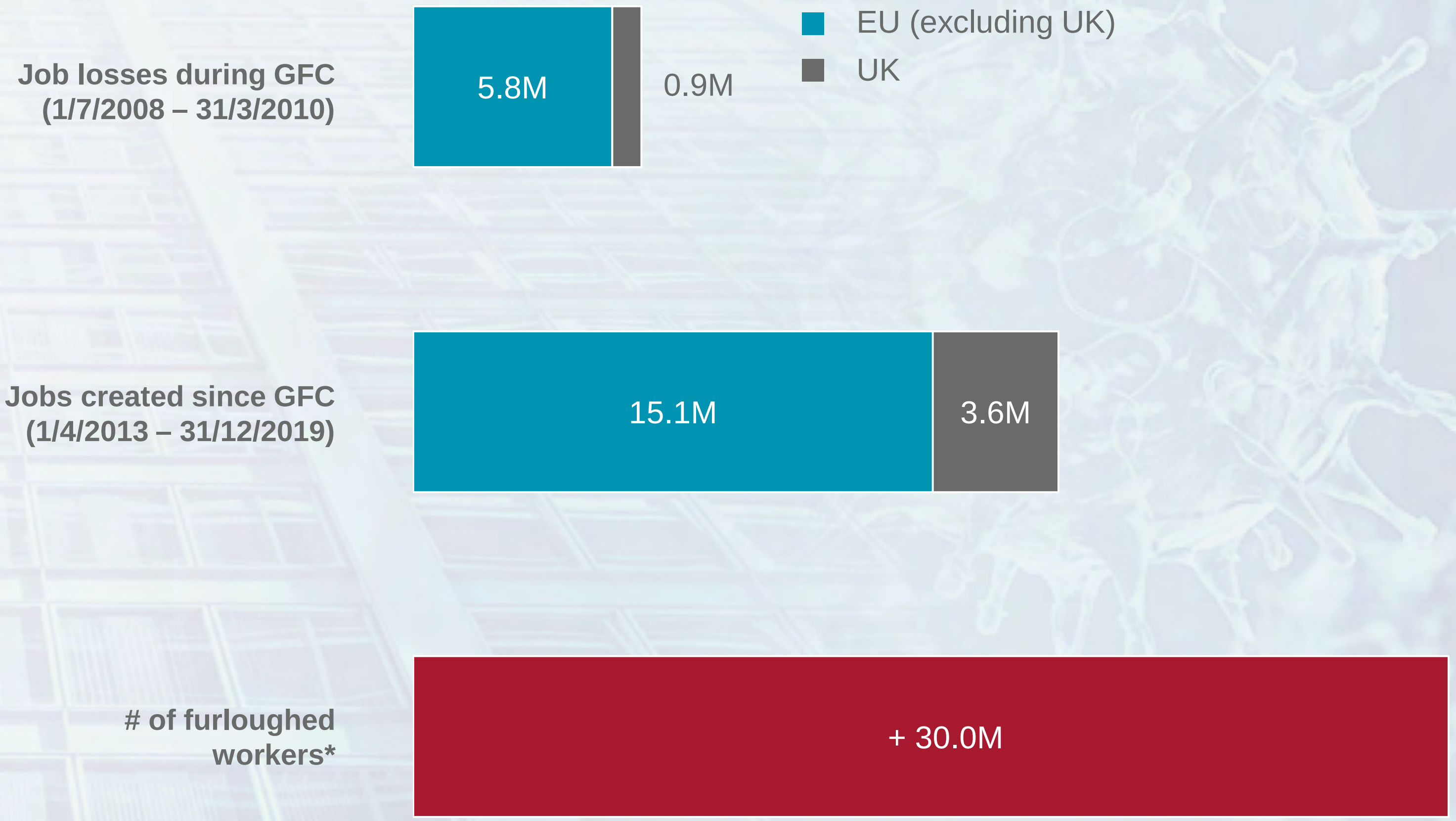
Source: Oxford Economics, Cushman & Wakefield Research

EUROPEAN WORKERS PUT JOBS ON HOLD

EU (excluding UK) and UK



Source: Oxford Economics, Financial Times, as at April 2020

* Germany, France, UK, Spain and Italy

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Key Observations:

- Immediate job losses are expected to surpass the Global Financial Crisis. However, furlough schemes or reduced hours of work, similar to the German "Kurzarbeit", are being used by many to help ease the damage. Additionally, the European Commission assured a €100bn fund to protect employment.
- Government schemes to alleviate jobs losses, will mean that official unemployment rates will not move as high as countries such as the U.S.
- More than 30m workers in Europe's five biggest economies have applied to have their wages paid by the state via similar schemes designed to stop unemployment from skyrocketing. The number is higher than the 26m people who have filed for unemployment benefits in the U.S. in five weeks.

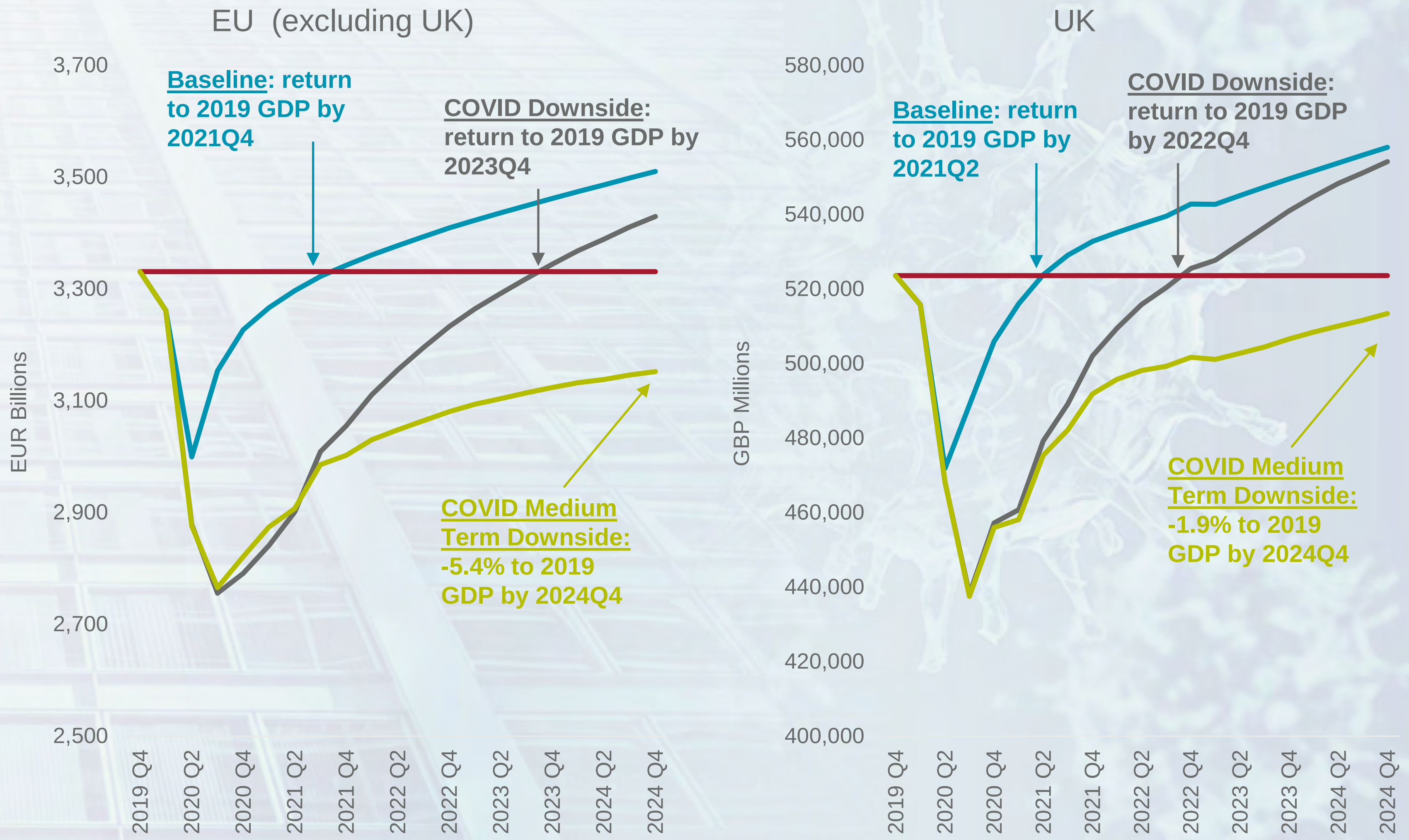
EUROPEAN SCENARIOS

	BASELINE SCENARIO	COVID-19 DOWNSIDE SCENARIO	COVID-19 MEDIUM TERM DOWNSIDE
Epidemiological Assumptions	• Coronavirus resolves much sooner than expected • New cases fall rapidly starting in May • Partial reopening of the economy in May • Full reopening in June/July • Assumes quicker medical breakthrough or virus burns out	• Coronavirus slower to resolve • New cases trend lower but still up and down, consumer remains highly cautious • Partial reopening in May • Economy does not become fully engaged until proven vaccine or therapeutics • Assumes slower medical breakthrough	• Coronavirus lingers for much longer • New cases trend lower, but multiple waves • Partial reopening in May • Economy does not become fully engaged until proven vaccine or therapeutics • Assumes slower medical breakthrough or eventual herd immunity
Economic Statistics	• Milder recession in Q1,sharp in Q2 • Unemployment peaks in Q2 and falls precipitously as people go back to work • Strong snapback in H2 • Momentum into 2021 • Return to full employment by 2022	• Milder recession in Q1, harsh in Q2 and Q3 • Unemployment peaks in Q4 but remains elevated and is slower to come down • Mathematical bounce in Q4, but growth remains sluggish until medical breakthrough • Slower climb into 2021 • Return to full employment by 2024	• More protracted recession • Unemployment peaks in 2021 Q1, remains elevated and is much slower to come down • Weaker bounce back, with lower long run growth rates • Speed of recovery far slower due to a financial crisis which limits credit supply to the economy and amplifies de-leveraging in the private sector

Source: Oxford Economics, Cushman & Wakefield Research, as at April 2020

THE ROAD BACK TO 2019

Real GDP



Source: Oxford Economics, as at April 2020

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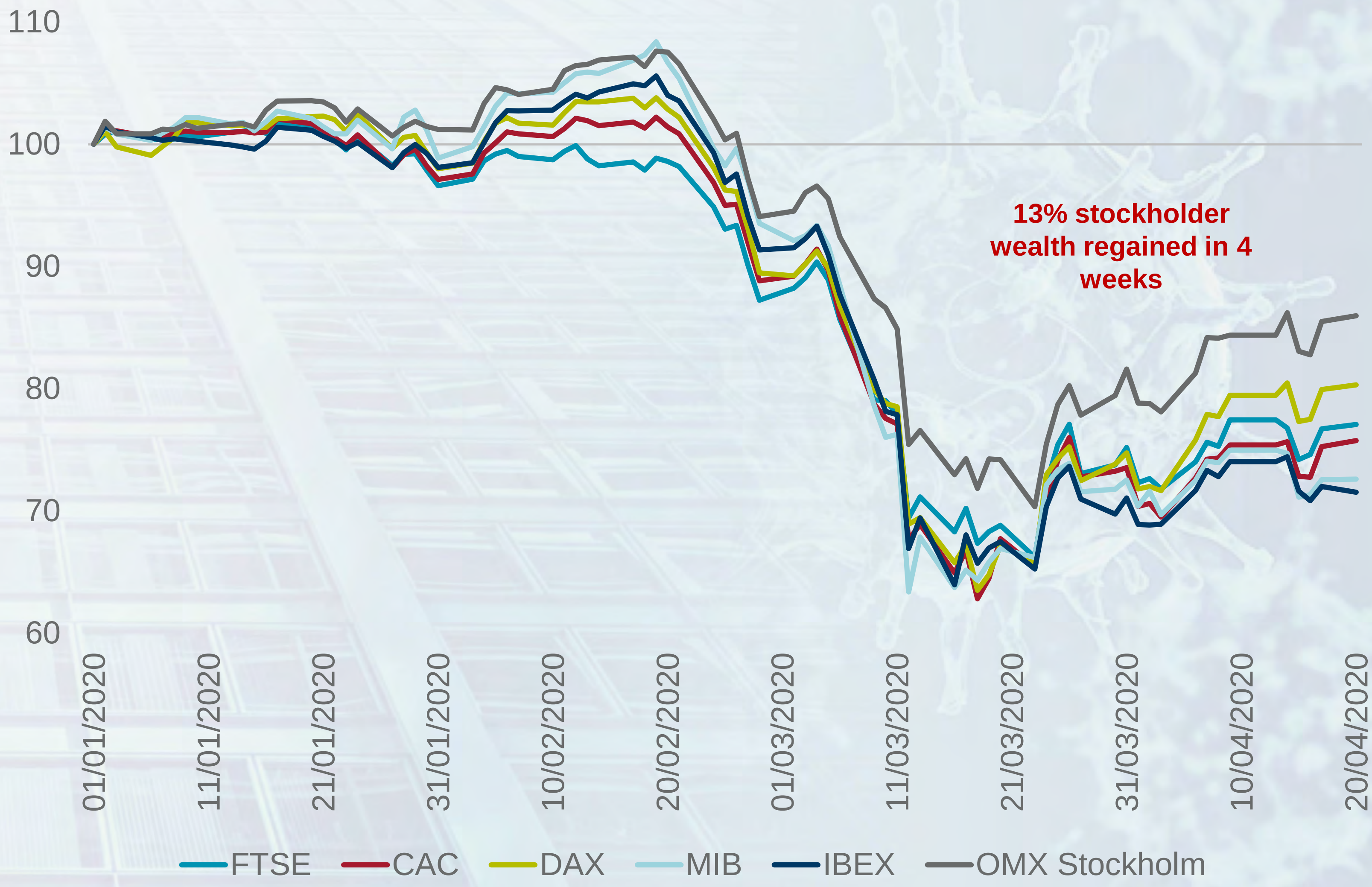
Key Observations:

- The sharp decline will be painful, as painful as it gets, but relatively short-lived. One horrible quarter, which we are already in.
- After that, there is growth. Whether growth is fast or slow depends on a lot of factors, but in all three scenarios demand start rising in H2 2020.

STOCK MARKET LOOKING MORE OPTIMISTIC

European Indices



Source: Bloomberg, as at April 2020

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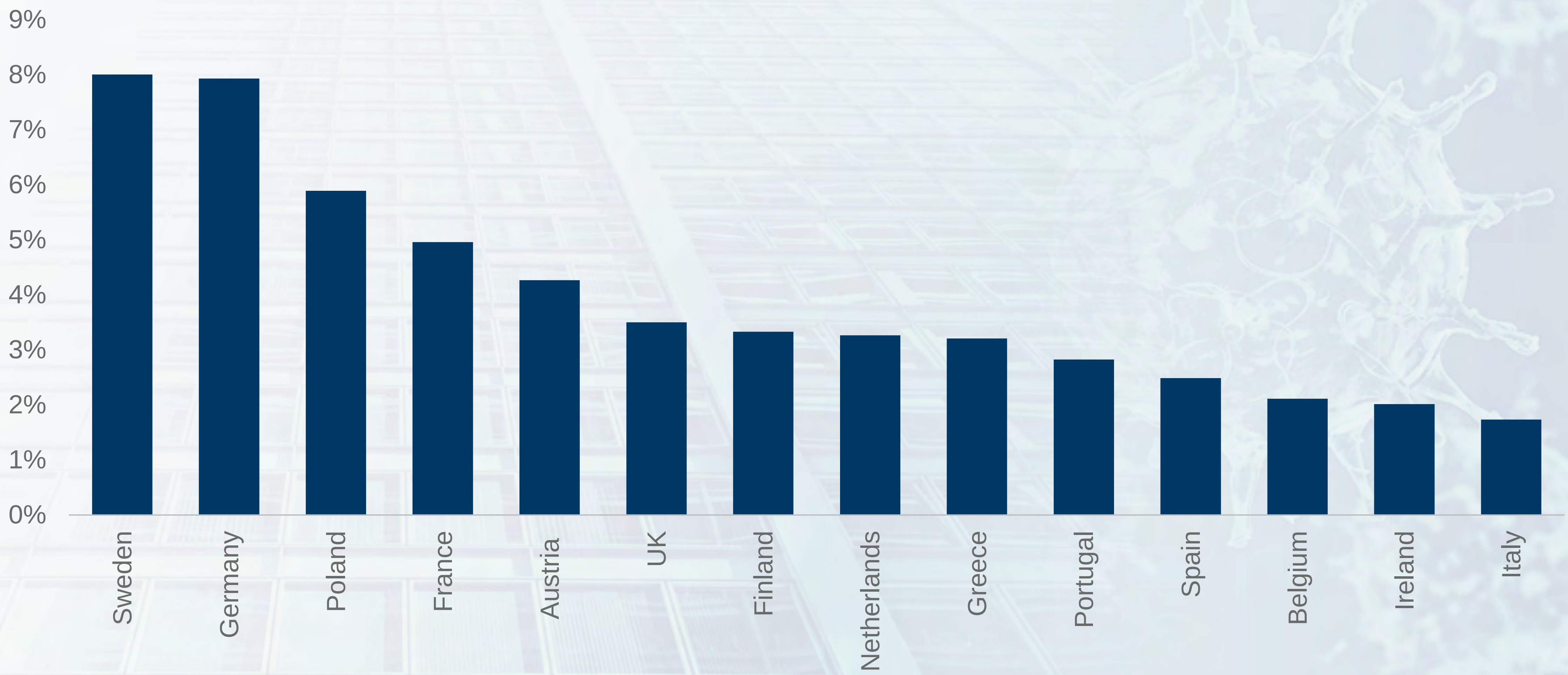
Key Observations:

- Equity markets still swinging wildly but have generally been rallying for the last few weeks.
- The rebound is likely due to the speed and size of the unprecedented fiscal and monetary response.
- This implies that investors have removed the darkest tail risk scenario (i.e. coronavirus forever, not enough stimulus).
- As real estate investor's confidence returns, perhaps this is an early indication of the potential rebound to occur in investment sales.

POLICY RESPONSE BIG & FAST

2020 Stimulus Programs as Percentage of 2019 GDP (exclude loans guarantees)



Source: Oxford Economics, as at April 2020

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...GLOBAL MONETARY POLICY AS WELL

CENTRAL BANK	POLICY RATE – MAR 2020	POLICY RATE – MAR 2019	DATE OF LATEST RATE CHANGE	DIRECTION OF LATEST RATE CHANGE	EASING/ TIGHTENING	OTHER MEASURES
European Central Bank	0.00%	0.00%	Mar 2016	Down	Easing	• Additional longer-term refinancing operations. • Additional €120B Euro net asset purchases will be added until the end of the year. • Interest rates remain unchanged. Reinvestments of principal payments from maturing securities to continue.
Bank of England	0.25%	0.75%	Mar 2020	Down	Easing	• Term Funding Scheme introduced with additional incentives for small and medium-sized enterprises. • Maintain stock of UK government bond purchases financed by issuance of GBP 435B of central bank reserves.
Federal Reserve	0.00% to 0.25%	1.00 to 1.25%	Mar 2020	Down	Easing	• Over the coming months will increase holdings of Treasury securities by at least $500B and agency MBS by at least $200B. • Announced special credit facility to purchase corporate debt that could total $1T funded by Treasury Exchange Stabilization Fund. Will extend liquidity of up to $5T.
Bank of Canada	0.75%	1.75%	Mar 2020	Down	Easing	• Establishing a Business Credit Availability Program which will further support financing in the private sector, adding $10B to support businesses. • Also lowering Domestic Stability Buffer requirement for systemically important banks by 1.25%.
People's Bank of China	4.05%	4.35%	Feb 2020	Down	Easing	• Not issuing any "short-term stimulus" measures. Has focused on measures to relieve financial stresses on companies and their creditors.
Bank of Japan	-0.10%	-0.10%	Feb 2016	Down	Easing	• Holding rates steady buy will double purchases of ETFs (risky assets) to about ¥12T to help companies get loans.
Reserve Bank of Australia	0.50%	1.5%	Mar 2020	Down	Easing	• $90B in funding to SMEs. • Emergency rate cut and QE.
Reserve Bank of India	5.15%	6.25%	Oct 2019	Down	Easing	• $2B US dollar sell/buy swap & LT Repo Operation of up to 1T Rs.

Source: Various Central Banks

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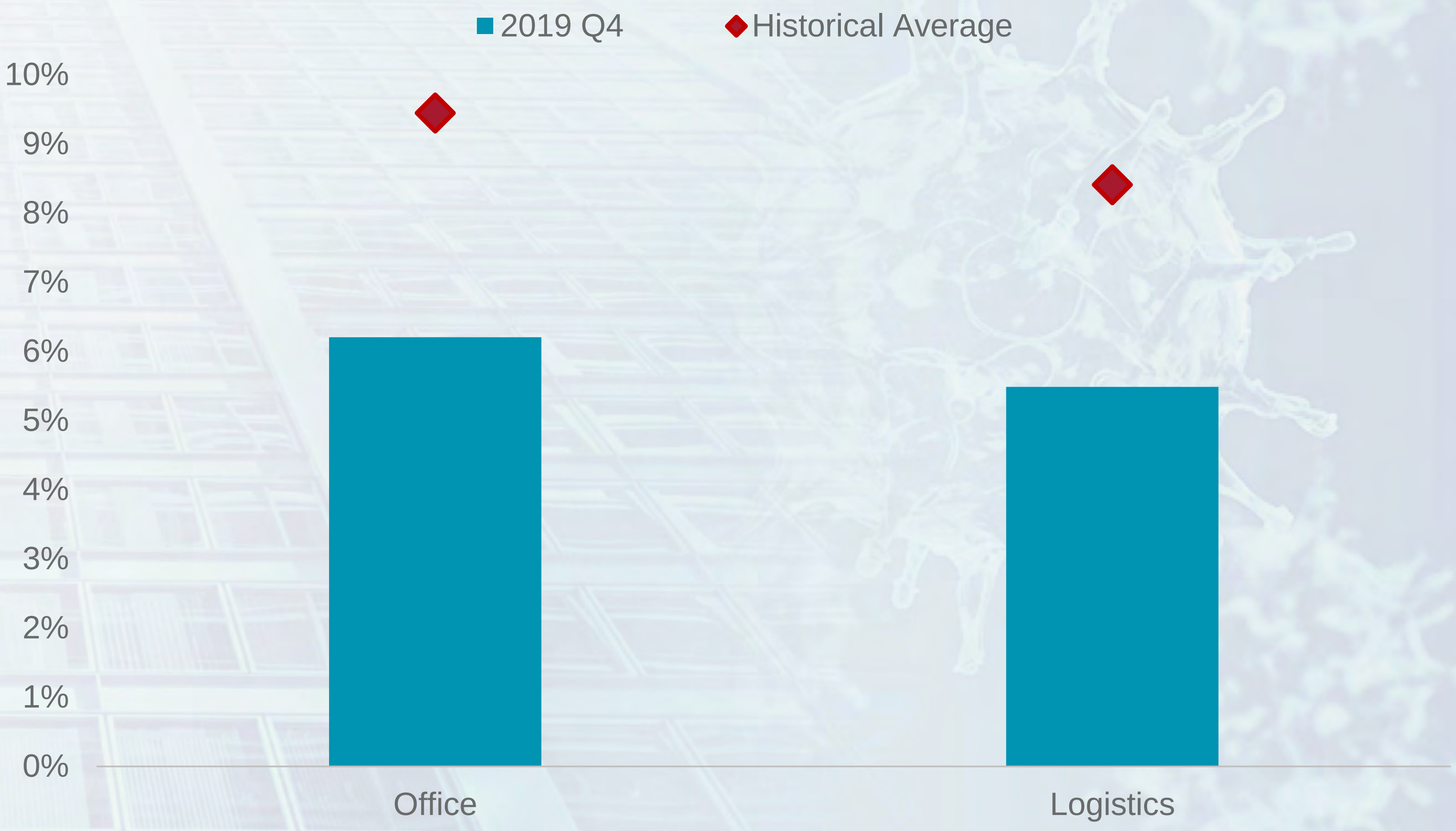
CRE FUNDAMENTALS

Generally solid coming into the crisis, but now feeling the COVID-19 impact.

CRE ENTERS THE CRISIS ON SOLID FOOTING

Overall European Vacancy Rates Below Historical Averages*



Source: Cushman & Wakefield Research

*Select Markets; Historical average = annual average 2010-2019

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Key Observations:

- Commercial Real Estate (CRE) entered this crisis with generally solid fundamentals across European Countries.
- Vacancy rates are well below their 10 years historical average in both office and logistics sectors:
  - Office: 270 bps
  - Logistics: 230 bps
- Construction activity has been more disciplined than in the previous cycle.

OFFICE SECTOR

EUROPEAN OFFICE LEASING: PRELIMINARY OBSERVATIONS

Market Moving Slowly, Marked by Delays and Uncertainty

- Many occupiers and landlords are in ***"wait-and-see" mode***. Companies are distracted by the impact to current operations; focused on figuring out how to deal with remote workers, closed locations and disrupted supply chains.
- Broadly speaking, tenants and office landlords are having positive conversations about how to manage the current situation. ***Cash flow*** is an issue for occupiers, but the vast majority of office and logistics rent was paid. There is now more space for further discussions / negotiations. Many occupiers are asking for rent free periods. In return landlords are asking for a longer lease.
- COVID-19 is causing disruptions to ***construction projects***. Builders are having a difficult time getting materials due to supply chain disruptions and getting the labor, permits, and inspections needed to build due to social distancing and construction moratoriums.
- There are a few examples where ***landlords*** will not sign previously agreed upon contracts because they have lost faith that they can deliver the space needed for the tenant due to COVID-19 uncertainty.
- There is a clear ***slow down*** in activity, as travel restrictions and government quarantines will minimise the ability to for new inspections. Although demand will be severely hit in 2020, new development will also moderate, and with vacancy rates averaging just 6% for the markets that we forecast, the expected fall in headline prime rents is lower than economic data might suggest, although rent holidays of 3-6 months will clearly drive a larger decline in net effectives.
- Some occupiers are ***considering shorter-term leases*** during a period of increased uncertainty, and are requesting to investigate blend and extend or are asking to renegotiate terms.
- ***Coworking providers*** are a concern, however, over the medium to long term this enforced period of working from home could herald a new era of working with more smart working and, despite short term difficulties, more co-working.
- ***Workplace management*** will be particularly important as occupiers realise that they don't need as much office space as they previously thought. In addition, when will all return to work we will need to maintain social distancing. To embrace the new normal CW is helping clients to incorporate the 6 feet office concept into workspaces.

Source: Cushman & Wakefield Research, as at April 2020

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HOT OFF THE PRESS

European Office Market – Quarterly Data (Select Markets)

DEMAND (ABSORPTION – SQ.M)*

	Q1 2019	Q1 2020	DIRECTION
Europe	**2,488,930**	**1,699,742**	↓
Munich	193,700	177,600	↓
Warsaw	140,123	138,898	↓
Berlin	233,700	129,700	↓
Dusseldorf	96,000	115,000	↑
Copenhagen	212,480	101,365	↓
Stockholm	125,000	100,000	↓
Milan	118,233	99,209	↓
Hamburg	138,900	96,090	↓
Amsterdam	66,242	93,085	↑
Madrid	142,223	83,225	↓
Budapest	79,984	79,659	↓
Prague	114,008	69,614	↓

SUPPLY (VACANCY RATE)*

	Q1 2019	Q1 2020	DIRECTION
Europe	**7.2**	**6.6**	↓
Munich	3.1	2.5	↓
Warsaw	9.1	7.5	↓
Berlin	1.3	1.6	↑
Dusseldorf	7.5	6.8	↓
Copenhagen	7.3	8.0	↑
Stockholm	6.7	6.5	↓
Milan	11.9	10.1	↓
Hamburg	3.6	3.3	↓
Amsterdam	6.6	5.9	↓
Madrid	10.1	8.2	↓
Budapest	7.1	6.2	↓
Prague	4.3	5.4	↑

Source: Cushman & Wakefield Research

* Tables compiled as at April 2020 – Data for Belgium, France, Norway, Bulgaria and Austria not available

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HOT OFF THE PRESS

U.K. Office Market Forecast – Quarterly Data (Select Markets)

DEMAND (ABSORPTION – SQ.M)*

	Q1 2019	Q1 2020	DIRECTION
United Kingdom	**311,232**	**289,873**	↓
London (City)	121,487	121,743	↑
London (West End)	94,343	51,041	↓
Birmingham	18,024	31,492	↑
Manchester	29,239	28,726	↓
Bristol	5,401	20,394	↑
Glasgow	9,697	18,313	↑
Leeds	19,466	13,399	↓
Newcastle	2,174	3,235	↑
Cardiff	11,401	1,529	↓

SUPPLY (VACANCY RATE)*

	Q1 2019	Q1 2020	DIRECTION
United Kingdom	**6.3**	**5.8**	↓
London (City)	4.4	5.1	↑
London (West End)	3.6	3.6	↑
Birmingham	7.0	5.5	↓
Manchester	11.2	13.6	↑
Bristol	4.1	3.1	↓
Glasgow	10.4	7.8	↓
Leeds	8.4	7.4	↓
Newcastle	8.5	7.4	↓
Cardiff	4.9	4.7	↓

Source: Cushman & Wakefield Research

* Tables compiled as at April 2020 – Data for Edinburgh not available

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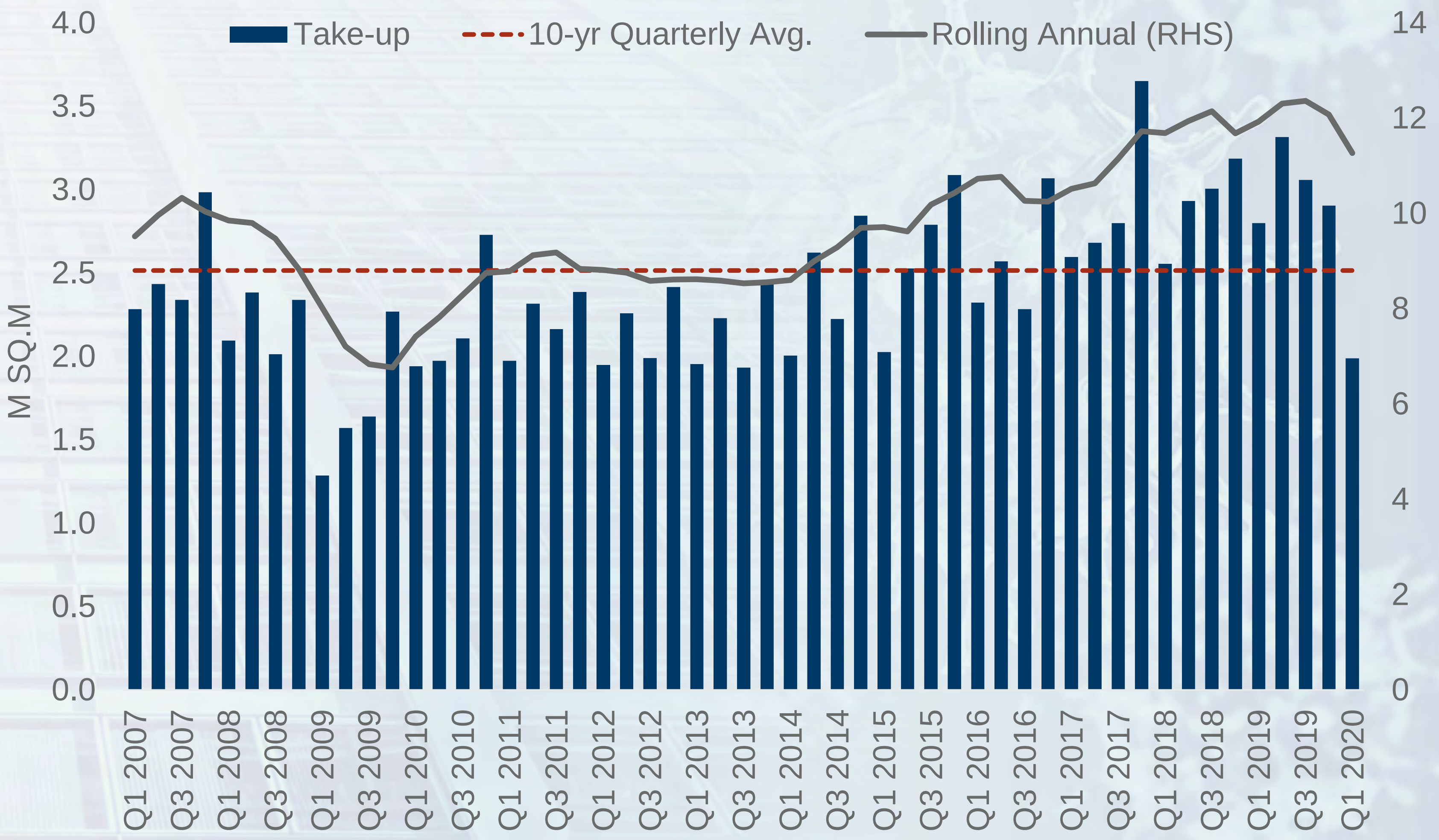
SLOWDOWN IN LEASING ACTIVITY IN Q1

European Leasing Activity*



Source: Cushman & Wakefield Research

* Chart compiled as at April 2020 – Data for Belgium, France, Norway, Bulgaria and Austria not available

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Key Observations:

- Demand was significantly down in Q1 2020 while occupiers in the majority of European office markets are adopting a “wait and see” approach.
- Current demand is very scarce as companies are postponing expansion plans and rethinking their space requirements. Therefore, Q2 2020 is expected to be a historically slow quarter.
- In 2020 we will see a sharp reduction in leasing activity across Europe. However, a rebound is expected in 2021.

TOP 30 OFFICE CONSTRUCTION MARKETS

Europe: Estimated New Completions, 2020-2021

Rank	City	Completions	% of Inv.
1	Berlin	1,382,200	7.4%
2	London	1,061,530	4.7%
3	Munich	923,400	4.4%
4	Warsaw	737,000	13.2%
5	Bucharest	523,360	16.9%
6	Brussels	505,000	3.8%
7	Paris	454,862	2.3%
8	Budapest	444,572	12.0%
9	Hamburg	439,200	2.9%
10	Luxembourg	438,000	10.6%
11	Frankfurt	421,900	3.6%
12	Prague	409,186	11.2%
13	Dusseldorf	375,000	4.1%
14	Lyon	374,820	6.1%
15	Oslo	325,000	3.4%

Rank	City	Completions	% of Inv.
16	Dublin	320,000	8.5%
17	Barcelona	279,407	4.2%
18	Vienna	275,000	2.4%
19	Sofia	255,000	12.7%
20	Copenhagen	245,300	2.1%
21	Stockholm	224,000	1.9%
22	Marseille	211,866	4.8%
23	Bratislava	203,046	11.0%
24	Helsinki	178,231	2.0%
25	Amsterdam	154,660	2.6%
26	Milan	152,420	1.2%
27	Madrid	134,000	1.0%
28	Lisbon	122,167	2.6%
29	Antwerp	110,492	4.8%
30	Glasgow	71,902	5.7%

Source: Cushman & Wakefield Research, as at April 2020

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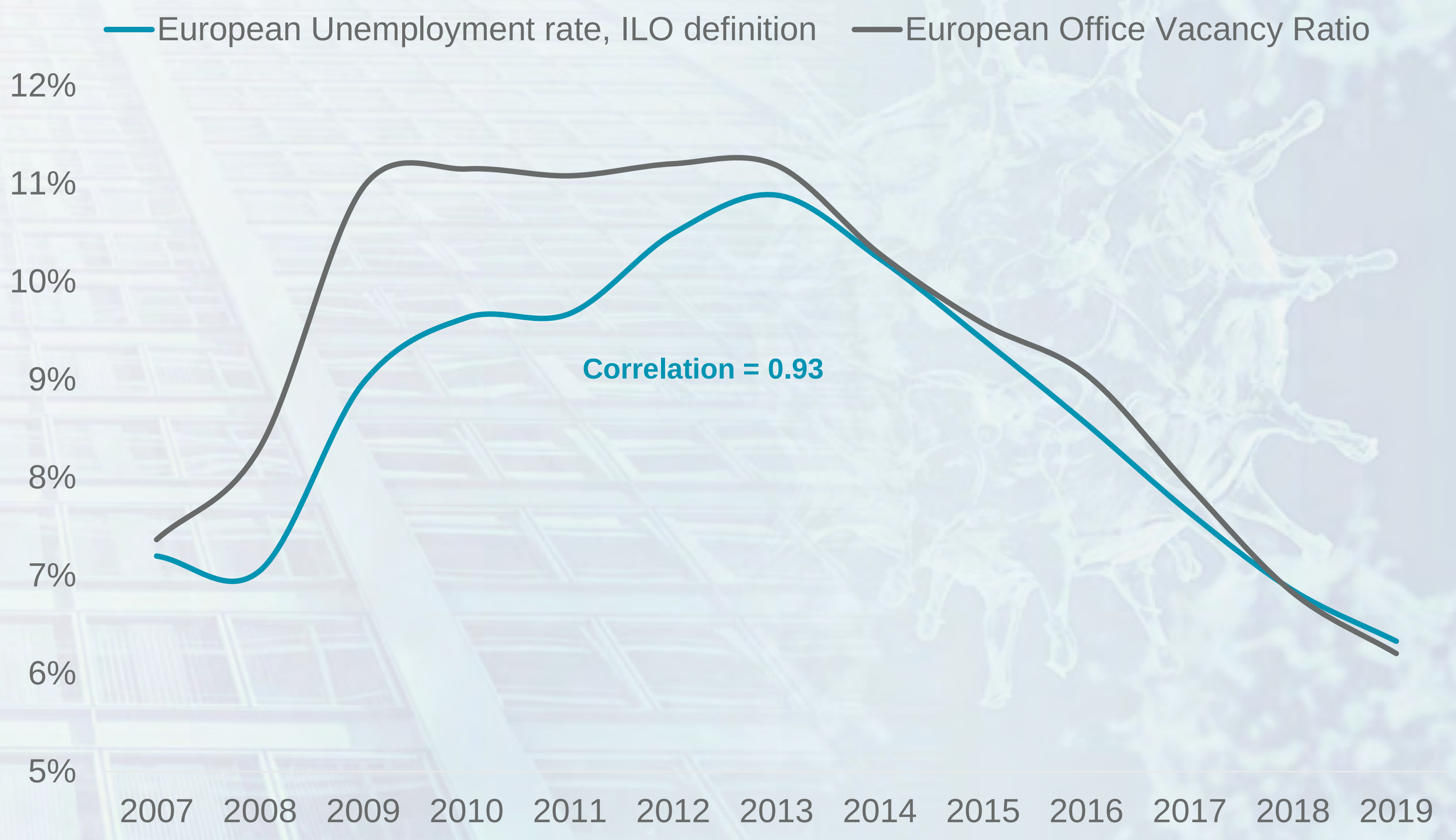
Key Observations:

- New deliveries over the past two years have been considerably lower than the two years leading into the previous recession (GFC):
  - 2008-2009: 17.1m sq.m.
  - 2018-2019: 11.6m sq.m.
- However, over 2020-2021 period some markets are scheduled to add significant supply – 15.3m sq.m., which is expected to increase vacancy rates across Europe.

AS UNEMPLOYMENT GOES, SO GOES VACANCY

European Unemployment & Office Vacancy Ratio



Source: Cushman & Wakefield Research, Oxford Economics

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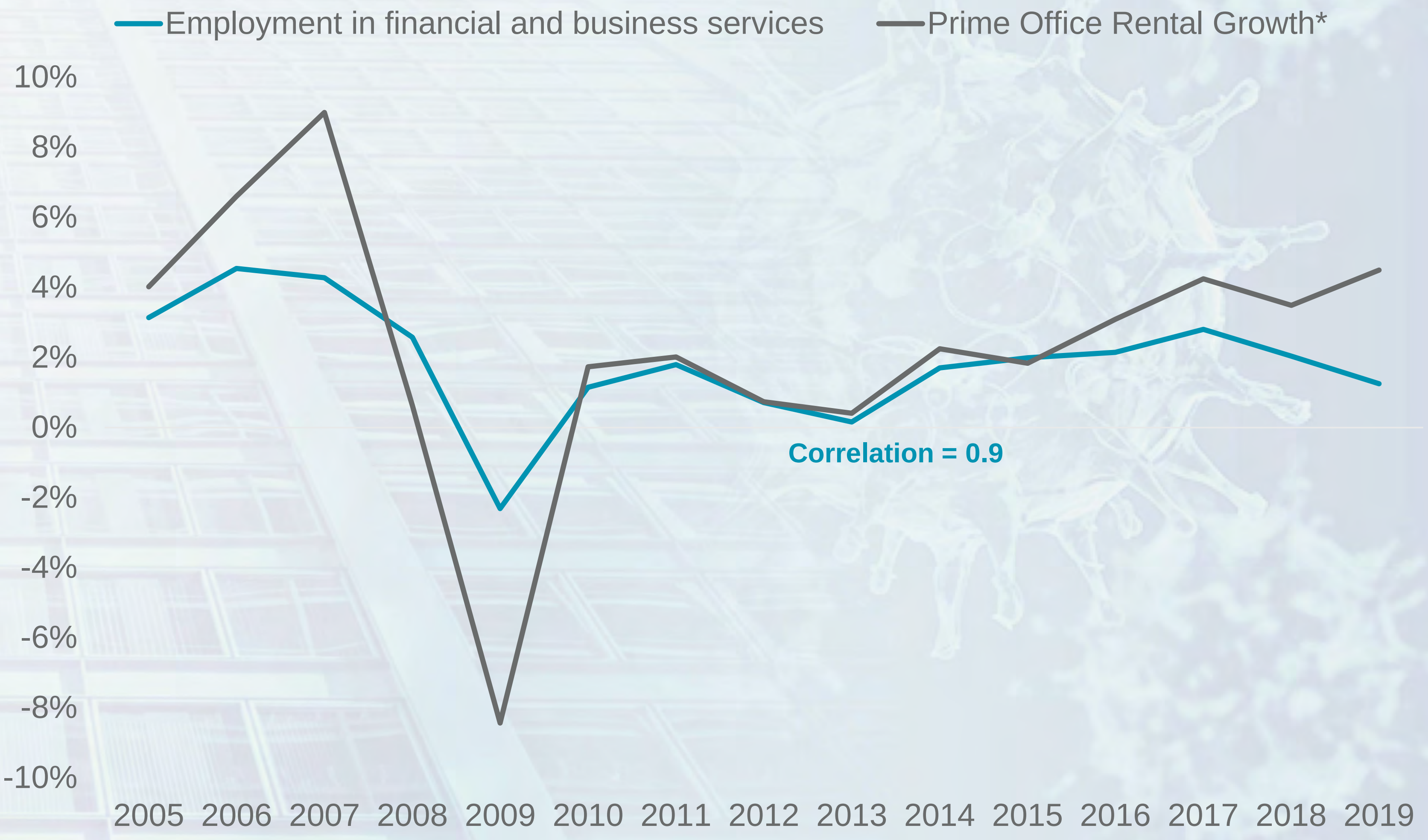
Key Observations:

- Office vacancy & unemployment generally trend together, with strong correlation (0.93).
- However, the brief surge in remote working should not, on its own, cause office vacancy rates to rise significantly right away because many leases are longer-term and will take time to adjust.
- Moreover, over the short term workspace density will decrease given social distancing requirements, offsetting the reduction in workforce located in the office.
- The unemployment rate will be a key metric to watch going forward – not just the immediate spike, which is now expected, but also the trajectory of the improvement during the recovery.

RENTS EXPECTED TO COME UNDER PRESSURE

Europe (excluding UK)



Source: Cushman & Wakefield Research, Oxford Economics Baseline

* 37 Selected Prime European Office Markets

CUSHMAN & WAKEFIELD

Key Observations:

- Office rental growth & employment in financial and business services (FBS) generally trend together, with strong correlation (0.9).
- Although demand will be severely hit in 2020, new development will also moderate. As such vacancy rates averaging just 6% for the markets we forecast.
- With employment growth expectation in FBS still in positive territory, the expected fall in headline prime rents is relatively modest than other economic indicator might suggest. However, rent holidays of 3-6 months will clearly drive a larger decline in net effective.

INDUSTRIAL SECTOR

EUROPEAN LOGISTICS LEASING: PRELIMINARY OBSERVATIONS

Not All Good News, but Trajectory Remains Robust

- During this pandemic, consumers are ***shifting to online grocery*** which though still in its infancy, is expected to quickly become a viable option to bricks & mortar grocery shopping. Grocery stores have been functioning as hybrid distribution centre/last mile depots. Over the past few weeks, warehouse space inquiries from grocery retailers has picked up in a number of markets.

- ***Reliance on global materials and parts sourcing has become a disadvantage for manufacturers in Europe***. The automobile industry has been hit the hardest as most plants have been closed. However, the news is not all bad. Europe's industrial belt in Central Europe is experiencing a significantly lower number of virus infections that is leading these countries to consider relaxing confinement orders. Still global supply chain and production chain disruptions mean that many plants cannot become fully operational until the virus is under control globally.

- Once the virus is under control, the expectation is that over the mid-term***, manufacturers will revert back to holding more inventory and move away from "just-in-time" inventory management***. Consequently more warehouse space especially near gateway ports and factories is expected.

- ***The urgency to move goods and make deliveries is exacerbating Europe's already constrained labour pools***, especially a shortage of drivers. The reinstatement of borders between EU member states intended to prevent the spread of the virus, has curtailed cross-border movement of goods. Pan-European and regional distribution centres are currently limited in their geographic reach, putting more emphasis on national and local distribution.

- ***Distribution warehouse stock in Europe's top logistics markets was already constrained pre-pandemic***. Vacancy rates are estimated to be below 5% in most markets. We expect that space requirements will rise in response to a faster shift to online for more product categories that will require retailers in addition to manufacturers to hold more inventory as a cushion against a potential second virus wave. The temporary pause in BTS and speculative development will aggravate already severe supply constraints. Thus, our view is that prime rents for major logistics location in Europe will largely remain resilient in 2020

Source: Cushman & Wakefield Research, as at April 2020

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HOT OFF THE PRESS

European Industrial 2020 – Quarterly Data (Select Markets)

RENTAL LEVEL (€/SQ.M./MONTH)

	Q1 2019	Q1 2020	DIRECTION
Brussels	4.83	4.83	↔
Prague	4.25	4.25	↔
Copenhagen	6.71	6.98	↑
Helsinki	9.25	9.25	↔
Paris (IDF)	4.67	4.75	↑
Frankfurt	6.20	6.30	↑
Budapest	4.50	4.90	↑
Dublin	8.33	9.00	↑
Milan	4.50	4.67	↑
Amsterdam	7.50	7.50	↔
Oslo	8.51	9.25	↑
Warsaw	3.70	3.80	↑
Lisbon	4.00	4.00	↔

	Q1 2019	Q1 2020	DIRECTION
Bratislava	3.90	4.00	↑
Barcelona	6.75	7.25	↑
Gothenburg	5.84	6.03	↑
London (Heathrow)	15.94	15.94	↔
Edinburgh	8.74	8.74	↔
Bristol	7.45	7.71	↑
Glasgow	7.71	7.71	↔
Birmingham	7.04	7.20	↑
Manchester	7.20	7.20	↔
Cardiff	6.68	6.68	↔
Leeds	6.43	6.68	↑
Newcastle	5.65	5.65	↔

Source: Cushman & Wakefield Research; as at April 2020

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LEASING ACTIVITY STILL HEALTHY BUT SLOWER

UK Leasing Activity by Quarter (Gross Take-up)

Source: Cushman & Wakefield Research; CoStar; as at April 2020

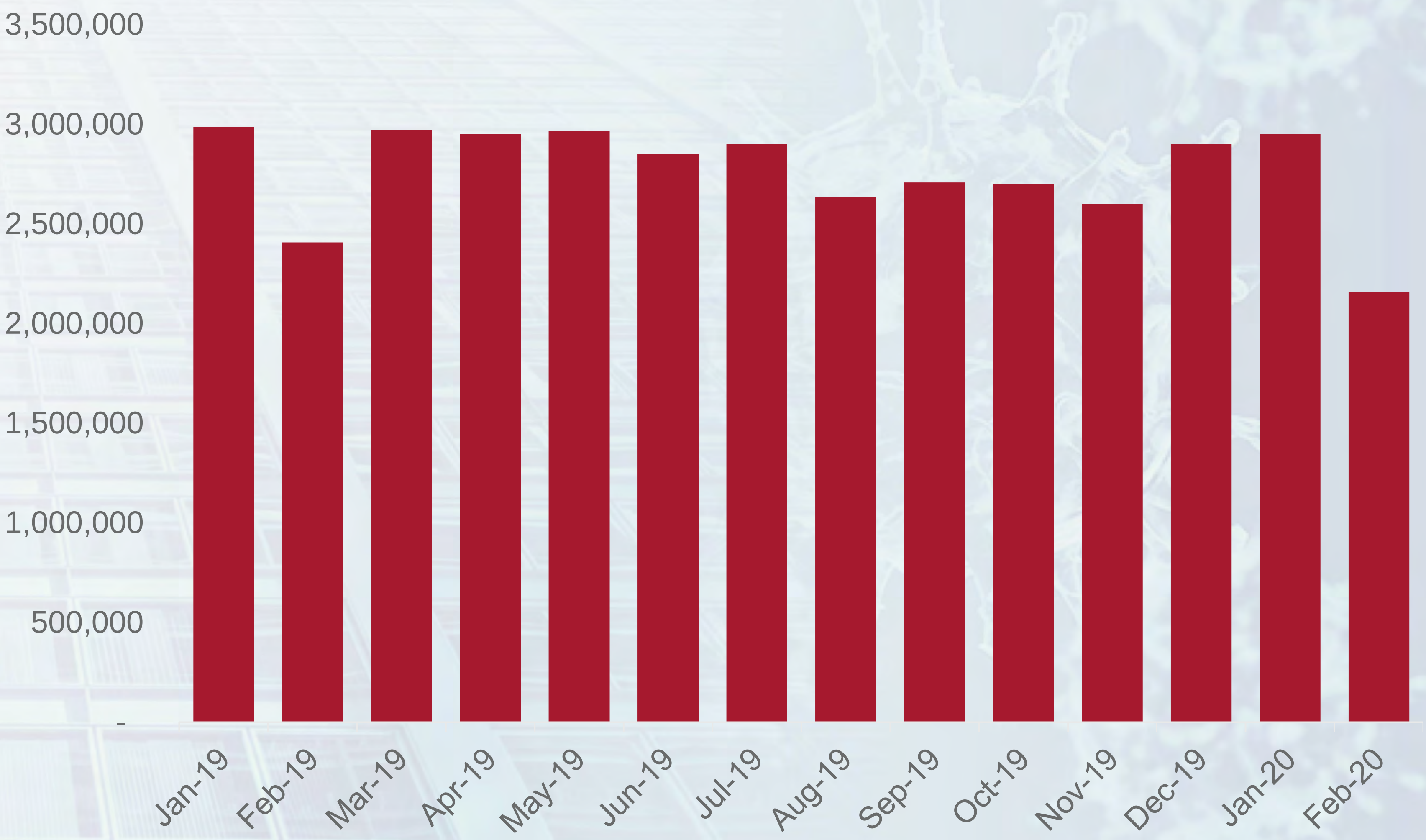
CUSHMAN & WAKEFIELD

Key Observations:

- With the market going quiet in March, Q1 take-up was down 31% to 5.5 million sq.ft. compared to the 10-year average.
- The lockdown has lead to a surge in short-term requirements from grocers and other businesses to cope with online demand.
- Availability continued its upward trend but supply growth is set to slow reflecting a more prudent approach towards speculative development.
- Overall, the market is better placed to withstand a demand shock with availability still some 25% below its GFC peak.

EUROPEAN CONTAINER VOLUMES DOWN

Monthly Imports, Millions of Twenty-Foot Equivalent Units (TEUs)



Source: Cushman & Wakefield Research; CTS Container Trade Statistics

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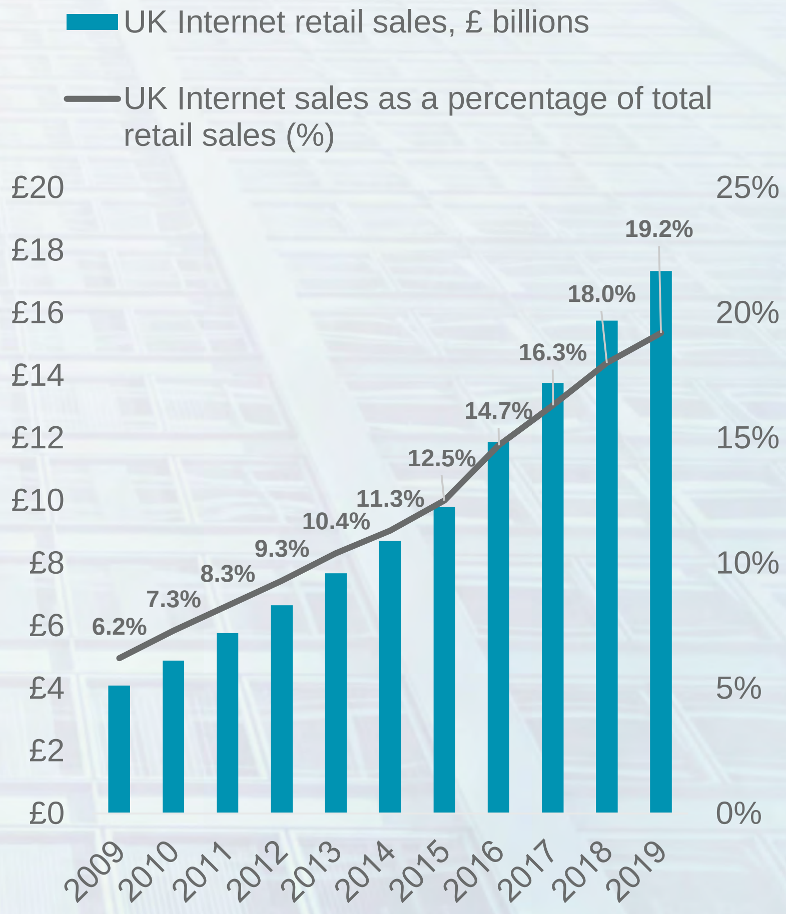
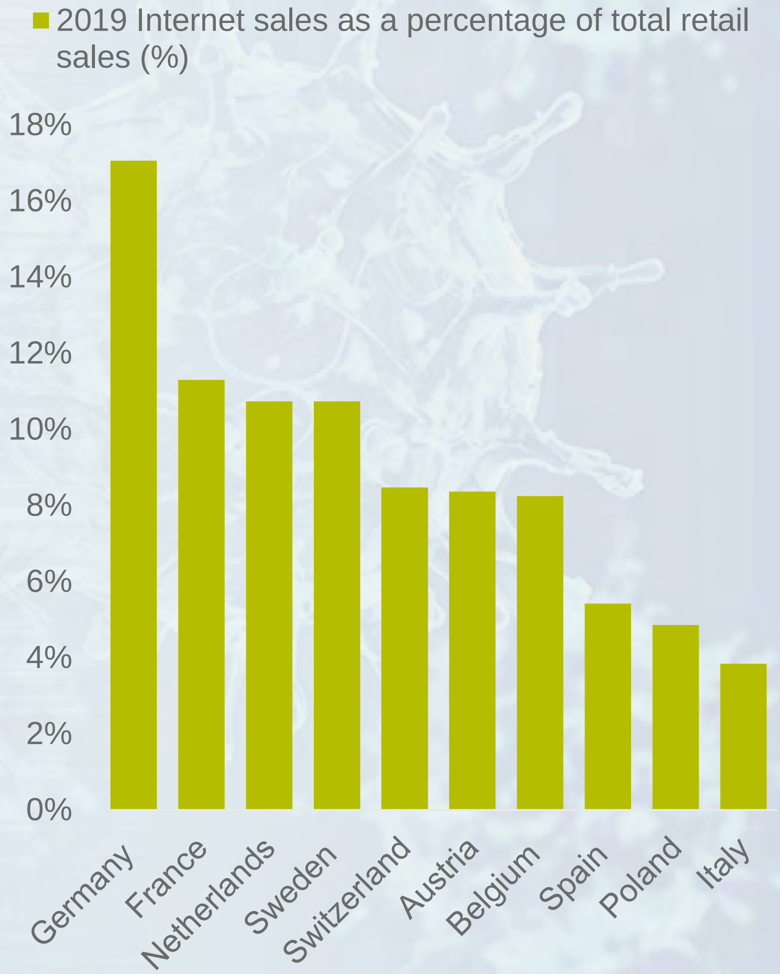
Key Observations:

- Disruptions in supply chains in Asia Pacific led to a drop of 5% in retail imports during the first two months of the year compared with January-February 2019. March volumes are expected to further slow down.
- Eurozone Manufacturing PMI fell to 33.6 in April from 44.5 in March. Figures pointed to the biggest drop in factory activity since 2009 as measures taken to contain the coronavirus outbreak led to temporary business closures.
- We expect the disruption in global trade to negatively impact industrial demand.

ACCELERATING SHIFT TO E-COMMERCE

eCommerce Sales Trends





Source: Cushman & Wakefield Research; ONS

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Key Observations:

- The necessity of shelter-in-place is accelerating the long-term shift to eCommerce. The current pandemic is likely to induce some longer-lasting behaviors in consumers.
- Across Europe, online penetration tends to be lower than in the UK , although online continues to take an increasing share of the total in all markets.
- Near-term stress combined with long-term strength is a potent formula for investment opportunity.

RETAIL SECTOR

EUROPEAN RETAIL LEASING: PRELIMINARY OBSERVATIONS

Economic Impact of COVID-19 Will Accelerate Key Trends Already in Play

- The retail sector is *facing the most negative consequences with just 44% of rent having been paid to UK retail landlords in Q1*.* ***The retail crisis is due to the nature of social distancing measures*** *and the unstable financial position of many retailers in a period when demand has* been structurally shifting online.

- ***Covid-19 will accelerate structural changes across the retail sector.*** E-commerce is currently the only channel connecting with consumers for many categories of retail. While consumers will eventually return to brick-and-mortar stores, there is likely a permanent shift in behavior for many consumers.

- ***Necessity retail*** (i.e., grocery, convenience and drug stores) will be a bright spot; such sales have surged recently. The near-term economic impact of the crisis means that consumers will be focused on value and essentials both in-store and online.

- Social distancing will ***temporarily halt some of the hottest trends*** in physical retail: experiential concepts, entertainment, food and beverage, food halls, fitness clubs, upstart independent brands, digital native retailers and pop-up stores.

- Retail is moving from being a standalone shopping destination to becoming the ultimate amenity in live/work/play communities. The crisis will accelerate the ongoing trend of malls and shopping centers adding ***mixed-use elements***.

- Many retailers already struggling with high debt loads will be ***dependent on government support to survive***.

Source: Cushman & Wakefield Research, as at April 2020

*Average of figures reported for Q1 2020 by intu, Hammerson, NewRiver and Capital & Regional

LOW DEVELOPMENT ACTIVITY IN SHOPPING CENTRE

European Shopping Centre Market Q1 2020 (Select Markets)

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DEVELOPMENT PIPELINE (UNDER CONSTRUCTION) AS % OF STOCK

COUNTRY	AVERAGE 2015-19	AVERAGE 2020-21	DIRECTION
Belgium	3.2%	0.8%	↓
Czech Republic	1.5%	0.7%	↓
Finland	3.9%	0.4%	↓
France	1.7%	1.4%	↓
Germany	0.7%	0.5%	↓
Ireland	0.4%	1.1%	↑
Italy	1.0%	0.2%	↓
Netherlands	1.7%	0.5%	↓
Norway	1.0%	0.0%	↓
Poland	2.8%	1.8%	↓
Romania	4.8%	2.9%	↓
Russia	4.7%	3.7%	↓
Slovakia	2.2%	5.5%	↑
Spain	1.3%	0.9%	↓
Sweden	1.8%	0.6%	↓
Turkey	5.2%	6.4%	↑
United Kingdom	0.7%	0.7%	↔

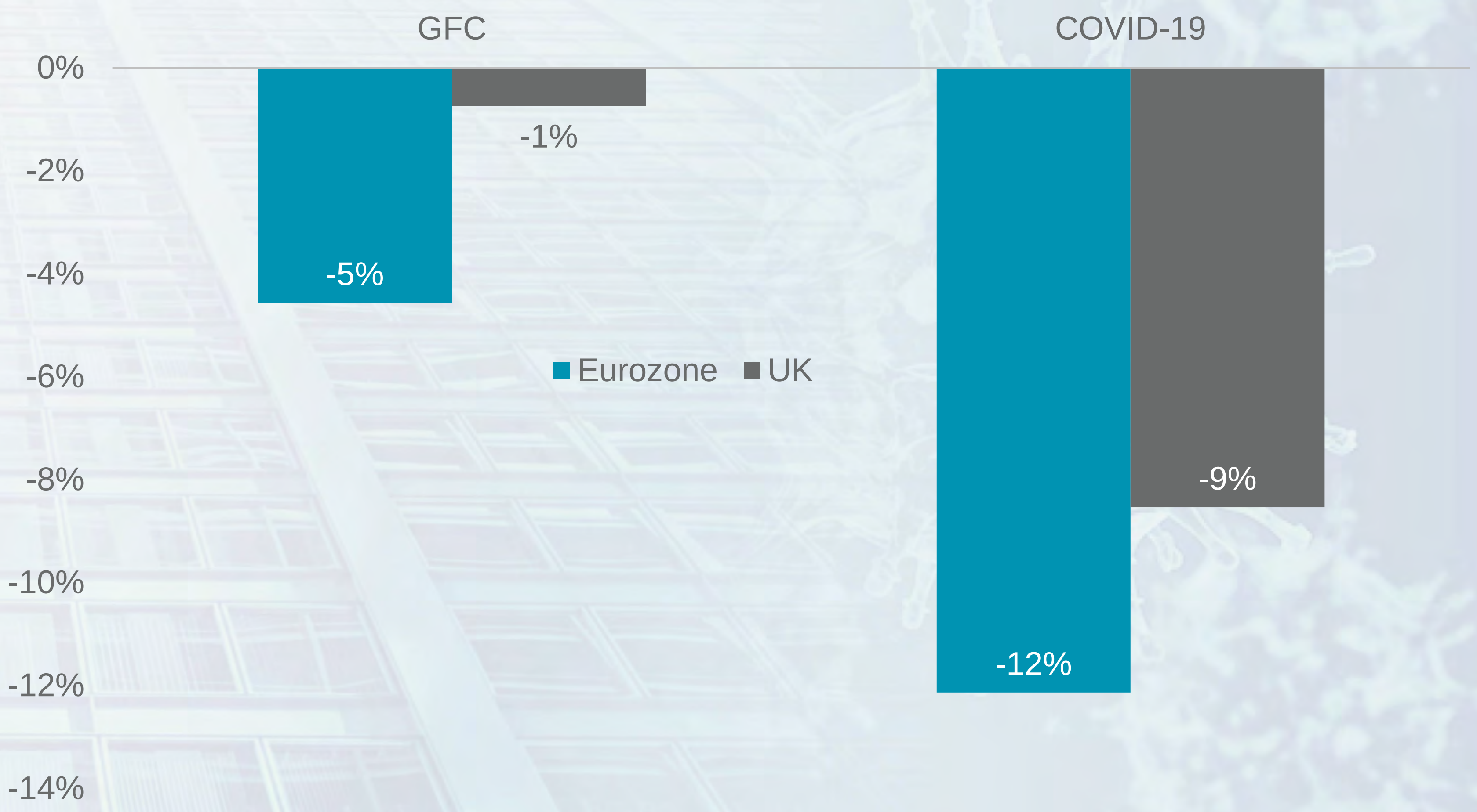
Source: Cushman & Wakefield Research

Key Observations:

- Despite the significant increase in development expected for 2020, overall 5.8 million sqm of new shopping centre space is expected to be completed in 2020-2021. This represents an 11% drop on the amount of space that was under construction as at 1st January 2019.
- However, many under construction shopping centres, which were originally planned for H1 2020 opening, are being postponed to H2 2020 or 2021.

RETAIL DEMAND NEGATIVE IN H1 2020

Retail Sales Value Index, six months % change



Source: Oxford Economics, as at April 2020

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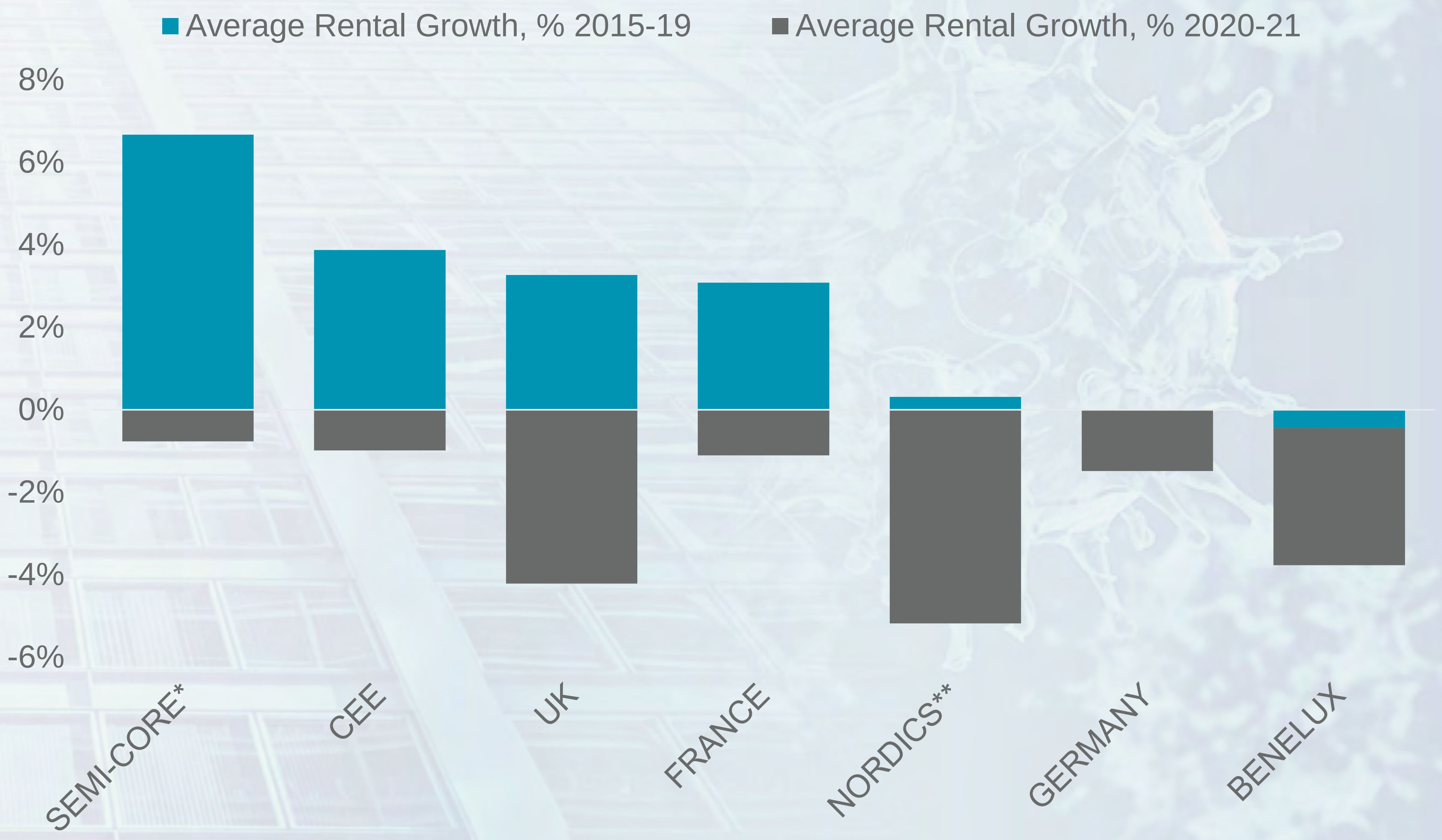
Key Observations:

- Given the lockdown, the decline in retail sales will be far more severe than the GFC.
- The consumer demand side of the equation remains very unclear. Household balance sheets are being impacted and confidence remains fragile.
- Some consumer spending rebound is expected to occur in 2020H2, but again, much demands on how quickly the coronavirus situation resolves.

ACCELERATING STRUCTURAL CHANGES

Prime Retail Rental Growth, % p.a. by Group



Source: Cushman & Wakefield Research, as at April 2020

*SEMI-CORE includes Italy, Spain, Portugal and Ireland; ** NORDICS includes Denmark, Finland, Norway and Sweden

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Key Observations:

- Covid-19 will accelerate structural changes across the retail sector.
- We expect prime retail rents to decline over the next 2 years across Europe.
- In the short term, we see the greatest impact of structural changes on the most advanced markets of North Western Europe; while structural changes in CEE and Southern Europe will take more time to filter through as online penetration tends to be lower than in other markets.

CAPITAL MARKETS

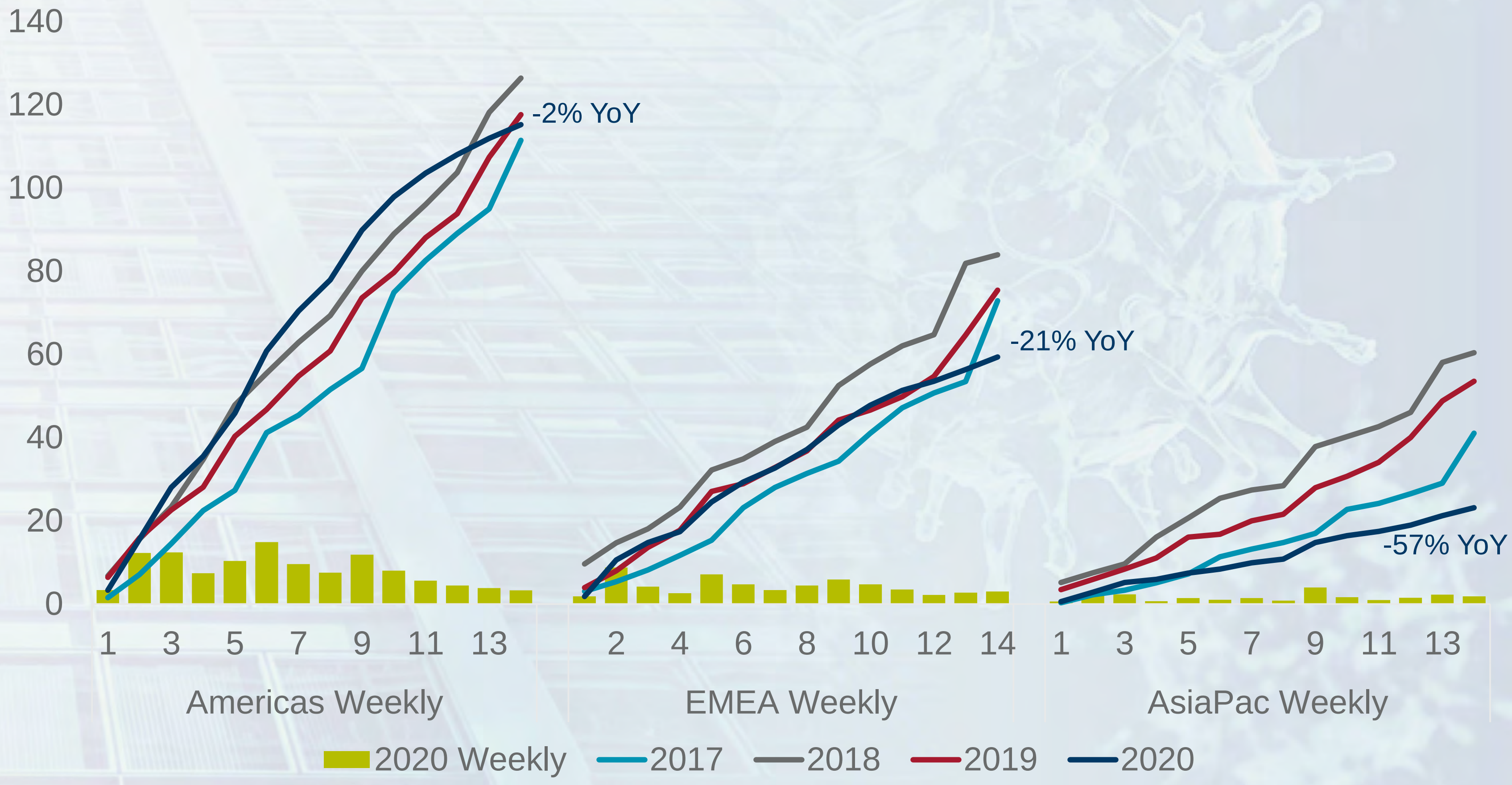
Most investors remain in a “wait and see” posture.

INVESTMENT SALES SLOWING QUICKLY

Expect Similar Sudden Stop in Transaction Activity in EMEA, Americas

Global Year-to-Date Transaction Activity

Dollars in billions



Source: RCA, Cushman & Wakefield Research

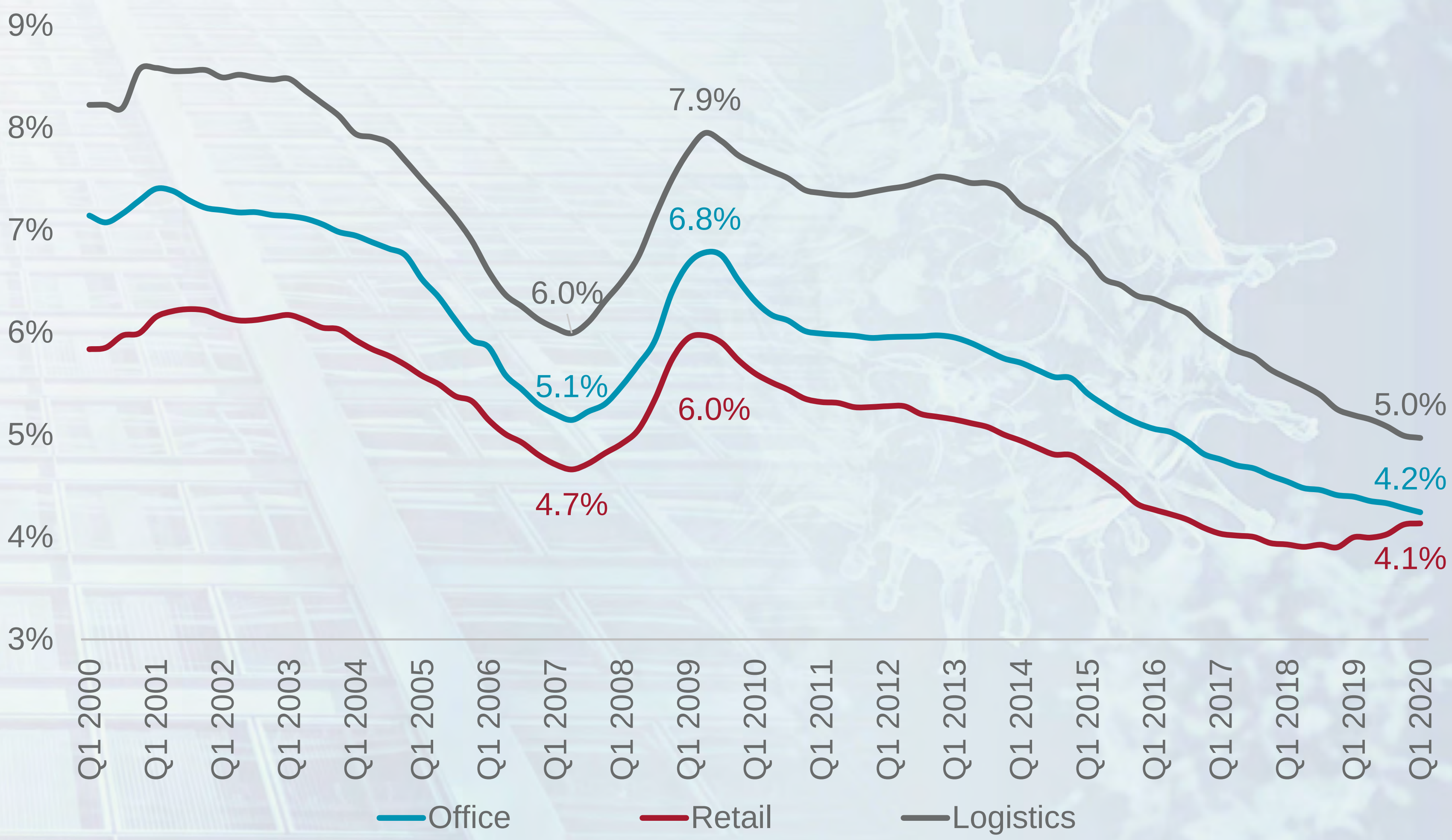
CUSHMAN & WAKEFIELD

Key Observations:

- Sales data is still being compiled for Q1, but expect sharp drops in activity to be reported across all global regions.
- Early readings out of Asia Pacific – the first to feel the full brunt of COVID19 – show sales down ~57% compared to a year ago.
- The pace of recovery should be faster than in the GFC because of abundant capital, though fundraising could still be adversely effected by portfolio balance effects from the equity market sell-off.

TOO EARLY TO TELL…

European Prime Yields



Source: Cushman & Wakefield Research, as at April 2020

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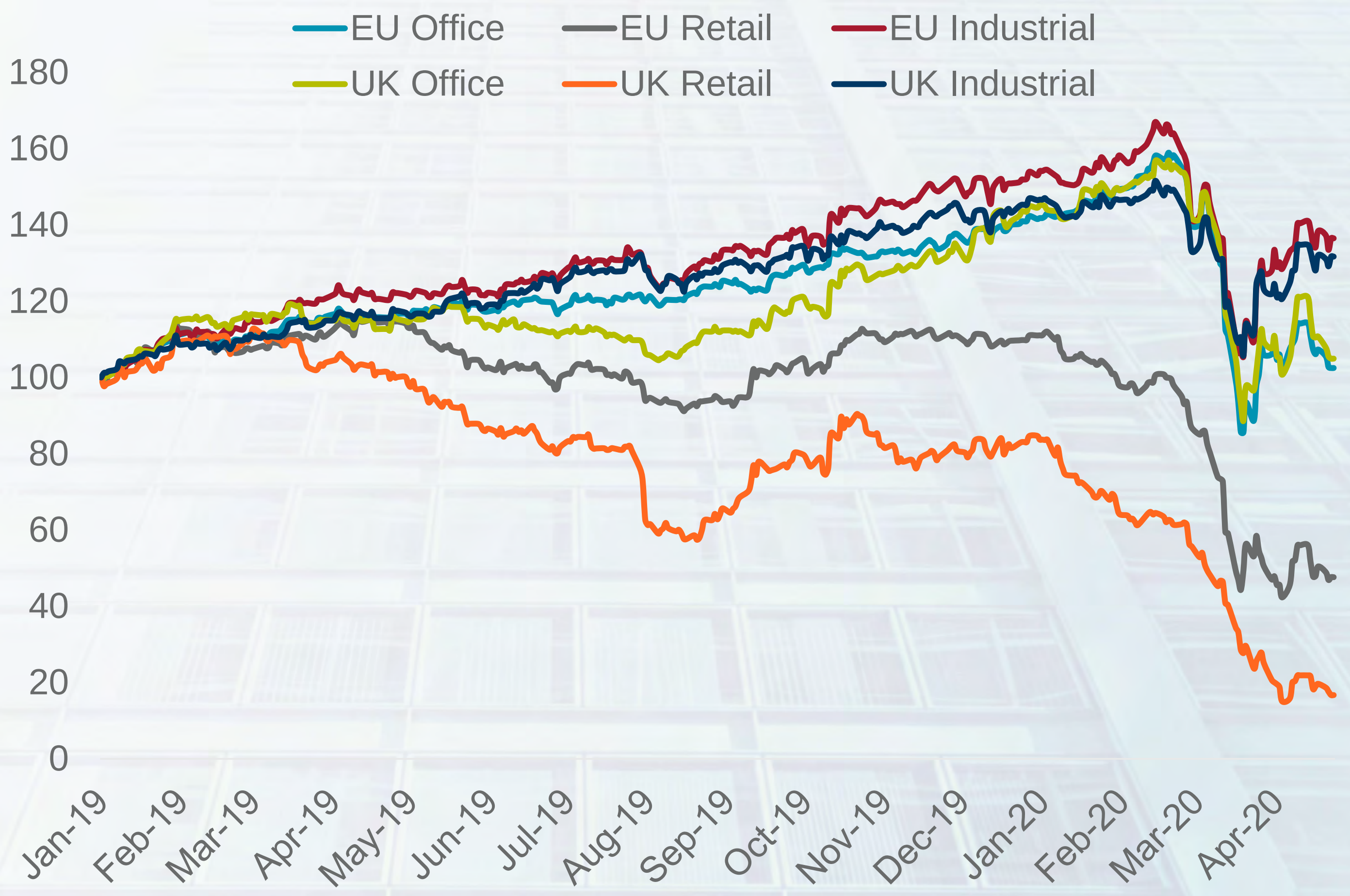
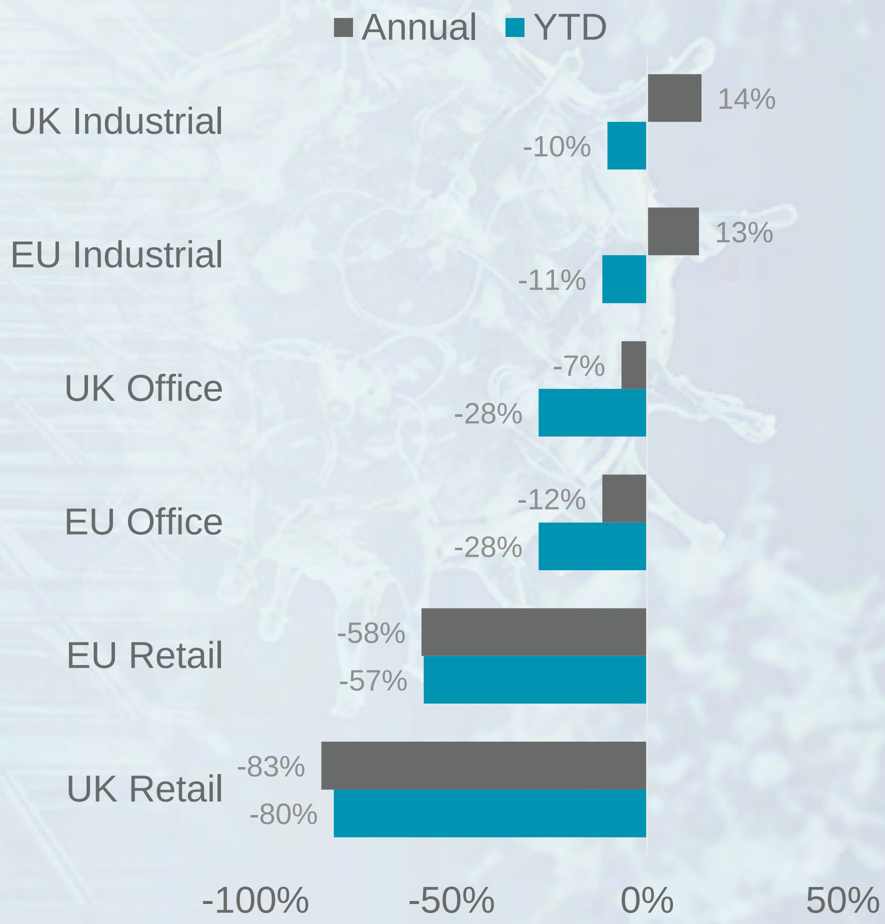
Key Observations:

- It is difficult, if not impossible to price risk right now, so investors are still very much in “wait and see” mode.
- Pre-pandemic, property yields reached record lows with a near historic high spread to the risk free rate.
- It is likely that any upward adjustment in yields in 2020 could result in a sharp rise in capital flows to the logistics and office sectors later this year or into early 2021.

REITS INDICATE A PRICE CORRECTION IS COMING

Year-to-Date Total Return Performance: European and UK REITs (%)





Source: Cushman & Wakefield Research, Bloomberg as at April 2020

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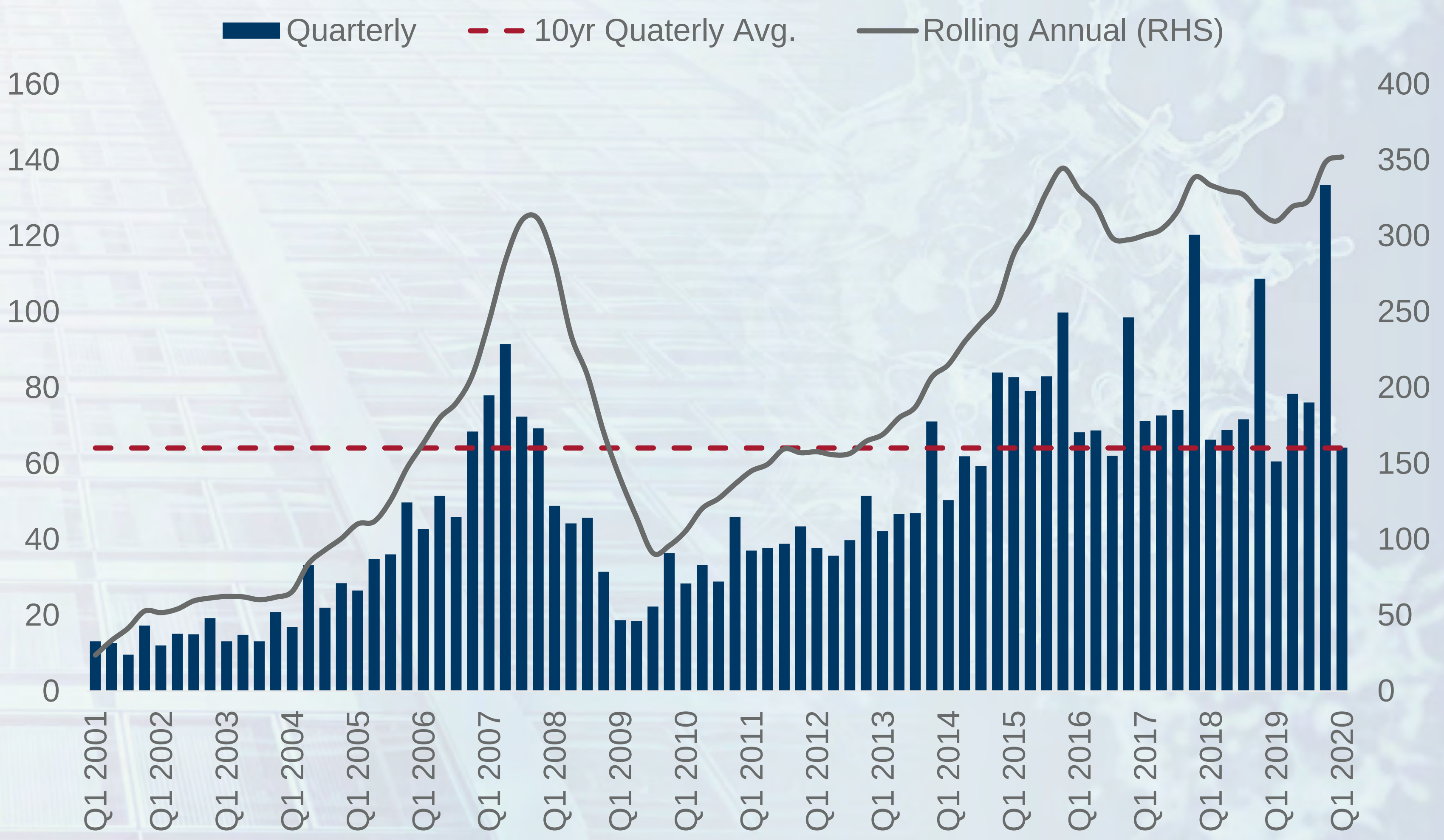
LITTLE SIGNS THAT ANYTHING HAS CHANGED YET

European Investment Activity, € bn



Source: RCA, as at April 2020

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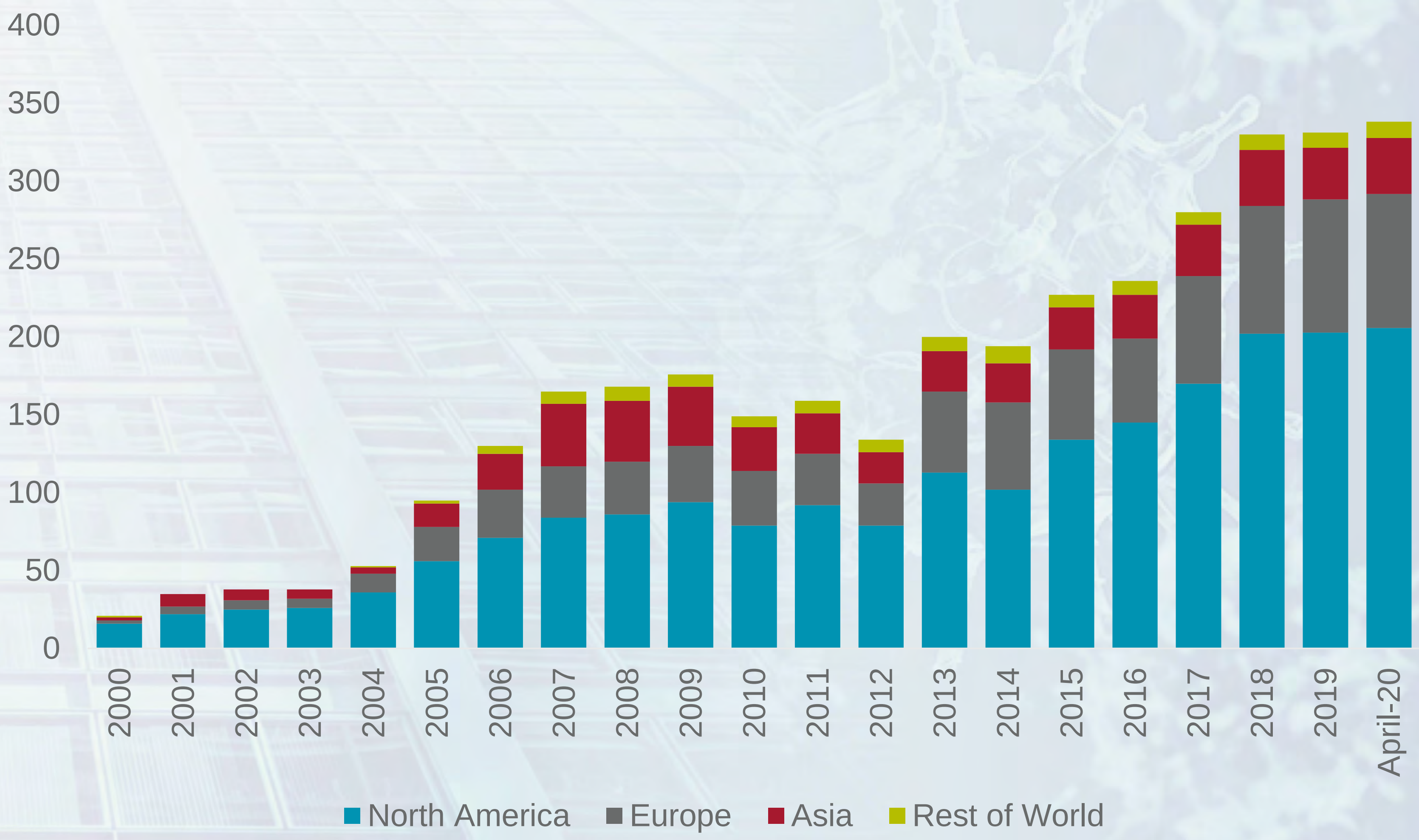
Key Observations:

- Q1 2020 total investment volume is higher than Q1 2019, mainly as Europe entered in full crisis mode around mid of March. As such, most of the quarterly activity was done.
- Low investment activity expected in Q2, taking us back to 2008 in volume terms.
- Investment activity will track the broader economy, but the additional level of travel restrictions and government quarantines will minimize the ability to run technical due diligence. As such any new sales activity will be postponed beyond Q2.

WHEN THIS TURNS, LOOK OUT

Dry Powder at Closed End Real Estate Funds



Source: Preqin, Cushman & Wakefield Research

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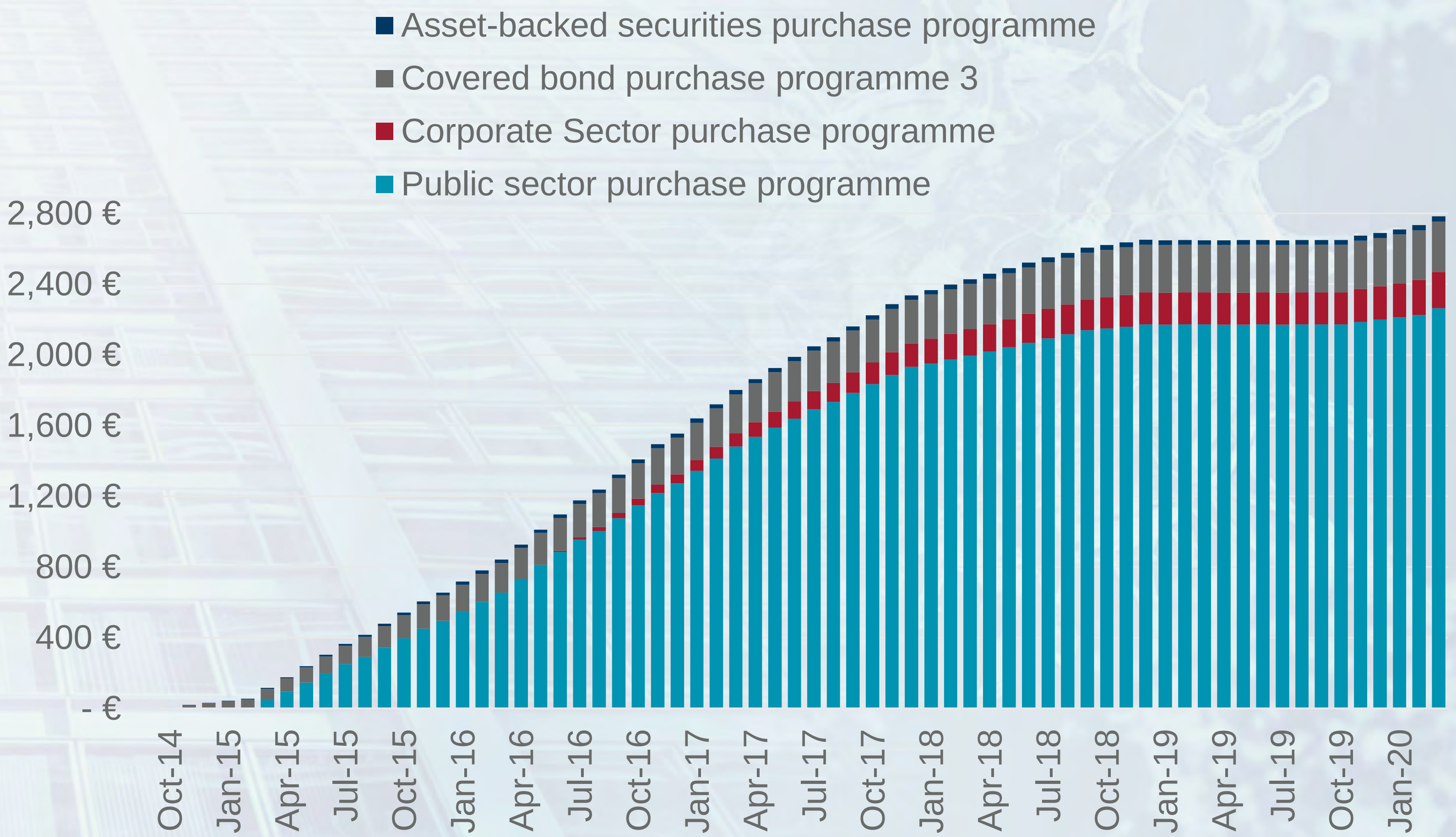
Key Observations:

- Dry powder is at record levels; in other words, there is tons of cash on the sidelines.
- Value-add, opportunistic and debt funds have particularly large war chests.
- Following the GFC, LPs sought to discourage their private asset managers from calling capital. This is happening now to a much lesser extent amid the rebound in equities.
- Our sense of the market is that there is considerable latent risk appetite and the capital to act on it once liquidity returns to the market.

ECB STEPS UP TO SAVE EURO AREA

APP Cumulative Net Purchases, by Programme



Source: European Central Bank

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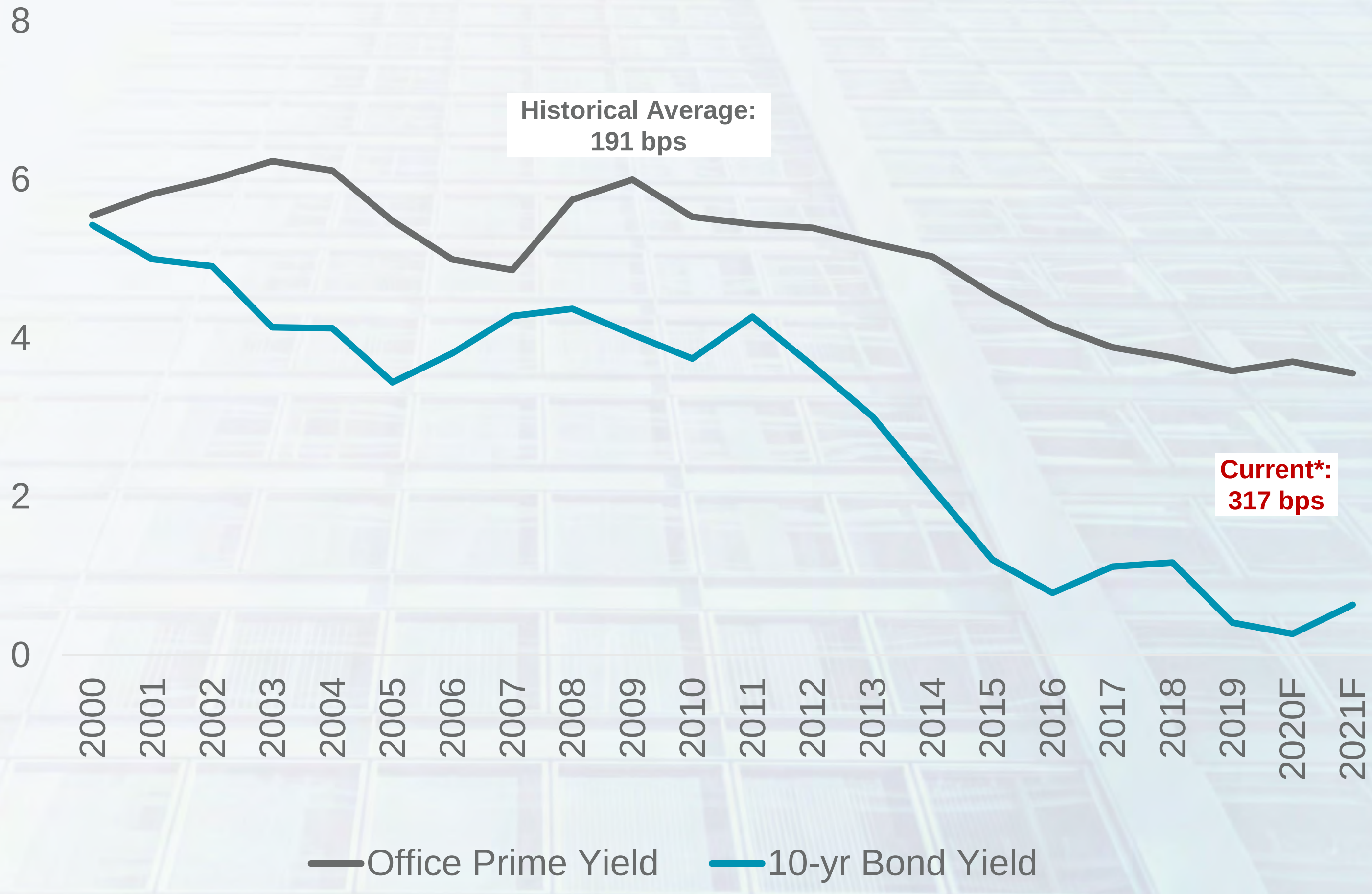
Key Observations:

- The cumulative ECB Asset Purchase Programme stood at €2,783 billion at the end of March 2020.
- At the peak of QE, the ECB conducted €80bn monthly net purchases of securities under one or more of the asset purchase program.
- The Pandemic Emergency Programme (PEPP) initiated in March 2020 is a temporary asset purchase program, which has an overall envelop of €750 billion.
- PEPP will be terminated once the COVID-19 crisis phase is over, but in any case not before the end of 2020.

SPREADS AT 20 YEAR HIGH

Eurozone Yield Gap

OFFICE PRIME YIELD VS. 10-YR BOND YIELD



YIELD SPREADS OVER 20-YR (BPS)

	Historical Avg.	*Current
Office	191	317
Retail	105	274
Logistics	380	443

* As of Q4 2019

Source: Cushman & Wakefield Research; Oxford Economics, as at April 2020

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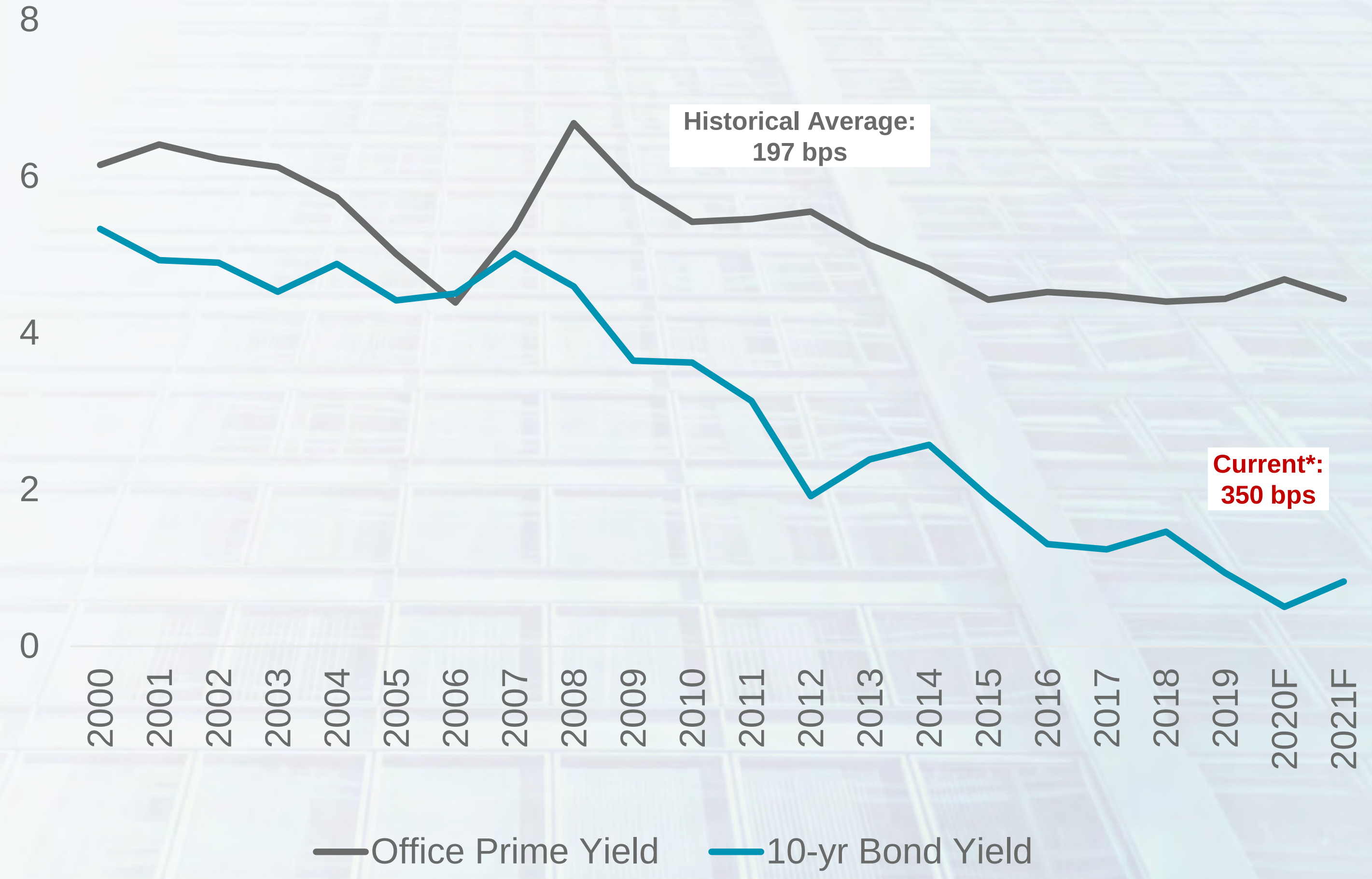
SPREADS AT 20 YEAR HIGH

UK Yield Gap

OFFICE PRIME YIELD VS. 10-YR BOND YIELD



YIELD SPREADS OVER 20-YR (BPS)

	Historical Avg.	*Current
Office	197	350
Retail	56	238
Logistics	284	392

* As of Q4 2019

Source: Cushman & Wakefield Research; Oxford Economics, as at April 2020

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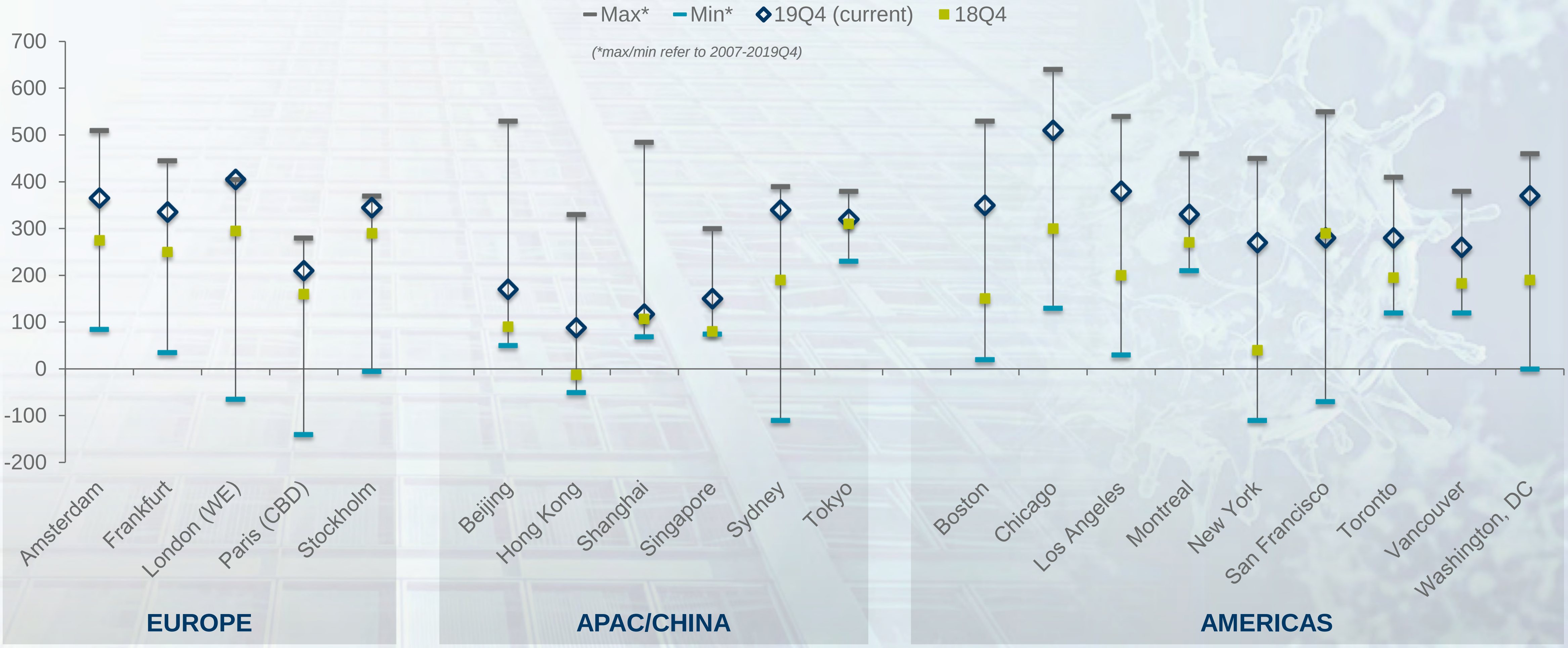
ATTRACTIVE GLOBALLY

Prime Office Yield Spread to 10-Year Gov't Bond (bps)



Source: RCA, Altus Insite Investment Trends Survey, Cushman & Wakefield Research
Note: U.S. cities based on top quartile rolling 12-month figures.

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THINGS TO THINK ABOUT

WHAT COULD BE LONG LASTING

Things to Think About…

- A different perspective on the ***workplace***:
  - *Policies*: More attention paid to when illness leads to remote work or taking sick time.
  - *Layouts*: Incorporation of six foot spacing into workspaces.
  - *Cleaning*: Heightened attention on cleaning levels and wording in lease documents.
- Use of ***technology*** to make life more touchless. For example, smart phones providing access through security and informing elevator which floor to utilize.
- Acceleration of ***wellness*** tracking:
  - Measuring air quality and increasing filtration to minimize spread of airborne viruses or bacteria.
  - Utilizing facial recognition technology to measure employee, customer and visitor temperatures.
  - Tracking employee vitals (but still much to work through regarding privacy concerns).
- Changed perception of ***work-from-home***. In many cases, organizations that have never had any (or any significant portion of) employees work remotely have been doing so due to lockdown measures. However, it is likely that most workers will continue to access office space on a regular basis, even if they increase the frequency of remote work.
- A different perspective on ***CRE portfolios***:
  - Top listed companies identifying ways to reduce their global footprint.
  - Exploration of workplace ecosystem, including primary office space, co-locations, flex, and work-from-home.
- Greater comfort with ***virtual*** experiences, but still great value placed on the benefits of ***face-to-face*** interactions. The amenities and services provided in the workplace become even more important to drive employee experience.

Source: Cushman & Wakefield Research

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CORONAVIRUS

IMPACT ON THE PROPERTY MARKETS
FOCUS: EUROPE

MAY 2020

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