COVID-19 REPORT

REAL ESTATE PERSPECTIVES
ECONOMIC OUTLOOK
OUTBREAK SITUATION
SANITARY MEASURES
& SUPPORT SCHEMES

GLOBAL RESEARCH
31ST MARCH 2020

BNP PARIBAS
REAL ESTATE

Real Estate for a changing world

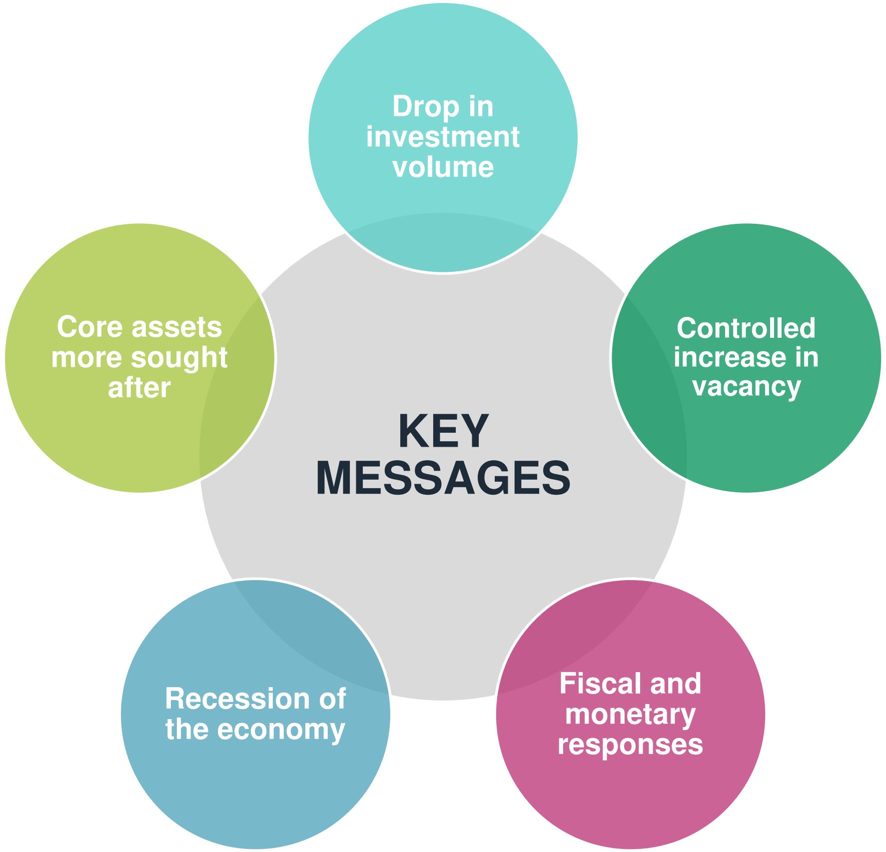
CONTENTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

EXECUTIVE SUMMARY

IN A NUTSHELL



KEY MESSAGES

DROP IN INVESTMENT VOLUME

Commercial real estate investment volumes in Europe are expected to fall dramatically in 2020. However, the investment market is still performing in most countries despite the lockdown measures.

CORE ASSETS MORE SOUGHT AFTER

Investors should focus more than ever on prime locations and the pressure on prime yields may still be strong after the crisis. In some markets, the risk premium between core and non-core assets could come under pressure.

CONTROLLED INCREASE IN VACANCY

The increase in office vacancy will be more significant than expected but under control in most markets. Most central business districts should maintain high rental values. The average rents could moderately decrease in some districts where the structural vacancy remains high.

RECESSION LOOMING

The measures to prevent the spread of the pandemic are having a profound impact on the economy which is increasingly showing up in the economic data. The second half year should see an improvement in activity.

FISCAL AND MONETARY RESPONSES

Record declines in business sentiment illustrate the necessity of the forceful policy measures which have already been taken. The lifting of the lockdowns will trigger a rebound in activity but additional stimulus will probably be needed.

REAL ESTATE PERSPECTIVES

REAL ESTATE PERSPECTIVES

COMMERCIAL REAL ESTATE
INVESTMENT MARKETS

CAPITAL MARKET INSIGHT

CRE INVESTMENT MARKET

Investment to slow dramatically in 2020

- The Covid-19 outbreak has taken a gradual toll on European investment over March 2020. At the early stage of the outbreak, measures such as travel restrictions and cancellation of large events were swiftly taken by companies resulting in a dramatic reduction of face-to-face meetings, site visits, etc. The implementation of population lockdowns in many European countries over the past two weeks has made trading even more difficult.
- After a fairly decent Q1 2020 in terms of volume, Q2 and Q3 will certainly see significant falls in transaction volumes. While Q4 might see investors return to the market, it will not be sufficient to reverse the decline. Therefore we see overall investment in 2020 falling significantly.

The investment market is still working despite severe external difficulties

- In this unprecedented situation, **the lockdown situation and uncertainty has impacted the activity** since mid-March in most European investment markets. On one hand, we are seeing **sellers holding on to their core assets**, but **buyers are also cancelling or postponing some deals**. This is likely to remain the case until the market has more visibility on when the current situation is likely to end.
- On the other hand, some negotiations are advancing, and new assets are coming onto the market, especially for the core segment. Investment proposals are still being made and taken into consideration by potential buyers. Therefore, deal closings should resume shortly after the end of lockdowns.

A likely tightening in credit conditions, which could open up opportunities for cash investors

- One of the main considerations for investment markets is financing. Banks are very cautious. Existing negotiations for core deals are moving forward most of the time. Also, debt markets are too volatile to commit to clear pricing and this is likely to be the message from numerous banks for at least a few weeks. As such, cash investors are likely to predominate as opportunities appear.

In the UK a number of large office sales in London **have been pulled** and others have had marketing **delayed** or bid processes **postponed**.

It should be noted **that in the UK, sterling** has hit a **30-year low** against the dollar, which is fuelling **much interest from international buyers**. This could drive activity earlier than might otherwise have been expected.

The market was lagging behind others in continental Europe due to Brexit. **This situation offers opportunity** for investors with conviction who can look beyond the current situation and perhaps require less financing. We think Q4 could see significant deals, thereby reducing the extent of the fall relative to other European markets.

France and **Germany** are holding up relatively well and in general **negotiations are advancing**, especially for **core deals**.

French and German funds are **not yet seeing significant outflows,** and key investors are moving forward.

France and Germany have been hit by the restrictions, which is limiting these markets. However, **new marketing initiatives** have been observed.

Flight to safety will mean that core countries should suffer relatively less than others during this uncertain time.

The other European markets are moving at **different speeds** due to the crisis. **Italy and Spain are the hardest hit**, and we expect them to see considerable falls in volumes.

Sales mandates are still being given, especially in key countries such as **Netherlands**, **Ireland** and **Luxembourg**.

However, in countries including **Spain**, **Belgium** & **CEE**, it seems that more **deals have been put on hold**.

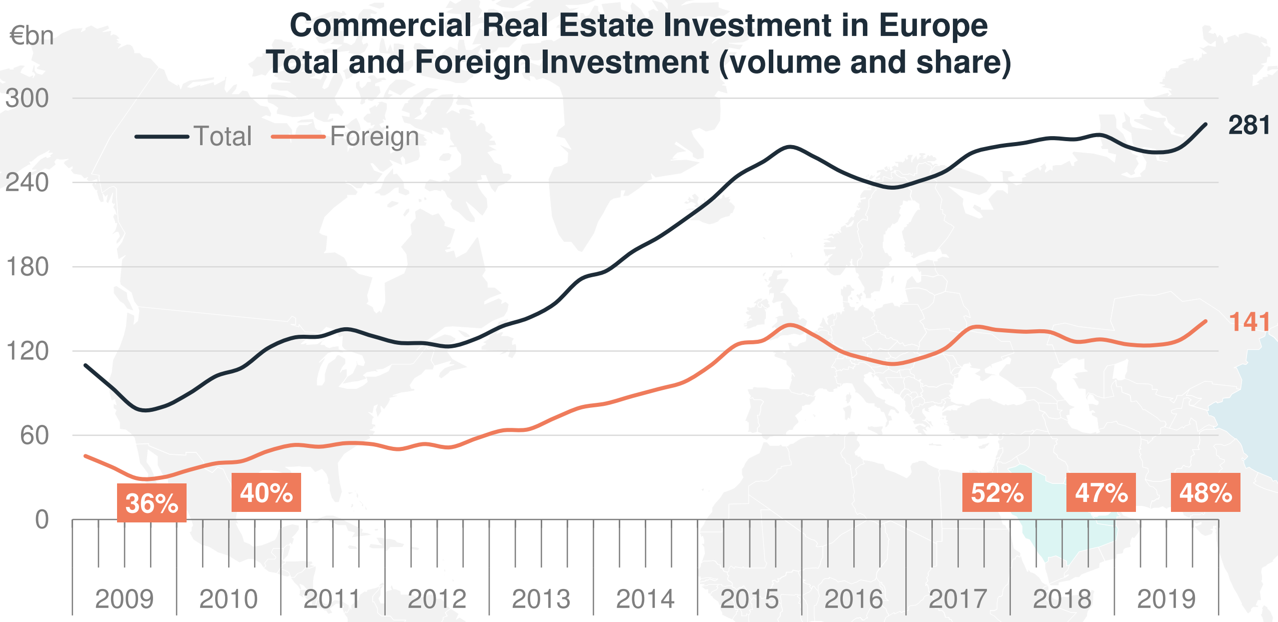
Transactions in **CEE** are seen as **less core and more volatile** for international investors. Moreover, CEE countries like Poland have **high exposure to cross-border investors**.

CAPITAL MARKET INSIGHT

CROSS-BORDER INVESTMENT MARKET

Cross-border investors likely to reduce activity more than domestic players

- **Foreign investment** is being affected by the spread of the outbreak through Europe. **Most foreign investors are delaying their ongoing deals** until Europe is open again.
- **In 2019, foreign investors represented half the commercial real estate investment in Europe.** Foreign investment in Europe gathered pace in 2019 (+10%) compared to 2018. Foreign inflows accounted for half of investment over the year, i.e. €141bn out of a total €281bn.
- As observed in 2009, the withdrawal of foreign investors from European markets **could benefit domestic investment**. This trend could be amplified as local investors are physically closer to the markets. Therefore we might see an **increase in the share of domestic investment in 2020**. When market recovery starts, the share of foreign investors should gradually increase but it could take time to reach pre-crisis levels.
- For domestic investors, this situation could be seen as an opportunity to make deals in a less competitive environment.

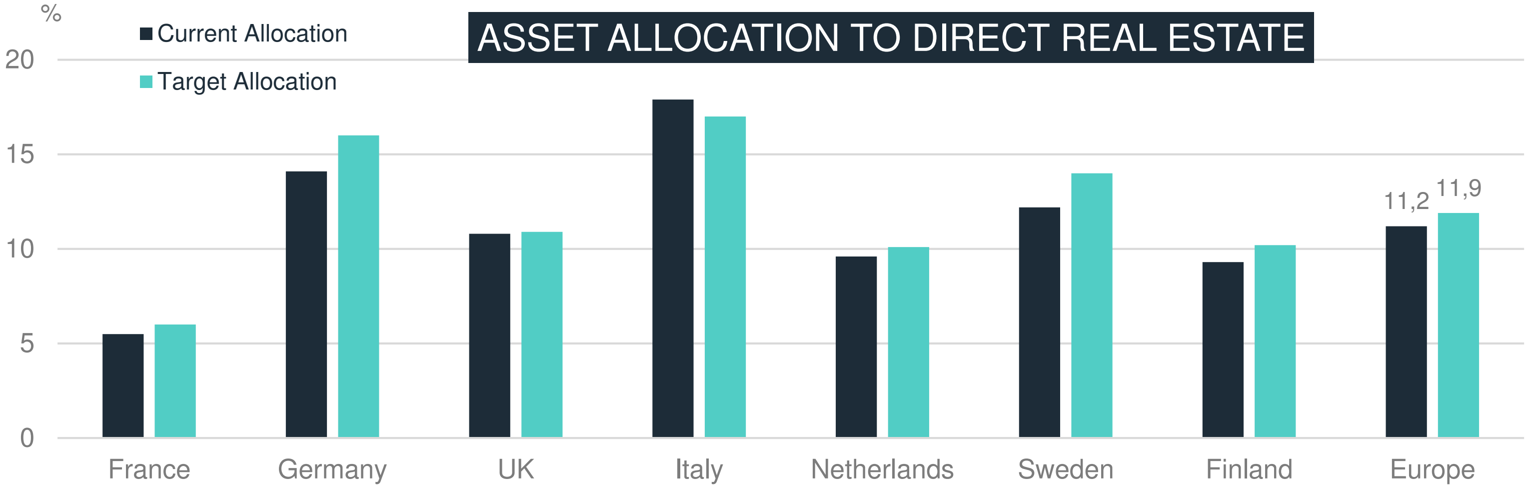


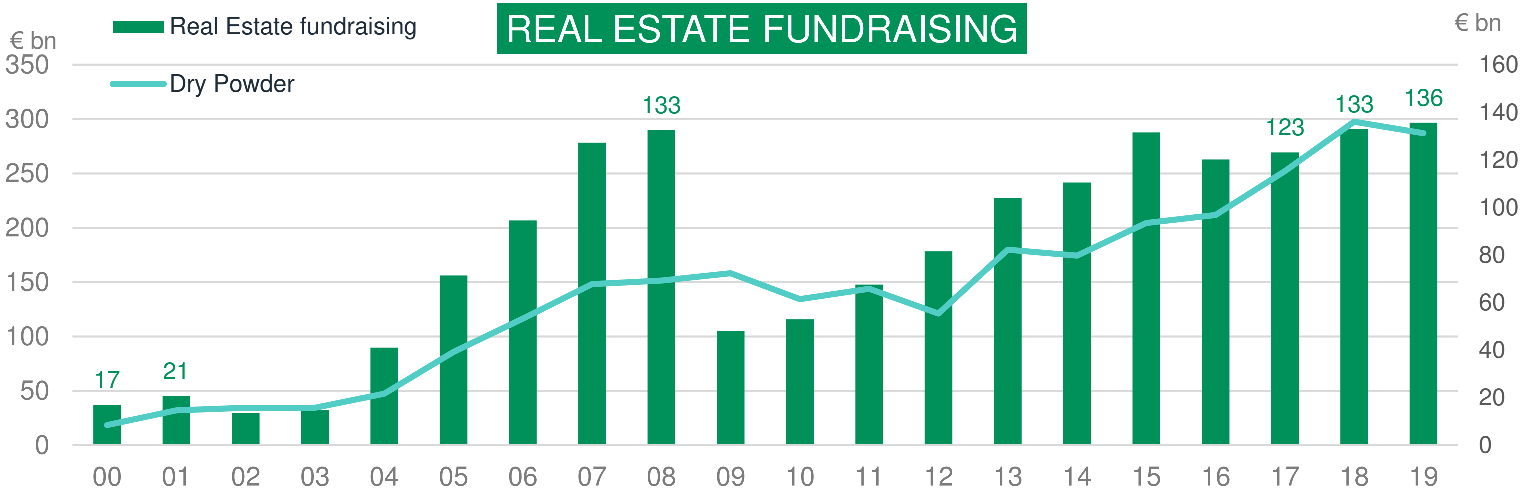
In **Asia**, despite the recent improvements in controlling the covid-19 outbreak, the situation remains very restrictive. There has been a sharp negative impact on business and a number of deals have been aborted in Europe. **South Korea**, whose investors were among the most active in Europe in 2019, is one of the hardest hit countries for outbound investment. **Chinese** investors are becoming more active, notably in London. **Singapore** has contained the outbreak and a good number of investors have significant exposure in Europe.

In the **Middle East**, covid-19 is progressing more slowly than in Europe and the United States. However, both **Saudi Arabia** and **Kuwait** have recently imposed curfews. This will put new acquisitions on hold. Banking and business closures are also occurring in **United Arab Emirates**. On the private investors' side, the picture is mixed. Some are taking a "wait and see" approach while others continue to move forward on deals that were already in the pipeline a few weeks ago.

CAPITAL MARKET INSIGHTS

TWO OPPOSITE EFFECTS AT PLAY





Sources: Preqin, BNP Paribas Real Estate.

A huge amount of liquidity coming into the market

- Around €1.3bn of bonds are going to mature in the next three years for the three main countries in Europe (France, UK and Germany).
- **Given current uncertainties** and the **flight-to-safety** in the market**, the majority of bonds are now in negative territory**. We can then assume that a part of the liquidity available may be redirected toward real estate.
- **Moreover, total real estate fundraising exceeded €136bn in 2019 which was an all-time high**. The level of deals did not exceed the 2018 record but activity was still highly positive. **As a result, dry powder decreased in 2019.**
- Dry powder is the amount of money raised that has not been invested by real estate funds. We can expect that a certain amount will be invested in 2020.

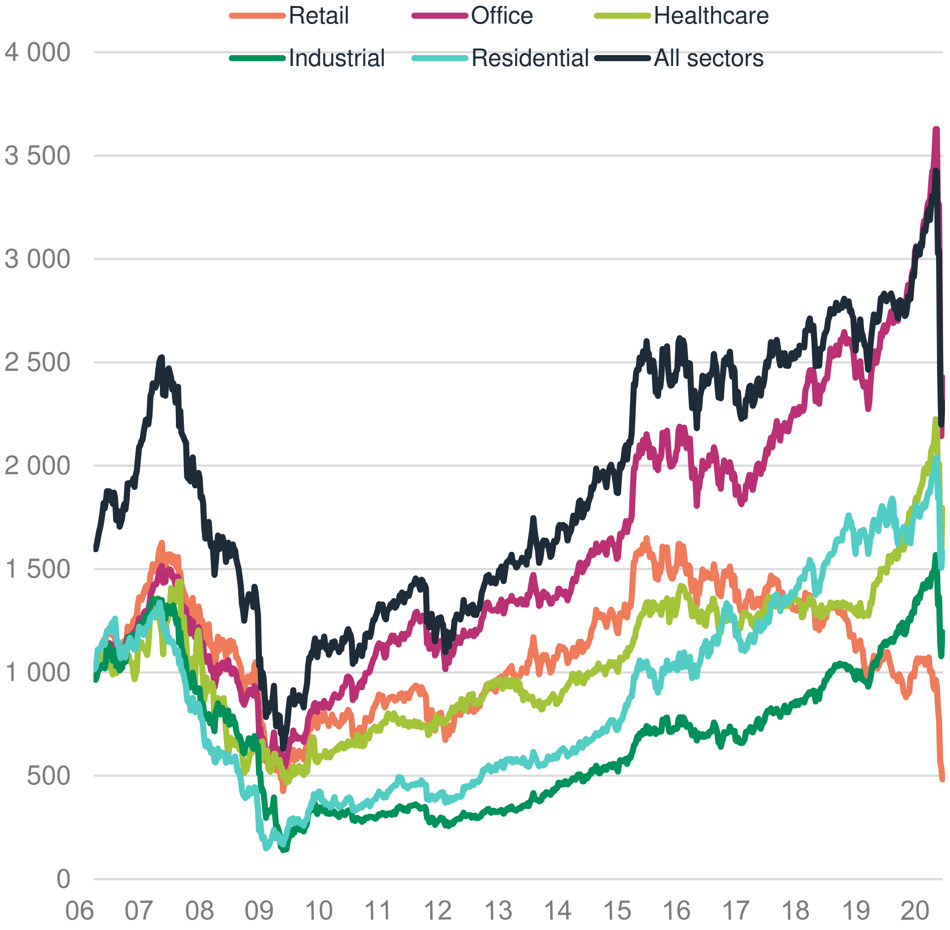
The denominator effect may disrupt the investment market

- As stock prices are falling the value of investors' portfolios is decreasing. As a result, **the percentage actually invested in real estate (11.2% in Europe) is rising.**
- **As a result, a number of institutional investors or funds will have to re-evaluate their real estate strategies** in the coming months as they will become over-allocated to the other asset classes (stocks, bonds, etc.). **Currently, the wait-and-see attitude seems to be prevailing over panic selling.**

CAPITAL MARKET INSIGHTS

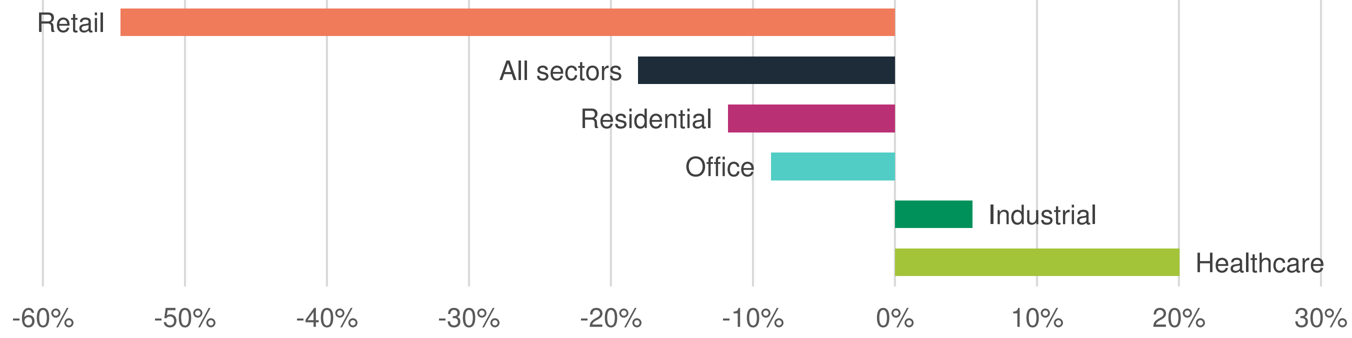
REITS TOTAL RETURNS AS AN INDICATOR

EUROPEAN REITS
TOTAL RETURNS INDEX



Sources: FTSE EPRA NAREIT Europe, BNP Paribas Real Estate.

EUROPEAN REITS
YEAR-TO-DATE TOTAL RETURNS



REITS have not been immune to the widespread market sell-off

- **Covid-19 has already shattered real estate investment trusts in Europe**, as some of them have had to shut down hotels, shopping centres, retail units and other properties to stop the spread of the virus. As a result, European indices have been falling since the beginning of 2020, mostly from the third week of February.
- **The retail sector has been struggling since 2015 and is** the sector **hardest hit** by the spread of the virus. A significant share of retailers have already asked for rental holidays. Some have simply refused to pay altogether. This is having a negative impact on rent collection and on performance.
- **Industrial and logistics REITs still display positive annual total returns.** The current situation is also demonstrating the importance of the supply chain and a need for space is expected to increase local production and the level of inventories for strategic goods. The sector is the main beneficiary of the accelerated shift towards ecommerce and last-mile logistics.
- **The renegotiation of leases and the long-term strategies of** companies to repair their balance sheets (freezing new hires at best, or cutting their workforces) **are the main risks at the moment for Office REITs**.
- **The healthcare sector is the best performer.** This reflects the sector's crucial role in fighting the pandemic, and occupancy levels in care homes are holding up.

REAL ESTATE PERSPECTIVES

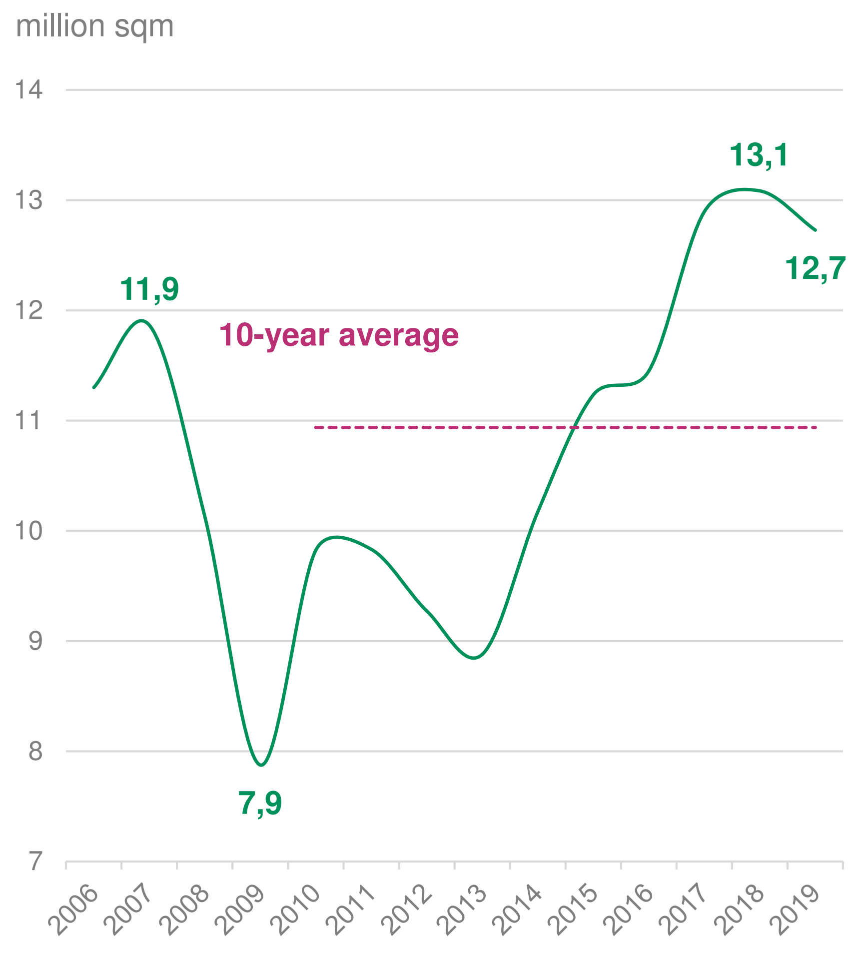
OFFICE MARKETS

BNP PARIBAS REAL ESTATE

OFFICE OCCUPIER MARKETS

EXPECTED IMPACT ON DEMAND

OFFICE TAKE-UP
(30 cities in Europe)



Speeding-up of take-up decrease but still high historical level

- **We are likely to witness a significant decrease in take-up for 2020, particularly during Q2 and Q3.** Most deals that were due to be signed in Q1 managed to be concluded as they were too far in the process to be stopped; however deals due to conclude in Q2 and Q3 are either suspended or cancelled. This is true across most European markets **and will have a significant impact on the overall take-up in the European markets in 2020.** In most countries in Europe, **the activity is for the moment on stand-by.** Site viewings are cancelled or postponed. However, the activity has not stopped and occupiers are still monitoring the market. In Italy, the most hit country in Europe, the effect might be seen earlier than in the rest of the continent. In Central London, the first provisional figures for Q1 2020 show a -22% dip in office demand y.o.y. while the main German cities might see a decrease in take-up ranging from -5 to -15% in 2020.

- Moreover, the demand for offices across Europe was still dynamic in 2019, despite a slight dip on 2018 (-3%) and well above its long-term average (10.9m sqm/year). The decrease between 2007 and 2009 was -33%. **We are expecting the coming decline to be more limited as demand was high before the outbreak of the epidemic and as the current crisis in more conjunctural than structural.**

- **The recovery is expected to begin at the end of 2020. The impact on the office market will depend on how fast market activity can recommence once the virus has come under control.**

COWORKING TAKE-UP
(25 cities)

YEAR	TAKE-UP	% OF TOTAL TAKE-UP
2018	1,184,067 sqm	9.2%
2019	1,057,574 sqm	8.3%

- **After a dramatic rise in recent years,** the coworking phenomenon recorded a slight decrease in 2019.

- **The current crisis is likely to have two main impacts on this market segment:**

- **Small operators are likely to suffer from a prolonged closure period**. Coworking brands traditionally pay high rents in the most sought-after business districts. Some of them might lack cash-flow to finance their functioning costs. The market may shrink to the benefit of the largest brands. In Central London, it is estimated that coworking demand has shrunk 90% since the beginning of the epidemic.

- **Companies – especially small and medium-sized firms - using coworking spaces as an adjustment factor may decide to reduce their commitments** in this area as they assess their occupational demands and as the flexibility of the model allows them to quickly reduce their occupational costs.

OFFICE OCCUPIER MARKETS

EXPECTED IMPACT ON SUPPLY

Controlled increase of the vacancy in most markets

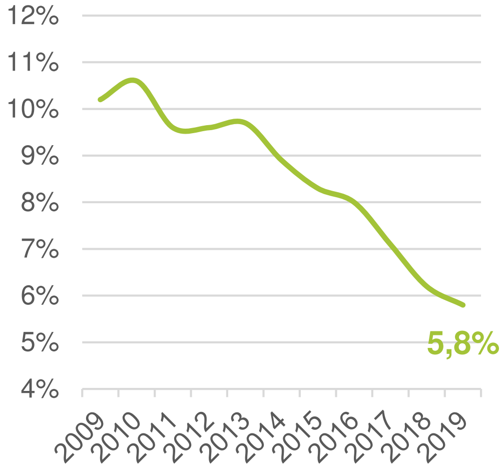
- **The vacancy rate** has been continuously following a decreasing trend over the last years and **had probably reached its floor at the end of 2019**. In almost all markets, **the vacancy rate at the end of 2019 was well below its 5-year average**. As a result, most of the European markets saw a rise in the volume of space under construction. Before the covid-19 crisis, we expected a slight increase in vacancy as a result of this new supply and the release of second-hand buildings as the demand for new offices was stronger than ever. The increase in vacancy will be more significant than expected but under control in most markets.

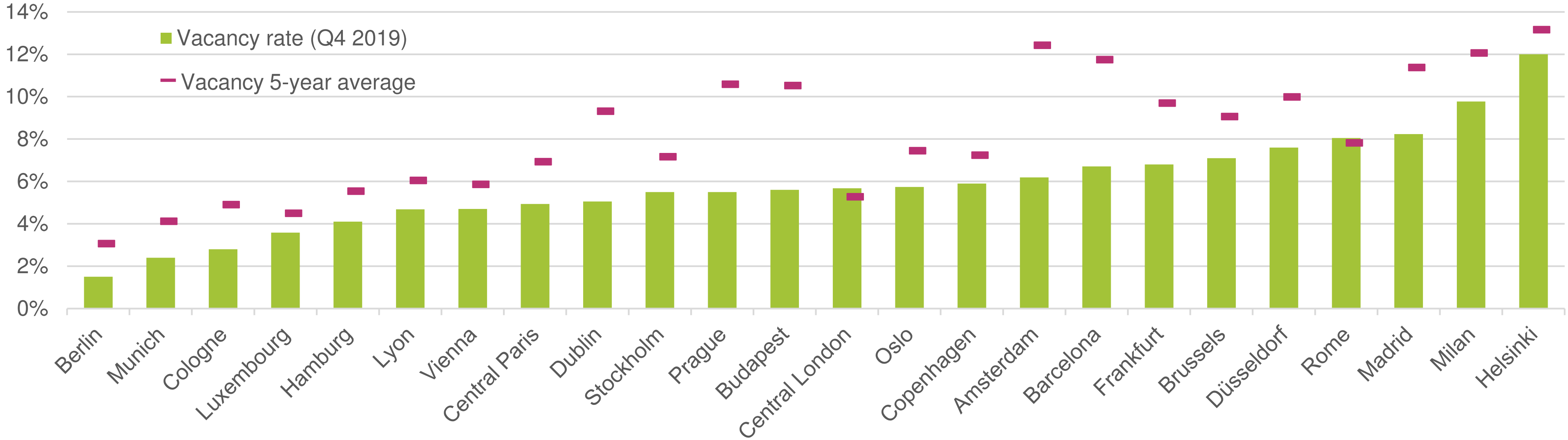
- **By the end of 2020 we are likely to see overall vacancy rate rising in most European markets** in response to companies releasing space. This is likely to continue through to 2021, as large corporates continue to repair their balance sheets and therefore either stop hiring, at best, or cut workforce. However, the **levels of supply should remain lower than their long-term and balance average** in numerous markets, and some underbalanced situations could last, especially in most CBDs of key European cities.

- Due to the current situation, **a series of speculative schemes might be postponed, even cancelled,** until the market gets back to normal. Consequently the rise in vacancy should remain limited for years to come and the situation will vary a lot throughout Europe.

- Some companies might release space in the wake of the crisis as they might stop hiring or cut workforce. However this is unlikely that large occupiers will release large units unless the crisis lasts for long. Depending on the political response to the crisis, small and medium-sized units could suffer more from the situation but their overall space release should not impact the vacancy to a large extent. This forecast will strongly depend on employment trends in each country.

Office vacancy
(40 cities in Europe)

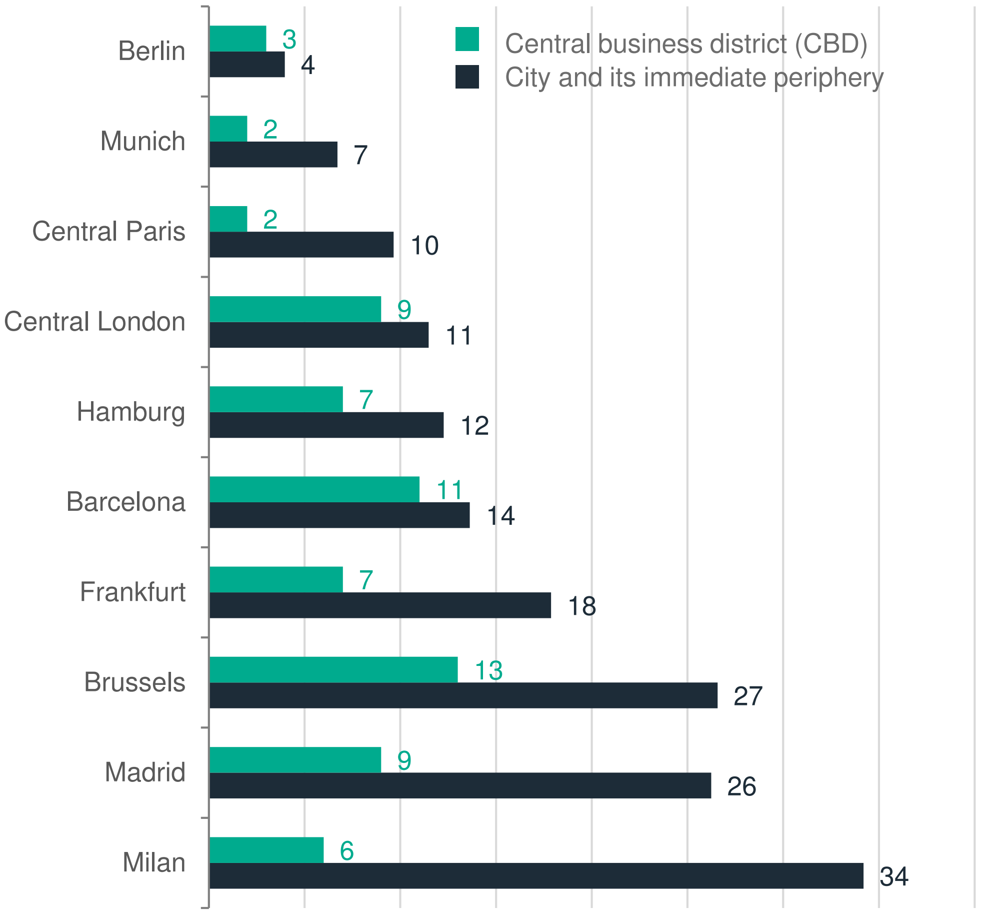




OFFICE OCCUPIER MARKETS

EXPECTED IMPACT ON RENTS

TIME FOR SUPPLY TO BE ABSORBED
(in months - immediate supply/take-up, end of 2019)



Solid fundamentals in support of values

- It is note worthy that the **European markets entered the crisis with very strong occupier fundamentals**, low development and low vacancy rate in numerous markets. This means that the implication of vacancy increases on rental growth will be limited on the whole, but varied across markets.

- The vacancy rate in the European CBDs was extremely low at the end of 2019 due to a very high demand from occupiers for prime assets located in the best business districts. **Availability in the largest European CBDs was extremely low compared to the pace of take-up**. As a result, prime rental values have been experiencing a continuous and important growth over the last years everywhere in Europe. A stabilisation or a small decrease could be witnessed, but in small proportions.

Very few changes in rents expected especially in CBDs

- Even though the CBDs should maintain high rental values**, the slowdown in take-up expected in the wake of the epidemic is likely to drive the average rents downward in the districts where the structural vacancy remains high**.

- For instance in the periphery of some markets such as Milan and Madrid, or in submarkets where supply under construction is currently at a high level, for instance La Défense. On the other hand, markets experiencing a structural lack of supply are more likely to resist and to avoid seeing a decrease in rents. For example in Berlin where we had previously anticipated a strong rental growth in 2020, this is now likely to remain pretty flat. Other markets like Paris and Munich should experience very few adjustments in headline values for months to come.

Likely upward pressures on incentives

- Another effect could be seen on the net effective rents. Landlords might **offer (and occupiers will demand) increased rent-free periods to get deals through**. This is likely to become an increasing theme across Europe, throughout H2 2020 when companies recover. Hence the gap between net effective and headline rents is likely to increase.

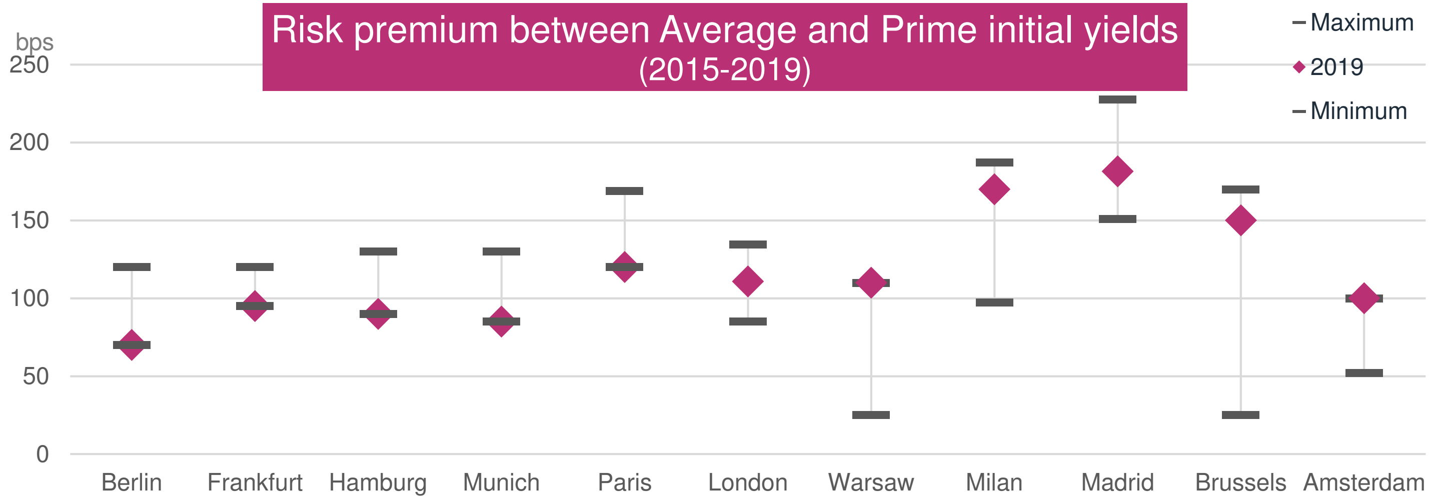
Deferred payments and renegotiations for some business segments

- Occupiers may want to postpone or renegotiate their leases. More and more companies are also looking to get out of their lease restrictions. However, such phenomenon should be limited to small companies with high cash-flow issues.

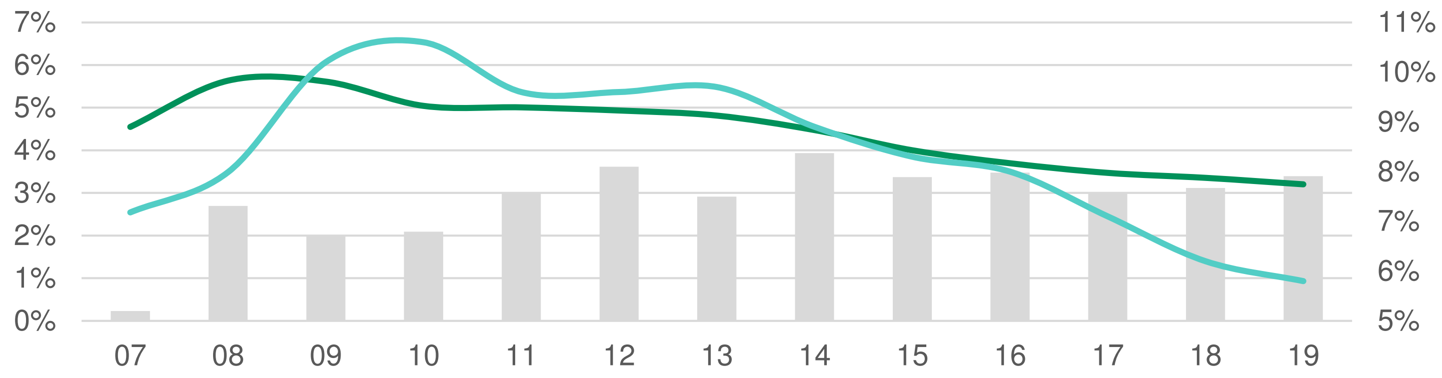
OFFICE INVESTMENT MARKETS

A HIGH RISK PREMIUM TO ABSORB SHOCK

Risk premium between Average and Prime initial yields
(2015-2019)



Risk premium and Vacancy rate in Europe



Source: BNP Paribas Real Estate.

Few changes in prime yields but there may be general upward tensions on secondary segments

- Prime yields have now reached their lowest level on record across Europe and **before the crisis we were still expecting a decrease for Prime yields in the core markets.**
- **After the outbreak, investors should be focused more than ever on Prime** locations and the pressure on Prime yields may still be strong after the crisis.
- For average yields, although we were expecting a compression before the Covid-19 outbreak, our forecast may change **and we should see a wait-and-see attitude from investors until restrictions are lifted.**
- In our latest forecast, the risk premium between core and non core assets was expected to shrink. Now, **we are expecting the premium to increase as uncertainties are high and relocation strategies are likely.**

Strong occupier fundamentals to support capital markets

- By comparing the situation before the 2008 crisis and before the Covid-19 outbreak, we can draw two conclusions.
- **The first is that the risk premium is still high compared to 2007 (22 bps vs 340 bps today).**
- **The** second is the good fundamentals of the market. In 2008, the crisis occurred in an oversupplied market, where the risk premium was non existent and the vacancy rate was quite high (around 7%). Today, the vacancy rate is lower (5.8% across Europe), and we are only expecting a few completions to swell the market.

REAL ESTATE PERSPECTIVES

RETAIL
MARKETS

BNP PARIBAS
REAL ESTATE

RETAIL OCCUPIER MARKETS

EXPECTED IMPACT ON PHYSICAL STORES

Unprecedented challenges for all retailers

- Most retailers are operating stores generating no revenues and hence creating cash-flows issues: retailers with the **strongest balance sheets and least debt** stand out as the best armed ones to handle the situation.
- **Non-food retailers** are facing **drops in demand** and even **no demand** for some because of the lockdown, **whereas grocery retailers** have to manage significant supply challenges. Most international retailers decided to shut down their European stores even before government measures (Nike, Adidas, Primark, Inditex, H&M, New Look). In addition, retailer share prices have dropped significantly with falls of 30% on average for the large ready-to-wear retailers (Inditex, H&M, Nike, Adidas, Ralph Lauren, Abercrombie) since end-January 2020.
- In contrast, **food stores and supermarkets** are generally still open, and experiencing **a sustained but a lower activity**. In such a context, food retailers (like Carrefour, Tesco, Casino) have experienced only a slight decrease in share price (approx. -5%*), outperforming the whole stock market (-24% for Euro Stoxx 50*). Moreover, shops like supermarkets can also benefit from their non-food good offer whereas specialized stores are closed.
- **Some retailers have already requested a rent holiday** from landlords (New Look, H&M, Debenhams, Superdry) whereas the spectrum of possible bankruptcies later in the year has widened, especially for independant stores.

*From the close of 31.01.2020 to the close of 30.03.2020

Few adjustments in rental levels expected especially in prime locations

- For **prime locations, rents are likely to be little changed** in most European key cities. Conversely, **down adjustments could be recorded in some secondary locations**. All in all, **gaps will certainly be reinforced between prime and secondary locations in terms of rents and vacancy**, as this pattern has already been observed in the past five years. Furthermore, rental levels will depend on the level of bankruptcies: the more bankruptcies that occur, the fewer replacement tenants are available, creating yet more pressure on rental levels and vacancies.
- **Declines in turnover and footfall in most locations are probably temporary** and a return to quasi-normal after the reopening of stores seems the most likely scenario. However, the rise may be gradual, depending on domestic household confidence about their health safety following the pandemic and their own income situation. Further growth factors include the reopening of travel for international tourism, although that is subject to a large a delay effect (through travel planning and caveated by possible weakened purchasing power.
- **Positive signs have been noted in China after reopenings**: hundreds of shoppers crowded Apple stores on two of Shanghai's main shopping streets over the weekend. Ikea, which opened three stores in Beijing on March 8, had large numbers of visitors and queues in implementing new social distancing rules.

RETAIL INVESTMENT MARKETS

ACCELERATION IN RETAIL REPRICING AND WIDENING OF THE YIELD GAP BETWEEN CORE AND SECONDARY PROPERTIES IN ALL SECTORS

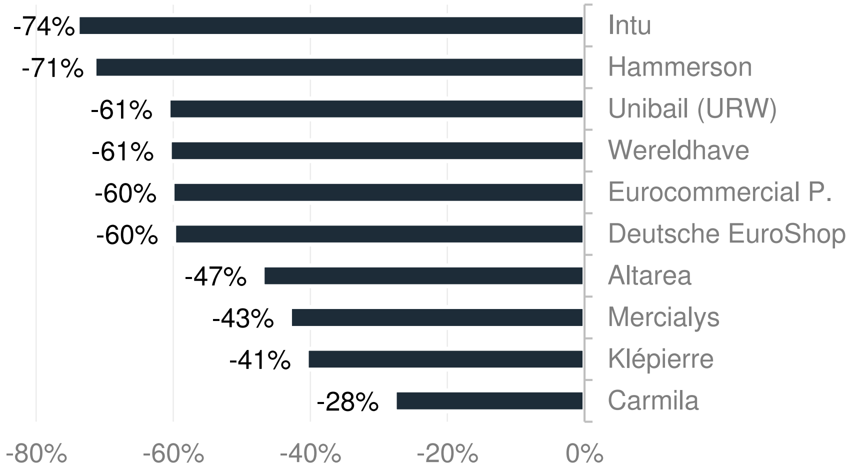
A strong resilience for prime high-streets

- **Prime locations are expected to suffer less** from the Covid-19 impact than the secondary locations. **Liquidity for prime assets should remain stable** and only a **slight adjustment in prices** is expected in main high-street locations.

- For **secondary locations**, a **more notable decrease in values is expected** to reflect demand levels. Some investors may take the opportunity to (re)enter retail markets if decompression of prime yields occurs in some locations.

- **Prime locations** having already faced other serious events in the past (sovereign debt crises, terrorist attacks, strikes) are likely to **demonstrate their strong resilience** in theses circumstances again.

Main European Retail REITS share-price has dropped since the end of January (%)



Data of March 30
Represents change in share-prices from the close of 31.01.2020 to the close of 30.03.2020

On the listed sector, all retail REITs have been hit over the last few weeks, losing generally between 40 % and 60% of their value. Dividend payments might be scaled down by some REITS.

Shopping centres and retail parks

- Measures from landlords for **suspension or cancellation of rent payments** plus **government assistance** will be vital for the vast majority of retailers. Some of main European retail landlords have already announced **rent free periods** during the lockdown (Eurocommercial, Ceetrus). Others are dealing with this on **a case-by-case basis**.

- In terms of how investors are reacting, most buyers '**wait and see**' with deals processes slowing down, put on hold or at worse, cancelled.

- In the shopping centres sub-segment, **opportunistic transactions** might be registered after the crisis recedes. Depending on how long and deep the crisis is, **a higher risk premium could be offered** on the market.

- **Repricing for shopping centres and retail warehouses** should accelerate, especially for non-core assets, providing opportunities for investors. This trend will depend on the **leverage financing facility** which is key for all value-added and opportunistic investors.

- All in all, **liquidity and likely repricing** will strongly depend on the **asset quality** (location, turnover, vacancy and footfall).

E-COMMERCE

EXPECTED IMPACT ON ONLINE SALES

Supply chains issues and low consumption confidence

- **E-commerce channel** has also been hit, although to a lesser extent than physical stores of course, **as consumers have shown increasing caution** with their disposable income and low consumption confidence.
- **Pure players** and **food e-retailers** are focusing on delivering essential products. Overall, delivery delays are now much longer than usual due to a surge in demand and supply chain disruptions.
- Delivery's issues, like closure of collection points, and safety of employees and customers, **forced some e-retailers to suspend their activity**.
- Increasing online sales may probably more benefit **mass-market retailers** than **premium and luxury brands** which are typically associated with physical stores (providing personalized shopping experience to customers).

Effects are expected to be relatively limited and temporary for most online retailers

- **Online services** (travelling, leisure) will be certainly more severely impacted. However, at short term, **streaming services** (like Netflix, Amazon Prime Video, Disney Plus) are expected to benefit from the social distancing that's being encouraged or imposed by governments around the world. Streaming-app downloads are surging in most European countries.
- **Population consumption patterns** are not expected to change significantly in terms of physical/online purchasing once lockdown measures will be over. Nonetheless, the possibility remains that a part of the population - especially the elderly ones - will have discovered the internet by ordering food delivery services or cultural e-services (delivery of books), and that it may benefit some retailers.
- All for all, **the e-commerce channel lacks the structural capacity to take advantage of the situation** and it is unlikely to see revision upwards to its **forecast annual growth of 14.0%** in Europe (source: E-commerce Foundation).

RETAIL OPENINGS / CLOSURES ACROSS EUROPE

As of March 31st

ONLY FOOD STORES ARE ALLOWED TO OPEN IN MOST EUROPEAN COUNTRIES

	Food stores / essential goods[1]	Non-food stores / non-essential goods	Shopping centres[2]	Restaurants and bars
France		(since 15.03)	(since 15.03)	(since 15.03)
UK		(since 24.03)	(since 24.03)	(since 20.03)
Germany		(since 16.03)	(since 16.03)	(since 16.03)
Italy		(since 11.03)	(since 11.03)	(since 11.03)
Spain		(since 15.03)	(since 15.03)	(since 15.03)
Portugal		(since 18.03)	(since 18.03)	
Ireland		(since 24.03)		
Belgium		(since 17.03)	(since 17.03)	(since 14.03)
Netherlands				(since 15.03)

Retail activities allowed to open — Retail activities allowed to open with restrictions — Retail activities not allowed to open

(1) Including tobacco shops, newspaper agents, pharmacies, and pet shops
(2) Even if shopping centres are closed, food and essential stores inside them can open most of the time.

RETAIL OPENINGS / CLOSURES ACROSS EUROPE

As of March 31st

IN THE NORDICS, MOST RETAIL STORES ARE STILL ALLOWED TO OPEN

	Food stores / essential goods(1)	Non-food stores / non-essential goods	Shopping centres(2)	Restaurants and bars
Poland				(since 14.03)
Czech Republic		(since 14.03)	(since 14.03)	
Sweden				(bars closed)
Norway				
Denmark			(since 18.03)	(since 18.03)
Finland				(since 28.03)
Latvia				
Lithuania		(since 16.03)	(since 16.03)	
Estonia			(since 27.03)	

Retail activities allowed to open
Retail activities allowed to open with restrictions
Retail activities not allowed to open

(1) Including tobacco shops, newspaper agents, pharmacies, and pet shops
(2) Even if shopping centres are closed, food and essential stores inside them can open most of the time.

REAL ESTATE PERSPECTIVES

LOGISTICS
MARKETS

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LOGISTICS OCCUPIER MARKETS

STILL ATTRACTIVE FUNDAMENTALS

The outbreak should promote the penetration of e-commerce

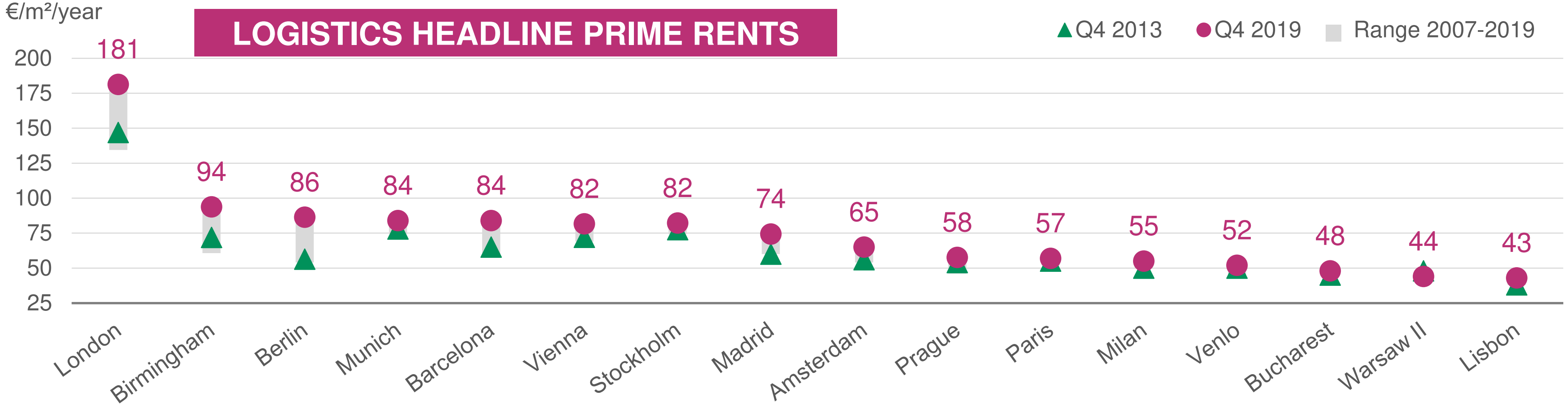
- A key segment of the logistics market that is **benefiting from increased demand is the e-commerce sector**, on the back of restrictions on movement now in place in most countries. Moreover we think **that in the medium to long term changes in consumer behaviour could normalise on-line shopping**, helping **to increase the penetration of e-commerce** in markets where this has been limited so far, and further boosting demand for logistics space.

Logistics organisation could see transformation

- As an alternative to holding more inventory in response to supply chain disruptions, companies could establish a **compressed logistics network that minimize distribution costs and move goods faster**. Thus the need to **optimize the supply chain** will remain a strong driver for future take-up of logistics space, particularly at the local and regional levels.
- In recent years a larger part of demand for space in the sector has been driven by warehouses associated with the storage and distribution of finished goods manufactured much further away. The current situation could lead **to firms on-shoring part of their manufacturing processes**. As such we see **increased long term demand for industrial space as a base for manufacturing**, altering the nature of some of the space required.

Logistics rental growth will strengthen in the medium term

- We are seeing an **increased demand for warehouses and "last mile" logistics in the short term**, mainly to service the e-commerce trade. Since supply is not able to respond fully, we expect to see strong rental growth in the different segments of the logistics markets.
- However in the medium term, we see **more balanced demand and supply dynamics**, particularly for large out-of-town warehouses, leading to a more moderate growth in rental levels.



LOGISTICS INVESTMENT MARKETS

A BRIGHT SPOT

Logistics sector will remain a bright spot in the property markets

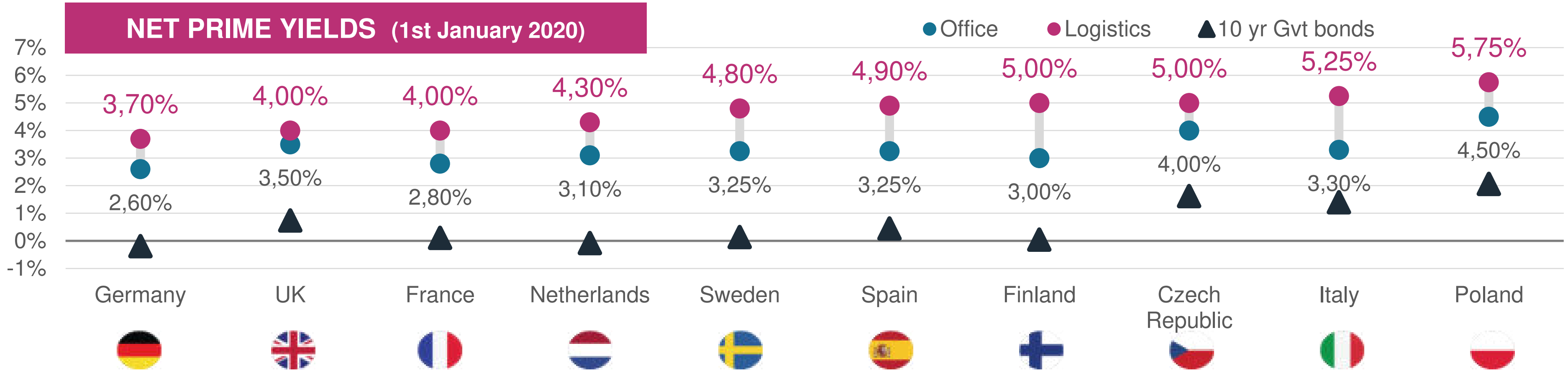
- From an investment point of view **the logistics and Industrial sector remains a bright spot**, with **improved fundamentals,** particularly increased demand for space. Nonetheless we can anticipate **lower investment volumes**, although in the context of the wider property market, the fall in **volumes will be less than seen for other asset types.**

Hubs with global exposure are more vulnerable in the short term

- In the short term, **reduced global trade flows** arising from the pandemic, will impact demand for **logistics property at the ports** (both sea and air) through reduced utilization. But in the medium to long term we **see little waning in demand for logistics space at ports and airports**, as these will remain a major gateway for goods. Moreover, **e-commerce could emerge from the situation stronger** with increased penetration in more countries globally. This could **provide further boost to demand for space at ports, especially airports, as they allow faster delivery from long distance.**

Overall yields are likely to stay stable

- Going forward we may **see increased divergence in the performance of different logistics segments.**
- **Small in-town units** capable of being used as last mile logistics are likely to see **increased demand**, resulting in **yield compression**.
- Yields in **medium-sized warehouse units** in out-of-town locations will probable **remain stable** as supply is able to respond to increased demand in the medium term.
- For **port logistics** we see yields remaining **stable in the short term**, with potential for **compression in the medium to long term** on the back of **increased e-commerce globally**. The lack of supply around ports will be the major issue over the next few years.

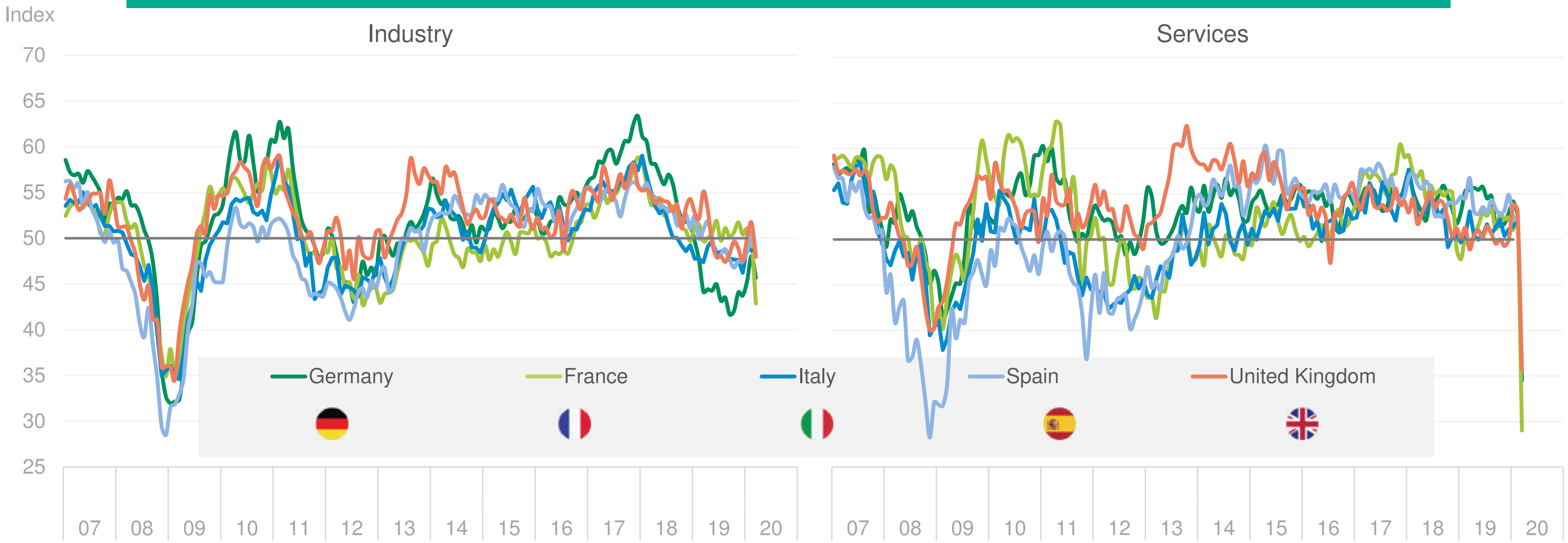


ECONOMIC OUTLOOK

PURCHASING MANAGERS INDEX SURVEYS

BUSINESS CONFIDENCE IN FALL IN MARCH

- The latest economic data gathered since lockdowns were introduced are starting to show the extent of the hit. The flash purchasing managers' indices for March show big declines, particularly in services and in export orders. In Germany, the IFO business climate had the biggest monthly decline on record and the same holds true for its French equivalent produced by INSEE. The lifting of the lockdowns will, mechanistically, trigger a rebound in activity but additional stimulus will probably be needed to maintain the momentum.

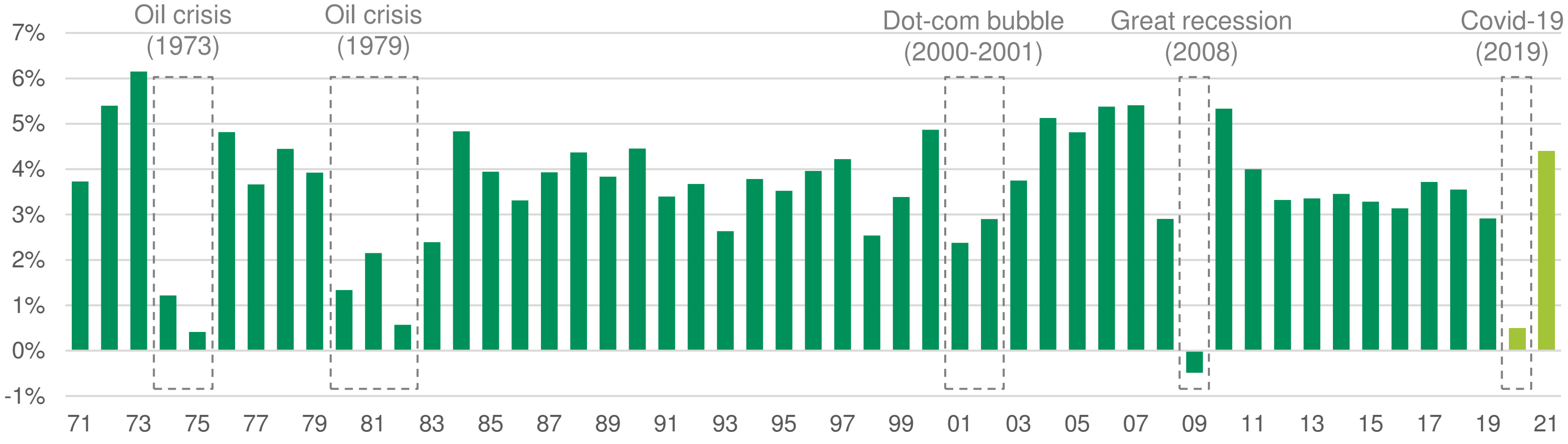


Sources: Markit, BNP Paribas Economic Research.

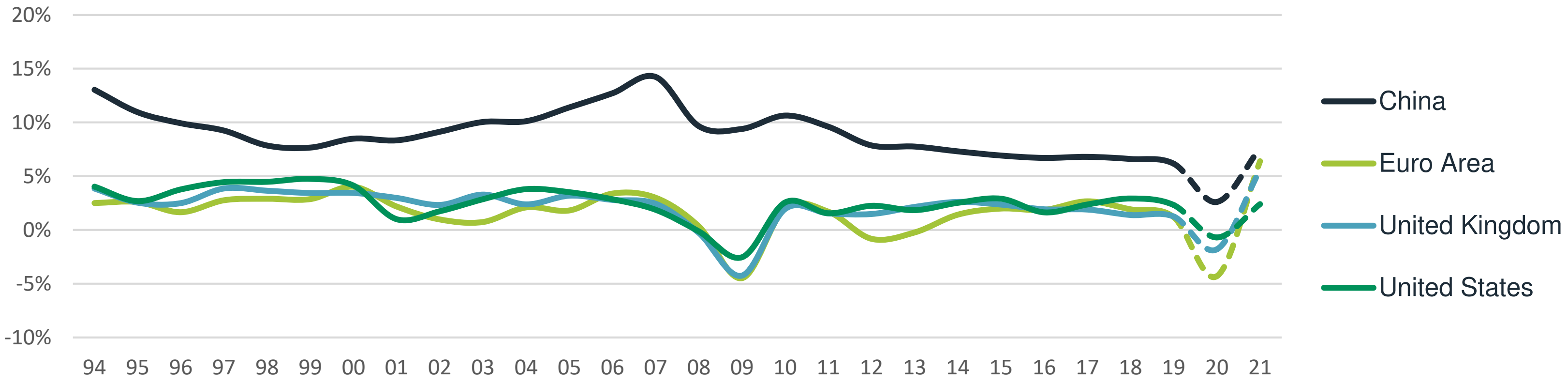
ECONOMIC OUTLOOK

WHAT OUTLOOK FOR THE MAIN ECONOMIES?

World GDP



GDP for the main economies

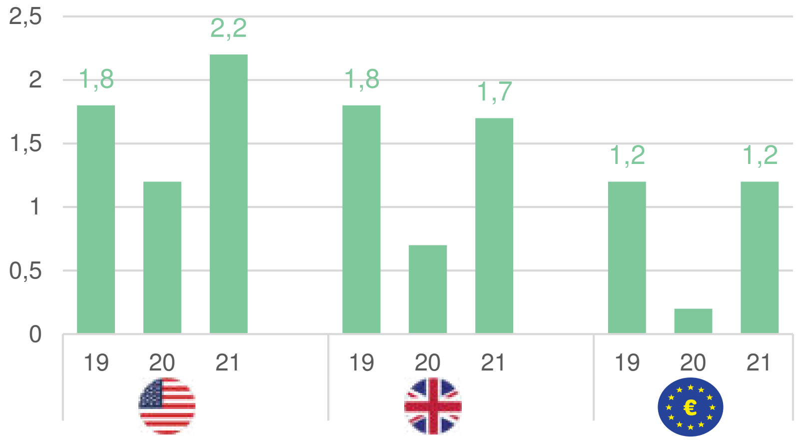


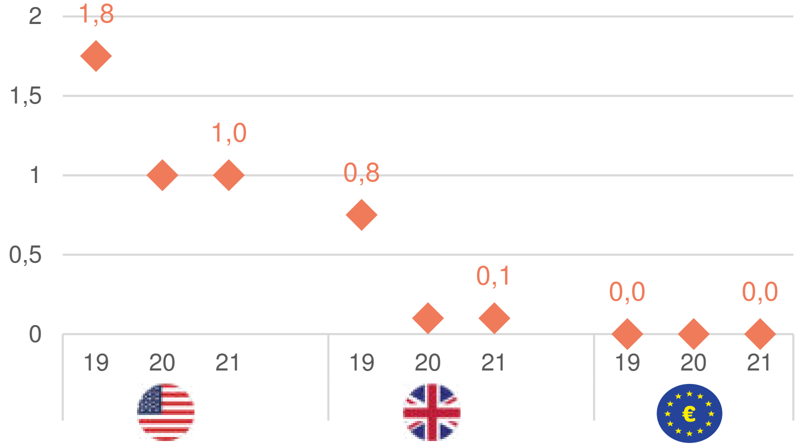
Sources: BNP Paribas, Oxford Economics, OECD.

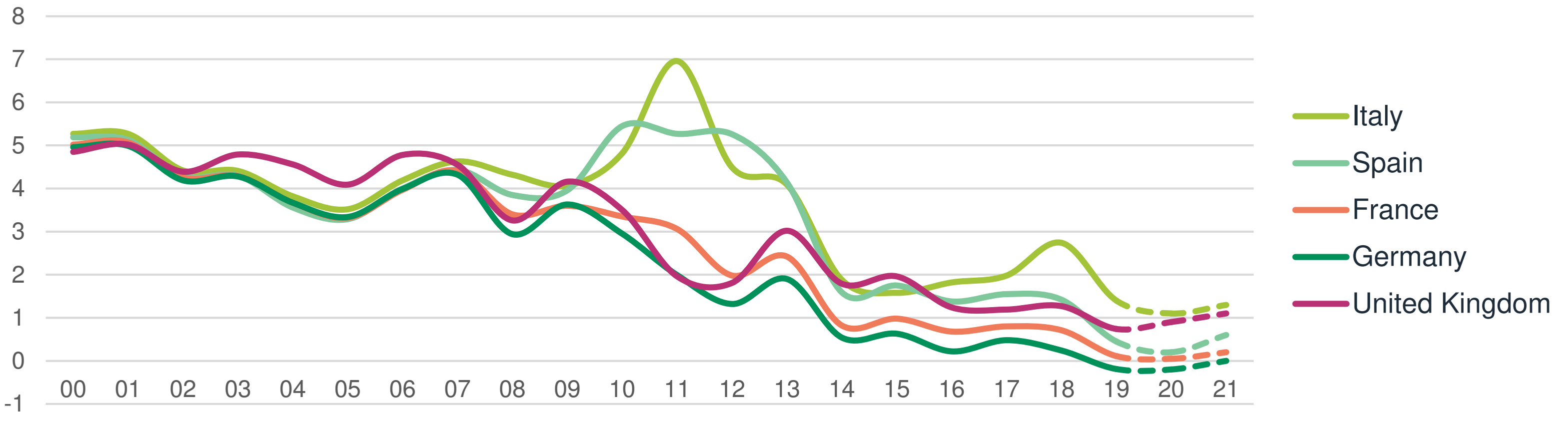
- The shock from Covid-19 represents an **unprecedented hit to both supply and demand.** The confinement measures adopted in many countries **disrupt global value chains and reduce the supply of labour**. Households also retrench their travel and recreational spending.
- **The shock will push the global economy into a recession.** Global growth should bounce back in H2 2020, but only gradually as the shock fades. **We are not expecting an immediate and steep recovery as many others initially assumed.**
- **An important point is that the shock has been staggered.** As some countries relax restrictions and economic activity begins to recover, others might be reaching their peak of contagion, **spreading the global economic impact other time.**
- **We believe that the fall in output in Q1 and Q2 2020 is likely to exceed that in the early period of 2008/2009 crises.** However, judging by the size of the current policy responses and the direct input of it into the real economy the length of contraction in GDP may be shorter than during the GFC.
- **For all economies, we expect a strong recovery in 2021**, as activity returns close to its pre-crisis levels and base effects push growth significantly higher than its trend.

ECONOMIC OUTLOOK

WHAT OUTLOOK FOR THE MAIN ECONOMIES?







Sources: BNP Paribas Economic Research, Oxford Economics, OECD.

- Under our baseline scenario, the recovery in demand will be limited by the disruption of supply chain in all the main countries. As demand will be strong and the supply limited**, we expect inflation to pick up in 2021.** However, **Central banks are unlikely to increase their policy rate until the end of 2021.**
- **Financial markets have recorded their worst week since 2008 crisis** (the week finishing Friday 20th March). US stock market lost nearly 12%, while European shares ended the week down roughly $1.5 trillion. **The volatility is still high in financial markets,** remaining as choppy as that experienced during the 1987 crash.
- **The response of the main central banks to this economic crisis has been strong**. China's monetary policy has largely focused on injecting liquidity into the system. The ECB has also increased its liquidity in the market, up to €750bn (but potentially unlimited). The Fed has cut its rates and announced at least $750bn in balance sheet expansion.
- **In our view, the response of central banks is positive for the market and now the onus lies on governments to do their part**.
- The high level of uncertainty in financial markets, and in the global economy, have encouraged **investors flight toward safe assets. Government bonds are reaching new historic lows.** That will be temporary as fiscal policies with their expansion of debt, suggests yields may increase to pay for the crisis.

ECONOMIC SCENARIO

A RECESSION COMING AHEAD FOLLOWED BY A STRONG REBOUND

GDP Growth & Inflation

	GDP Growth			Inflation		
	2019	2020 e	2021 e	2019	2020 e	2021 e
United States	2.3	-0.7	2.4	1.6	1.2	1.2
Japan	0.7	-2.6	0.8	0.5	-0.2	-0.2
United Kingdom	1.4	-1.8	5.6	1.8	0.7	1.7
Euro Area	1.2	-4.3	6.4	1.2	0.2	1.2
Germany	0.6	-3.7	5.2	1.4	*	*
France	1.2	-3.1	5.4	1.3	*	*
Italy	0.2	-8.2	9.2	0.6	*	*
China	6.1	2.6	7.6	2.9	3.1	2.0
India	6.1	5.0	4.5	3.0	4.6	3.5
Brazil	1.1	-1.0	3.0	3.7	3.6	3.5
Russia	1.3	0.5	2.5	4.3	3.3	3.5

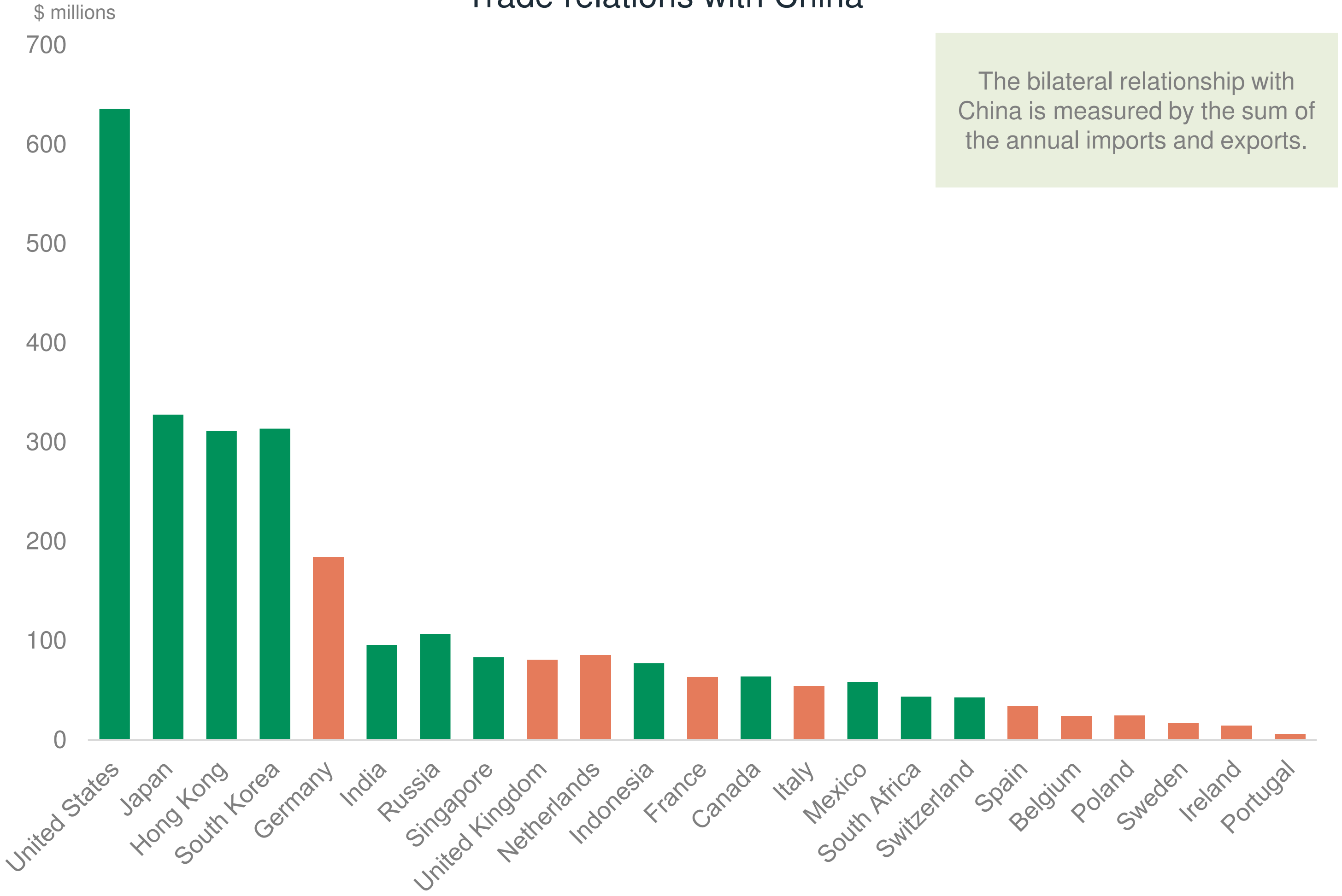
Sources: BNP Paribas Economic Research.

- In the United States, the virus is now spreading quickly. Concern is mounting about an increase in the unemployment rate, which would weigh on consumer spending. This explains the very significant measures taken by the Fed and by the Trump Administration to support demand and activity.
- In China, the economy collapsed in the first two months of the year (industrial production fell by 14% year-on-year, exports by 18% and retail sales by 24%). Activity has already started to recover, but this process should remain gradual over the coming months. The central bank and the government have stepped up stimulus measures aimed at helping enterprises and supporting domestic demand But the economic recovery is likely to be constrained by the slow unwinding of sanitary restraints and by economic crisis currently spreading in the rest of the world.
- In the Eurozone, the impact of the coronavirus epidemic is becoming increasingly visible in activity and demand data following lockdowns. Mostly it is expressed data wise in confidence and business expectations. The first semester will be significantly affected ,with the extent depending on when the epidemic will be brought under control. The second semester should see improvement in activity, which should be helped by the huge support measures that are being taken.

ECONOMIC IMPLICATIONS

A DISRUPTION OF THE SUPPLY CHAIN

Trade relations with China

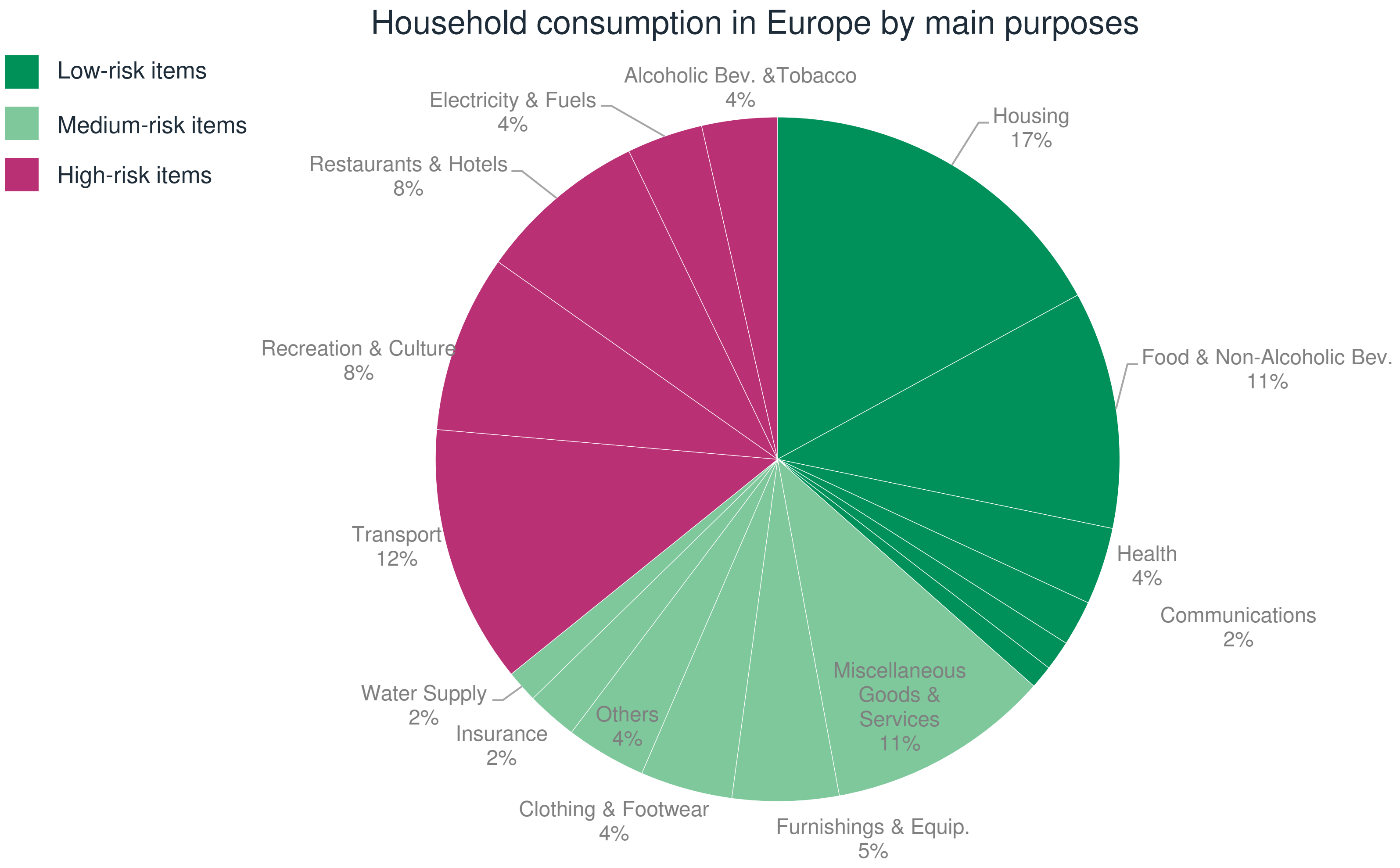


- **As most of the factories were shut during the peak of the crisis in China**, the global supply chain has been disrupted.
- **Some countries feared a possible shortage of goods** (such as pharmaceuticals products, or raw materials for production) are **questioning their dependency on China and the organisation of the global supply chain.**
- **But China is not the only producing hot spot hit by the virus.** For example**, the global luxury and fashion sector is now facing a lack of supply following the lockdown of the main manufacturing regions in Italy** (located mainly in the northern part of the country)**.**
- **In Germany also, one of the main exporters of Europe, the partial lockdown is implying a shutdown of some major production sites.** Volkswagen announced the closure of all its factories, including the historic one in Wolfsburg.
- **In addition, with the closure of borders, other countries now have restrictions on exporting some goods**. Poland, one of the main logistic centre in Europe, is now **decreasing the flows at the border and the whole delivery system is negatively impacted.**

Sources: World Integrated Trade Solution (2018), BNP Paribas Real Estate.

ECONOMIC IMPLICATIONS

A DECREASE IN DOMESTIC DEMAND

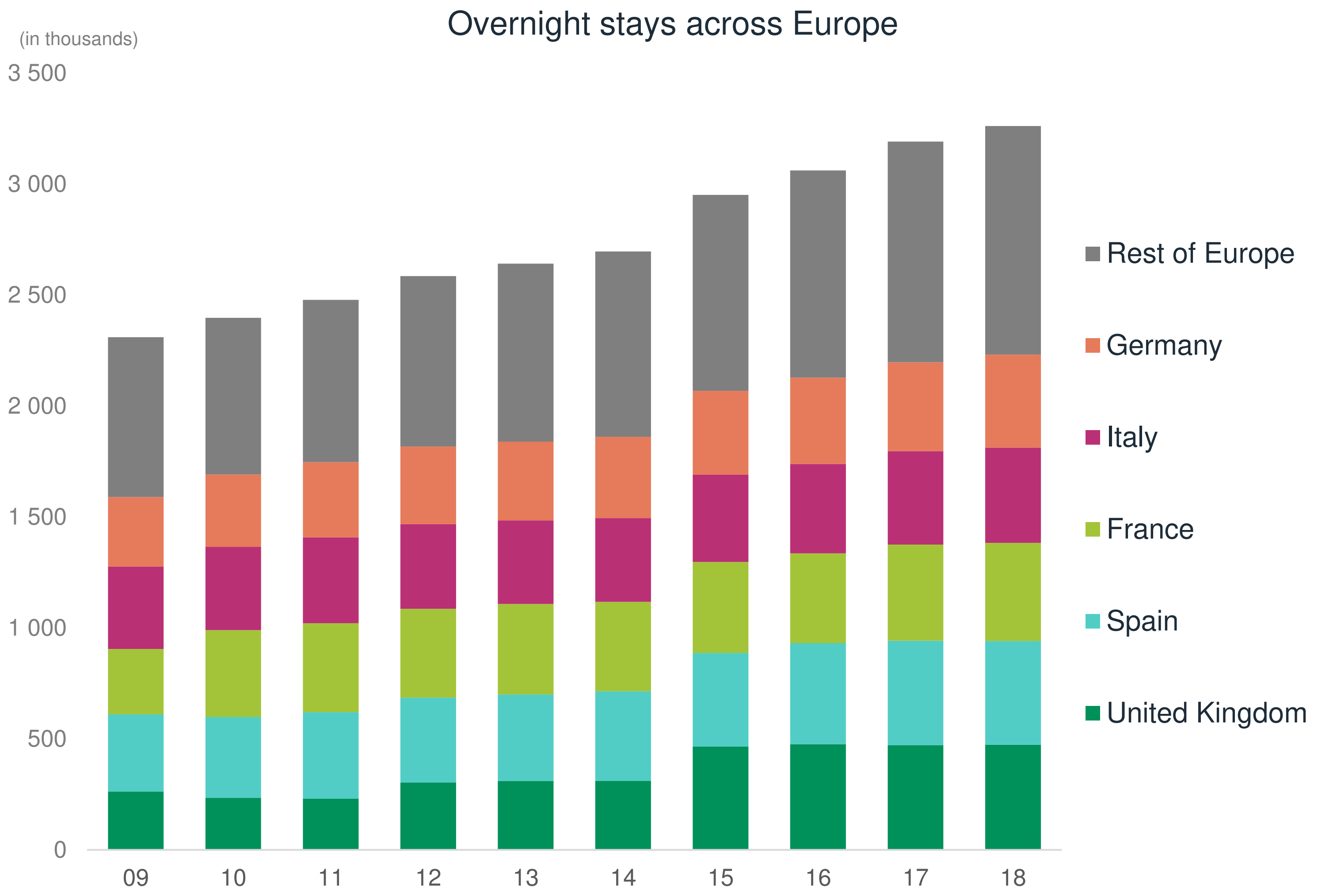


Sources: Eurostat (2018), BNP Paribas Real Estate.

- Uncertainties are not only coming from the supply side as the **European economy is also suffering from a demand shock.**
- **Analysing the purpose of individual consumption** across Europe may help to understand how the domestic demand will be impacted by the Covid-19, or more precisely by the **closure of all social venues** (cafés, restaurants, cinemas, etc.) and other restrictions.
- **We have identified that 35% of the households' expenses are at risk**, meaning that these will be greatly impacted and will almost be non-existent as the lockdown will last.
- **When restrictions will be lifted, they will not have a steep recovery** as previously assumed but will only recover gradually as the shock fades.
- **The psychological effect of a lockdown may last and we cannot expect a catch-up effect**. For a large proportion of products that have not been consumed in H1, we cannot expect sharp increase in H2.
- **The low risk items are the expenses that households will have to make**, even during the lockdown periods (food, housing, communication, etc.).
- A **long-term effect on demand is implied by an increase of the unemployment rate across Europe**, as it is directly linked to consumption.

ECONOMIC IMPLICATIONS

FOREIGN DEMAND IS ALSO DAMAGED

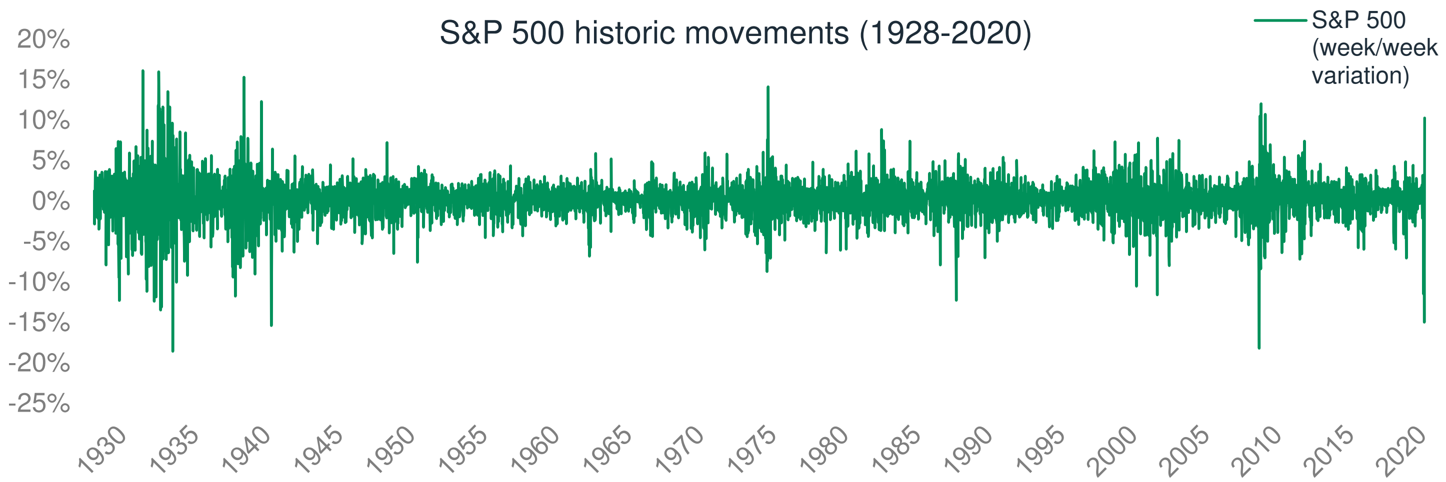


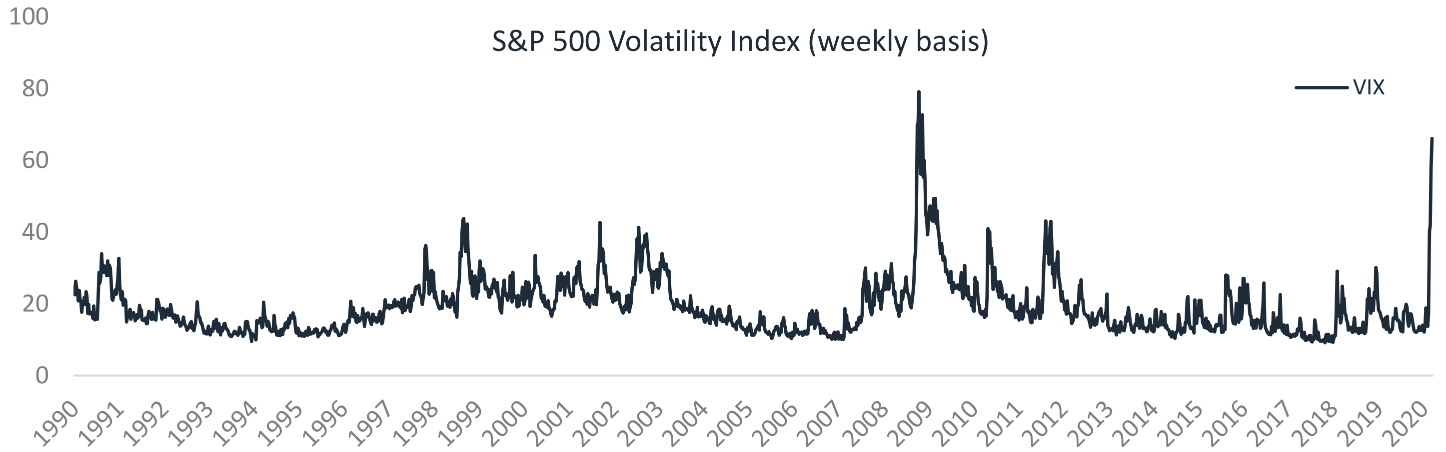
Sources: Eurostat, BNP Paribas Real Estate.

- **Domestic demand is not the only loss for European countries as there are two external dampeners**. Firstly, exports should logically decrease, as the outbreak is worldwide and all countries will be hit. Secondly, with the border closures, tourism revenues will fall sharply.
- **With the ease of travel, tourism has become an important source of income for all European countries**. In 2018, Europe registered 3.2 billion overnight stays and they have been growing at an average annual rate of 4% for the last 10 years.
- The main visited countries are the UK, Spain, France, Italy and Germany. As expected**, the most attractive countries in Europe are also the ones that are more hit by the virus outbreak.**
- The restrictive measures put in place (border closures, lockdowns) will **reduce sharply tourism-generated revenues for a considerable time.**
- Again, **as the restrictions are lifted, foreign tourism may not soar**. The psychological effect and protective measures should dominate in the early stage and we should see an increase of domestic holidays.
- **International tourism will recover but later in the year, and only gradually**. For low-income households, lockdowns drain savings on necessities and **we can expect big ticket spending (such as holidays) to be out of the window**.
- Moreover, **the economic losses implied by a decrease of overnight stays cannot be fully recovered**, as most of the holidays or business trips have been cancelled.

FINANCIAL IMPLICATIONS

ONGOING REPRICING





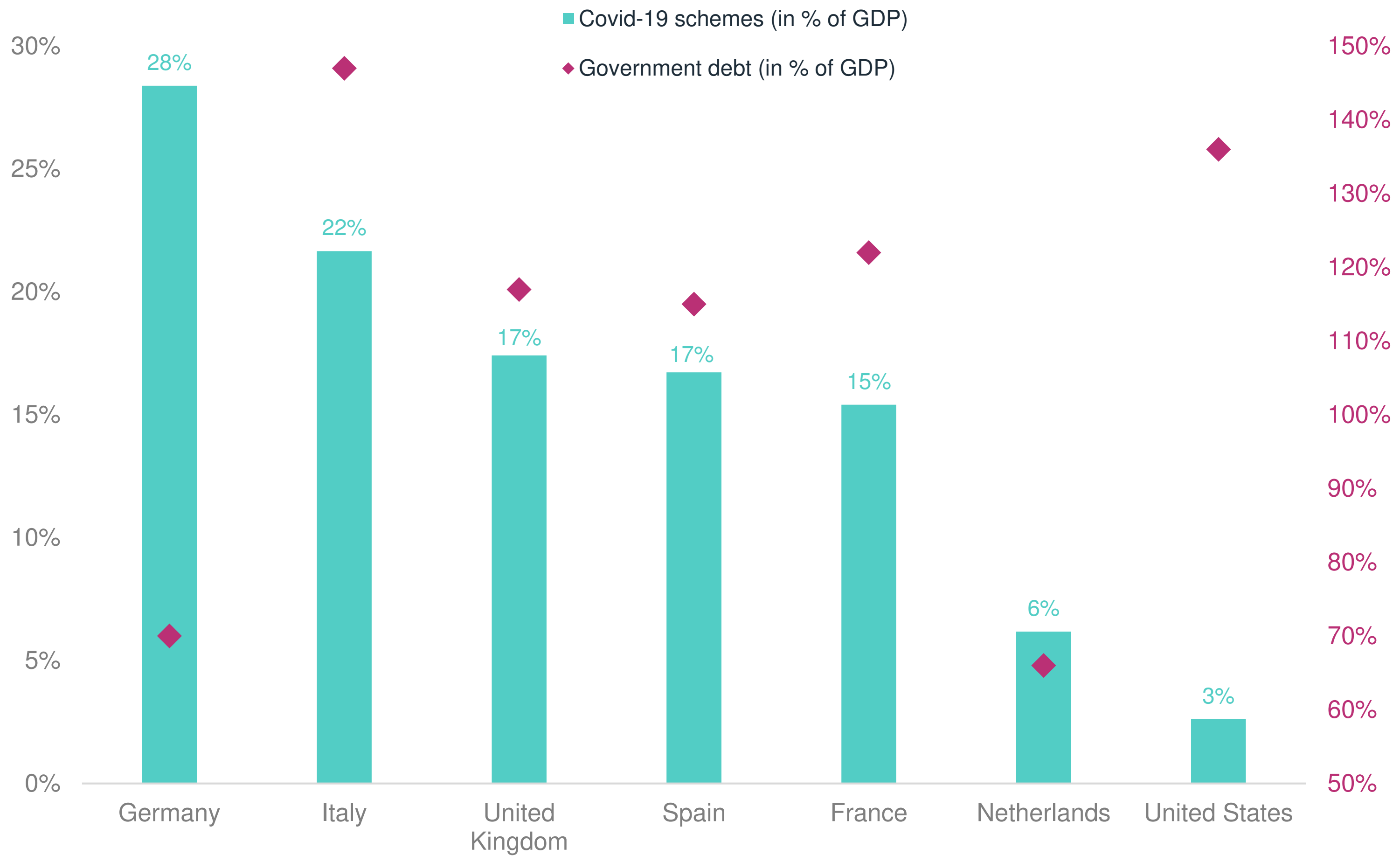
Sources: Macrobond, BNP Paribas Real Estate.

- The impact on financial market is still ongoing, but **we may have already seen the main repricing. Some adjustments could happen again later on.**
- The trade war, the tension on oil prices, the declining corporate profits or even the Brexit made the market shiver, but it is **Covid-19 that has been the trigger for a major repricing.**
- A first crash occurred in the final week of February and a second one in the week finishing Friday the 20th of March, when **the main stock markets experienced their worst week since 2008.**
- **The financial crisis in 2008 lasted 25 weeks and the market lost -45% of its value. Currently, the shock has lasted 4 weeks, with a loss of -30%.** The decrease may not go much further down at the moment as **most of the repricing has been driven by assumption on company cash flow**. The **uncertainty may come back in April and July**, when companies will publish their quarterly results.
- The volatility index (VIX) is at its the second highest point in the history of the index, just after the 2008 financial crisis. **This means that past events** (such as the European debt crisis, the UK referendum, or the 9/11) **brought fewer uncertainties and less fears than the Covid-19 outbreak.**
- **If the market is only volatile for a limited time, we may not see stronger impact on financial markets than by the GFC**

GLOBAL POLICY RESPONSES

NATIONAL GOVERNMENTS TOOK EXTRAODINARY MEASURES

Stimulus spend in response to Covid-19 and level of debt (in % of GDP)



- Judging by the size of the current policy responses and the direct input of it into the real economy, **we believe that the length of contraction in GDP is likely to be shorter than during the last crises.**
- **The Fed and the Bank of England cut their rates and announced an expansion of their balance sheet. The European Central Bank will also inject liquidity into the market**, up to €750bn (and potentially unlimited).
- But **while the cuts in rate and injections of liquidity are effective in comforting the financial market**, they cannot solve many of the challenges implied by the virus outbreak. **National governments have already implemented major measures.**
- The main one, put in place by almost all countries in Europe, is a **loan guarantee to companies**. Another major scheme is the one focusing on tax. Companies will have, in almost all countries, **a tax break and/or a deferring VAT. States will also strongly support partial unemployment** in order to protect their job market from the pandemic.
- **Individuals are also benefiting from states interventions**, as some of the measures are directed to the self employed.
- If fiscal policies are going to support the real economy and the job market, **the high level of debt already experienced by European countries will not be improved.**

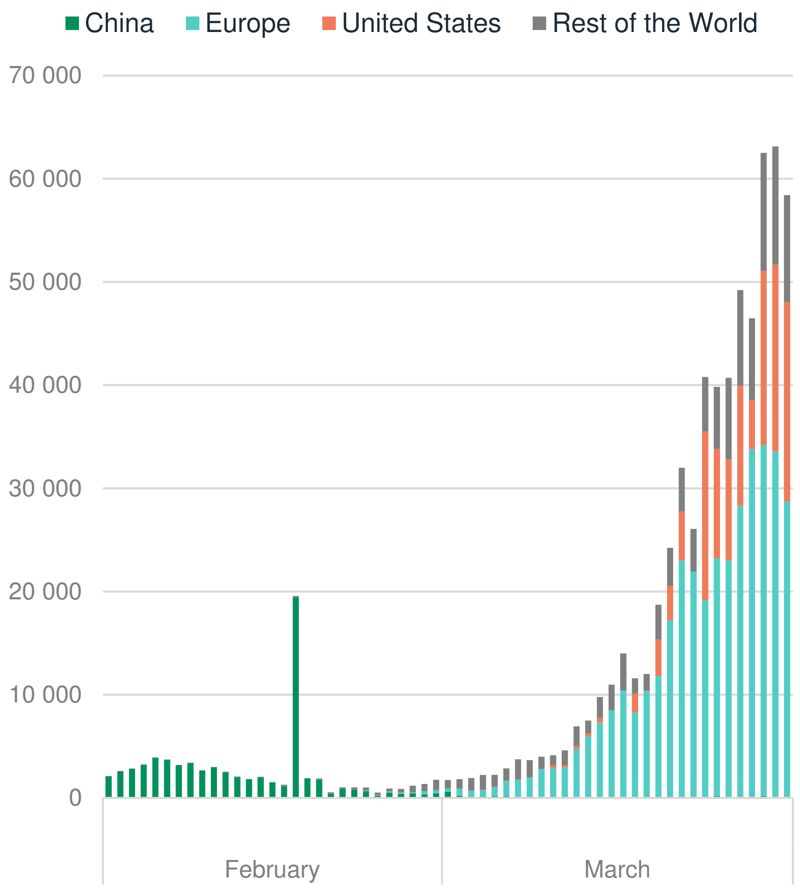
Sources: Oxford Economics, OECD, BNP Paribas Real Estate.

OUTBREAK SITUATION

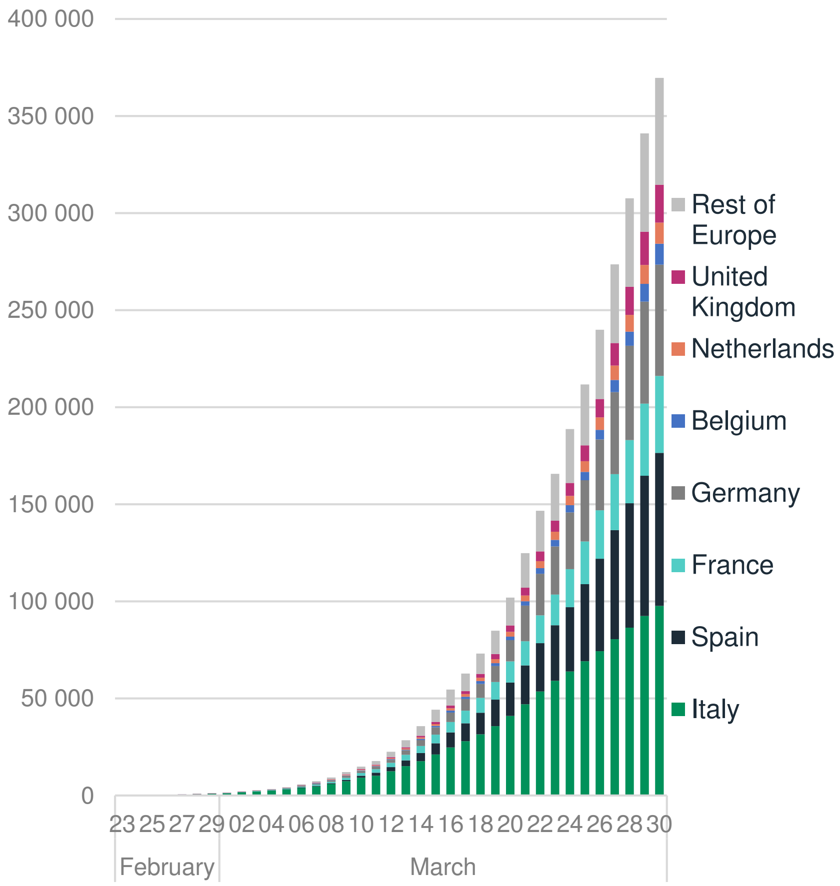
CONFIRMED CASES OF COVID-19

VIRUS WIDESPREAD OUTSIDE CHINA

CONFIRMED DAILY CASES WORLDWIDE



CUMULATIVE CONFIRMED CASES IN EUROPE

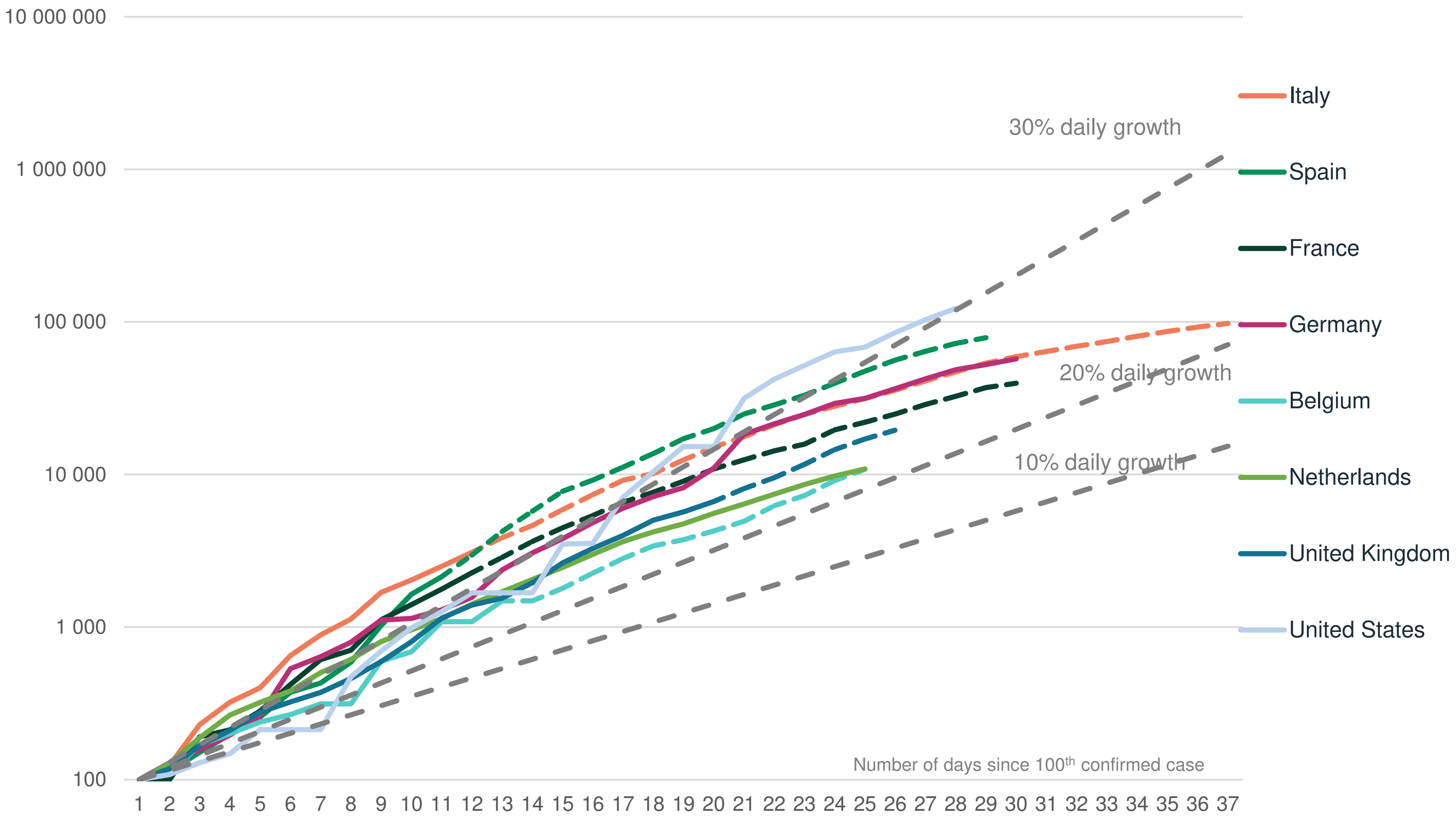


- **The Covid -19 emergency at the beginning of 2020 took the world by surprise** (delivering an economic shock), just as the global economy had begun to stabilise from trade wars in the preceding years. **Its implication for the global economy remains uncertain**, but it is clear that the effect is likely to come in at least two phases:
  - **disruption to the supply chain in China**, where most factories were shut during the peak of the crisis
  - **development into a pandemic spreading across Europe**
- We are now in the second phase, with **major economic implications for Europe**.
- Currently, around **30,000 new cases** are being **reported each day in Europe.**
- **The epicentre of the pandemic is Italy**, with around 100,000 confirmed cases in cumulative terms (**26% of the total in Europe**).
- **The number of cases in Spain is also growing fast and warrant close monitoring (**the growth is even quicker than in Italy).
- **Cases in other European countries are also evolving fast and the situation should continue to be monitored.**

Sources: World Health Organisation.

INFECTION TRAJECTORIES

GROWTH OF OUTBREAKS



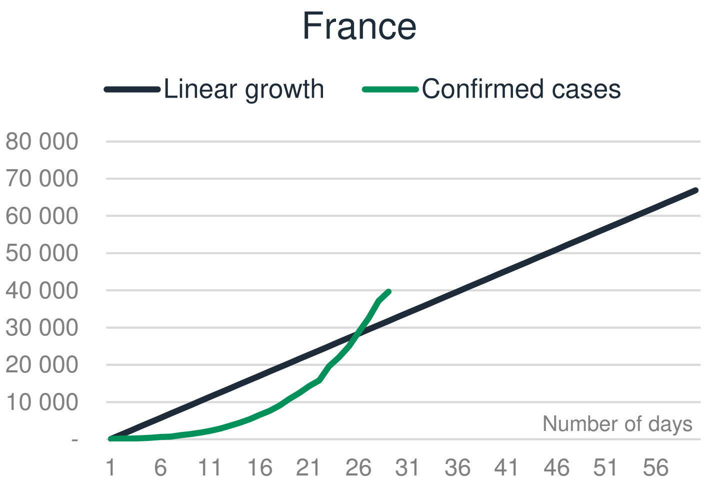
* The dash line shows when quarantine measures have been introduced by the government

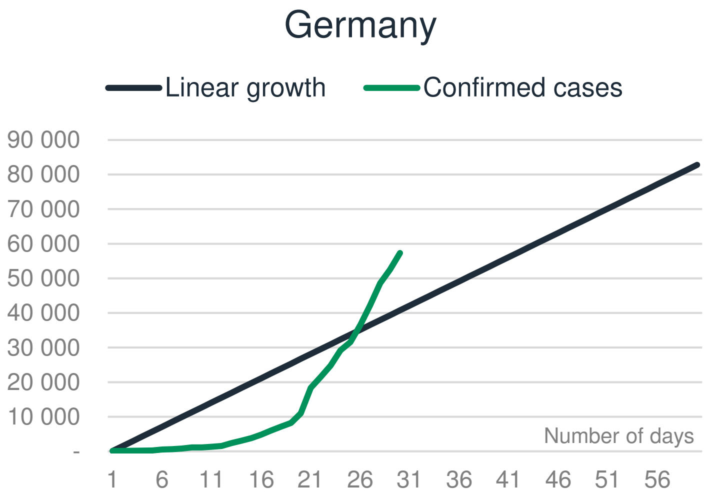
- **All the main economies in Europe currently have a growth rate for new cases of less than 30% per day.**
- **The increase in Spain is even steeper than that of Italy,** meaning that the impact could even be greater for the country.
- **The United States is also a worry as no real measures have been taken by the government** and confirmed cases could rise exponentially in the next few days.
- However**, a lot of cases are still undetected and figures could be higher.**
- At the moment, **Italy is near 20% daily growth, meaning that the government's containment measures are starting to have an effect.**
- In France and Germany the growth is still similar but **the curve is starting to ease off as quarantine measures are proving effective.**
- **In the UK, quarantine measures have been imposed by the government since the 23rd of March.**

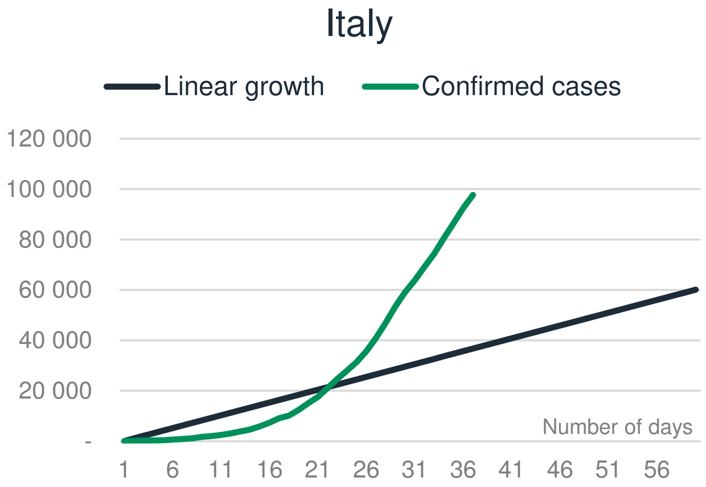
Sources: World Health Organisation.

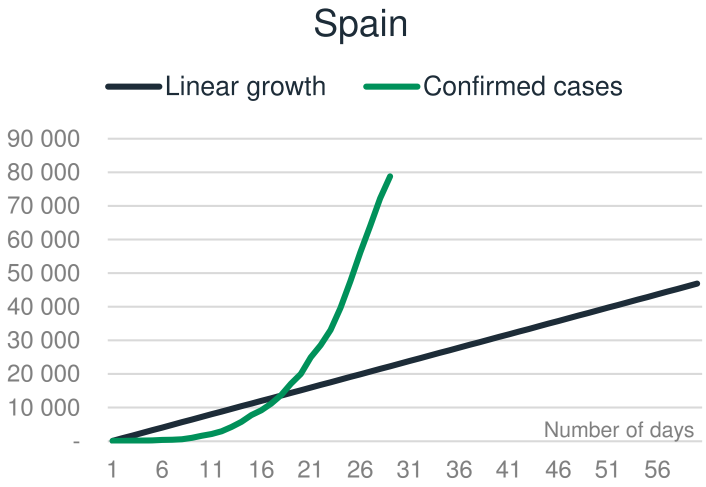
EXPECTED NUMBER OF CASES

ESTIMATION BASED ON HUBEI PROVINCE FIGURES









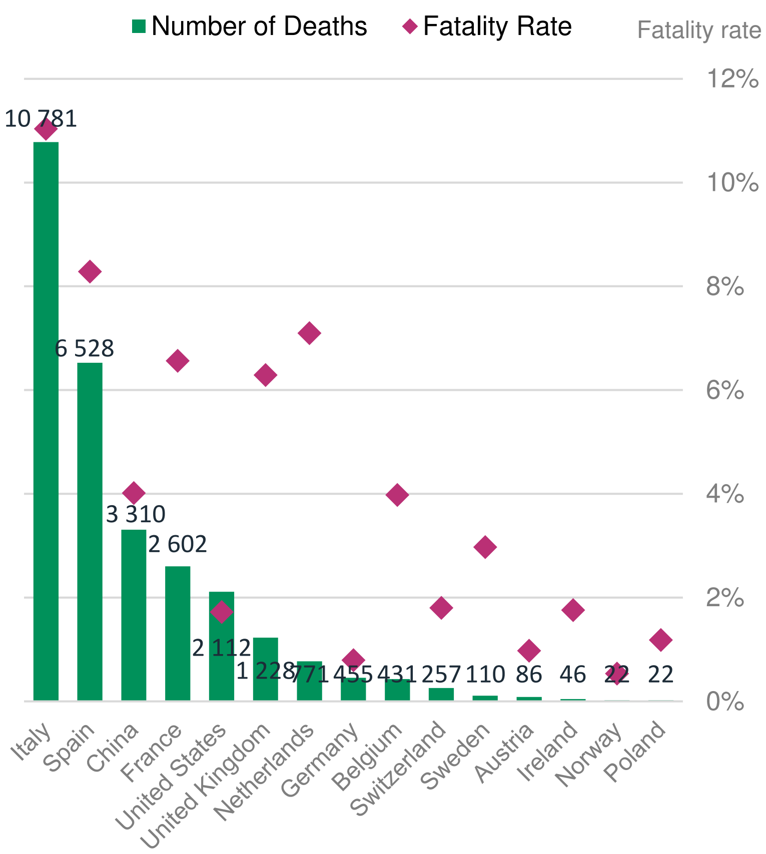
- In order to monitor the cases across European countries**, we have estimated the potential number of cases at the end of the pandemic.**
- To do so, we based our assumption on the confirmed cases in the province of Hubei, China, the original epicentre of the epidemic. **In Hubei, two months after the 100th case, 67,800 people were confirmed to have the virus. This means that 0.1% of the population contracted the virus after 2 months.**
- By extrapolating the same assumption to the main European countries, **we can see how the virus is spreading and also whether it is faster or slower than in China.**
- Unsurprisingly, cases **in Italy are growing faster than France or Germany**. Its current number of infected people is greater than the theoretical one**. If the virus continues to spread at this speed, Italy could fare worse than the original epicentre centre of the epidemic.**
- **For France and Germany, the situation seems to be under control** at the moment and the speed of contagion is still limited.
- **For Spain, the situation is very concerning** and should be looked at every day**. The epidemic's pace is even faster than in Italy.**

Sources: World Health Organisation, BNP Paribas Real Estate.

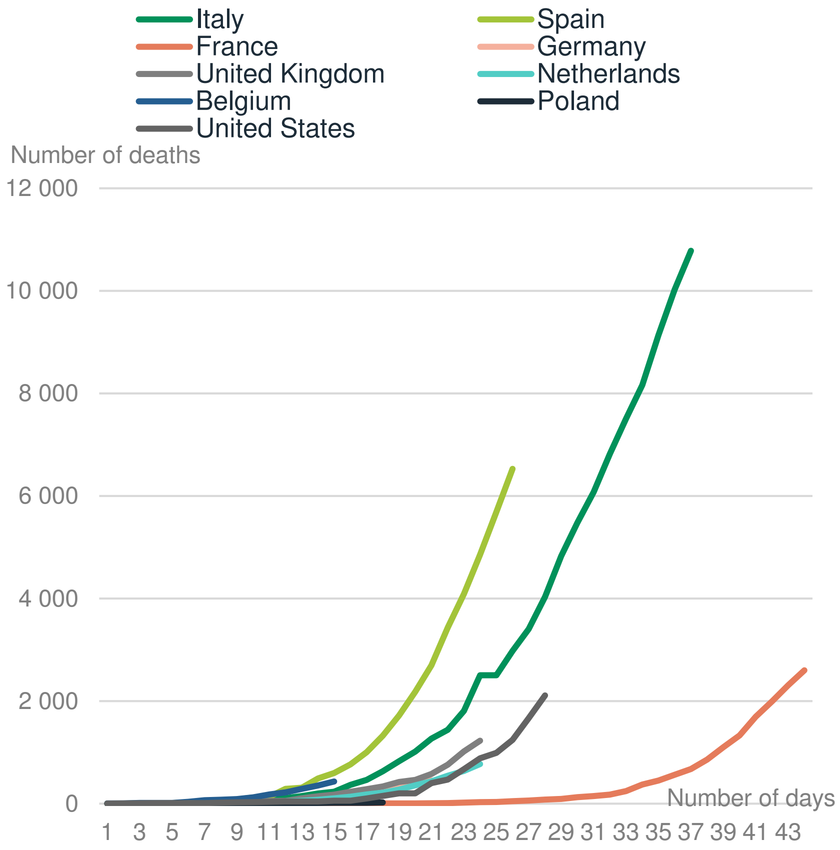
THE FATALITY RATE OF COVID-19

FATALITY RATE DEPENDS ON QUALITY OF HEALTHCARE AND POPULATION AGE

FATALITY RATE WORLDWIDE



EVOLUTION OF DEATHS (SINCE FIRST DEATH)



- **The fatality rate differs greatly from country to country. In China**, the fatality rate stands at 4.0% since the beginning of the outbreak. **For countries with more strongly resourced healthcare systems (Germany, Switzerland, etc.), the fatality rate may be lower than 2%**
- **The fatality rate is the highest in Italy**, where the age of the population is an important factor. Indeed, **23% of the population is older than 65 years old**, and nearly 60% of the population is aged 40 or over. **The median age is also the highest in Europe.**
- **Living arrangements are also an important factor** as several generations may live in the same place. This means that older people are not properly isolated and have a greater chance of catching the virus.
- **We expect Spain to have a similar trend, but in a lower proportion.**
- **In other countries, the number of deaths is still low** and if the quarantine measures are followed by the population, healthcare systems should continue to be able to take care of the patients.

Sources: World Health Organisation.

SANITARY MEASURES & SUPPORT SCHEMES

STATE & FEDERAL BANKS MOBILISATION

MEASURES ANNOUNCED BY G7 AUTHORITIES AND SPAIN

UNITED STATES

$300bn
Tax delay

$100bn
Short-term working & sick leave financing

$1,000bn plan
$500bn to bail out distressed businesses
$500bn in direct payments to families

$100bn
Other social assistance voted by Congress

Federal Reserve $2,500bn
Injection of liquidities

CANADA

CA$92bn
Support to workers and businesses in need, flexibility for taxpayers

UNITED KINGDOM

£330bn
State guarantee

£50bn
Incl. tax cut & business subsidy

EUROPEAN CENTRAL BANK

€750bn
Public and private debt buyback

€100bn
1st liquidity injection

JAPAN

¥1,600bn
Interest-free loans to SME

The Bank of Japan furthermore boosted its asset repurchasing policy

GERMANY

€550bn
"unlimited" loans to companies

SPAIN

€100bn
State guarantee

€100bn
Set of measures incl. short-time working, support to most vulnerable households

FRANCE

€45bn
Incl. tax delay or cancellation, short-time working, support to very small businesses and self-employed

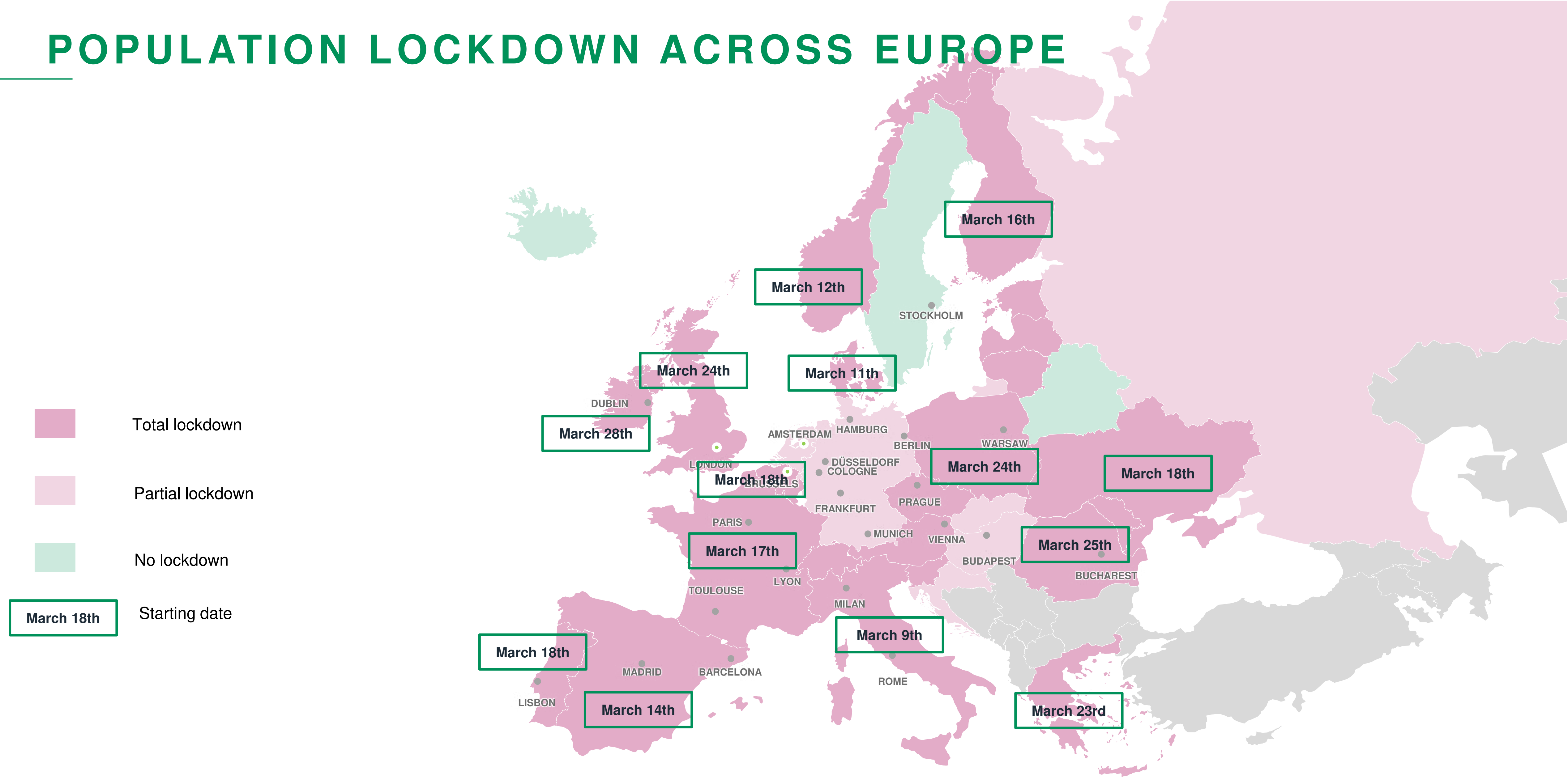
€300bn
State guarantee. Intervention in major groups capital is not excluded.

ITALY

€25bn
Incl. support to borrowers via suspension of payment for mortgage and banking loans

- Financial help
- Loan or State guarantee on loan to businesses in need
- Central Bank

POPULATION LOCKDOWN ACROSS EUROPE



Source: Press articles.

SITUATION IN FRANCE

SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Closure of schools and non-essential shops	March 16th	At least 15 days, otherwise « until further notice »	Shops of first necessity are allowed to remain open : food retail, pharmacies, gas stations, tobacconists
Lockdown of the population	March 17th extended on March 27th	1st lockdown of 15 days extended until April 15th	Non-essential movements of individuals are banned. What is allowed: shopping for groceries, imperative family reasons, health-related appointments, brief outings for exercise
Public Health emergency declaration	Decree of the Council of Ministers on March 18th Vote of the Parliament on March 20th	12 days Any extension beyond 12 days has to be authorized by law	The Prime Minister can govern by decree to restrict civil liberties (movement restrictions). The Minister of Health is allowed to pass decree-laws to adopt all necessary measures to limit the disease propagation

Source: French Government.

SITUATION IN FRANCE

STATE SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	• The government will guarantee up to €300bn of bank loans to companies -> companies can borrow up to the equivalent of 3 months of revenue at a rate of 0.25% • Companies are allowed to delay paying their taxes and social security contributions • Possible nationalisation of companies to avoid bankruptcies • Small companies facing difficulties are allowed to delay paying their rent, their water/energy bills • Possible tax discount for companies facing difficulties • The administration will help companies to negotiate the rescheduling of bank loans • No delay penalty applied for public contracts • Monthly €1,500 subsidy granted to small companies affected by a 50% loss of turnover
Individuals	• Broadening of rights to partial unemployment and financed by the State • Extension of the winter ban on tenant evictions until the end of May

Source: French Government.

SITUATION IN THE UK

SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Partial closure of the public transport network	March 19th		40 underground stations closed
Lockdown of the population	March 24th	3 weeks	People are banned from leaving their homes or meeting in group of more than two people Under the new lockdown, members of the public must not leave their house except to : Shop for essentials, as infrequently as possible Exercise outdoors once per day, alone or with household members Receive medical treatment or provide care Travel to and from work if impossible to work from home

Source: BBC, Telegraph.

SITUATION IN THE UK

STATE SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	• Initial £330bn (15% of the UK GDP) loan scheme to support businesses: the government guarantees assistance to companies to pay their rents, the salaries, their suppliers or to purchase stock • Further £20bn in tax breaks for firms • Larger firms will be eligible to a low-cost and easily accessible lending facility through the Bank of England • Small and medium sized businesses can borrow up to £5m with no interest due for the first six months • Cash grants of up to £25,000 for retailers and hospitality businesses under the £51,000 rateable value threshold to help with rent and wage bills. • £3,000 grant for the smallest businesses announced last week increased to £10,000
Individuals	• Project of emergency legislation to suspend new evictions from social or rented accommodation for at least three months • Three-months mortgage repayment break for individuals facing financial difficulties

Source: Business Insider.

SITUATION IN GERMANY

SANITARY MEASURES: FEDERAL LEVEL

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Closure of non-essential shops on a Federal level + closure of schools and daycare facilities	March 16th	Until April 20th	Supermarkets, banks and pharmacies are allowed to stay open, while bars, clubs, swimming pools and cinemas have been told to close. Restaurants have to close by 6pm.
Closure of borders with France, Austria and Switzerland	March 16th		
Guidelines given to the population on a federal level and introduced by the Länder with local adjustments	March 12th Extended on March 22nd	At least two weeks	• People are required to reduce their contact with people other than the members of their household to an absolute minimum • Social distancing of 1.5 meter • Visiting public places is only permitted alone or with members of the household • Only necessary travels are allowed • Mass gatherings are banned • Restaurants and cafés are closed • Personal care services are closed

Source: Zeit online, dw.com.

SITUATION IN GERMANY

STATE SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	• At least €550bn of loans for companies facing difficulties during the crisis • €40bn aid package for freelancers and small companies of up to 10 employees including €10bn as direct subsidies and €30bn in the form of loans • Increase in public investments by €12.4bn by 2024 to make it easier for companies to claim subsidies to support workers on reduced working hours to counter the effects of the coronavirus epidemic.
Individuals	

Source: Business Insider, Reuters.

SITUATION IN ITALY

SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Lockdown of the population	March 9th	At least until April 3rd	Italy is the most affected country in Europe. Non-essential movements of individuals are banned.
Closure of schools and ban on public events	March 9th	At least until April 3rd	
Postponement of the referendum of March 29th + possible postponement of the local elections in several provinces			The referendum on the decrease in the number of MPs is postponed until further notice.

Source: Press articles.

SITUATION IN ITALY

STATE SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	• €25bn emergency program for both companies and invididuals • Mortgage repayment break
Individuals	• €25bn emergency program for both companies and individuals • Mortgage repayment break • Increase in partial unemployment funding • Dismissal procedures suspended • Allowance granted to families to finance daycare services

Source: Press articles.

SITUATION IN SPAIN

SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Closure of stores	March 13th		All shops are closed, except grocery stores, pharmacies and gas stations
Lockdown of the population	March 14th	Until April 11th	The population is asked to stay at home except for grocery shopping, to go to work when remote working is impossible or to go to the pharmacy
Lockdown of the population toughened	March 28th	2 weeks	All workers in non-essential activities must stay at home

Source: Press articles.

SITUATION IN SPAIN

STATE SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	• Public guarantee of €100bn to ensure liquidity for businesses + €87bn of private resources + €17bn as direct support for the firms most likely to suffer from the effects of the pandemic • €200bn amounts to 20% of Spain's GDP • Loans to companies will be guaranteed by the State • Companies which will adopt partial unemployment measures will be waived of social taxes
Individuals	• €600m dedicated to the most affected part of the population • At least 100,000 workers are facing temporary layoffs • Freelancers / independant workers will be allowed to receive unemployment compensation • Access to partial unemployment made easier • Ban on tenant eviction • Possible break on mortgage repayment

Source: El Pais.

SITUATION IN BELGIUM

SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Ban on travel abroad	March 18th	At least until April 5th	Non-essential travel of Belgian individuals outside the country are banned
Lockdown of the population	March 18th	At least until April 19th and possible extension until May 3rd	Non-essential movements of individuals are banned. What is allowed: shopping for groceries, imperative family reasons, health-related appointments, brief outings for exercise

Source: Press articles.

SITUATION IN BELGIUM

STATE SUPPORT SCHEMES

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	• **Federal level**: - Staggered payment of taxes for companies and freelancers - Partial unemployment allowed • **Regional level (Brussels Region)**: - €150m emergency plan to sustain the companies of the Brussels Region + subsidies granted to retailers forced to close during the crisis - Guarantee on loans for companies, the Brussels City tax for H1 is cancelled, low interest rate on loans for Hotels and restaurants • **Regional level (Wallonia)**: - €350m plan to sustain the economy - €233m plan dedicated to subsidies granted to companies forced to close during the crisis • **Regional level (Flanders):** - €100m plan to guarantee the loans - Subsidies granted to companies forced to close during the crisis
Individuals	• At the moment, 500,000 people are considered as being laid-off for economic reason. Another 500,000 is expected in the coming weeks. • Up to €1bn could be necessary to allow unemployment compensations • No tenant eviction for 30 days + no energy/water supply disconnection in Wallonia and the Brussels Region • In Flanders: energy and water supply bills will be paid by the community for workers forced to partial unemployment (estimated 100,000 people) for an estimated total cost of €20bn

Source: RTBF, Le Soir, Beobank.

SITUATION IN IRELAND

SANITARY MEASURES

TYPE OF MEASURE	STARTING DATE	EXPECTED DURATION	COMMENTS
Mandatory closure of schools, universities and childcare facilities. Cancellation of mass gatherings.	March 12th	Until at least April 19th	Citizens advised to practice physical distancing and work from home where possible.
Pubs and restaurants are encouraged to close	March 15th	Unknown	Pubs and restaurants are not legally obliged to close, however most of them did and some have started take-away and delivery services.
Closure of non-essential businesses. Creation of a single national hospital service. Social gatherings to be limited to four people. Cancellation of all sporting events.	March 24th	Unknown	All non-essential retail, services and other facilities to close. Cafés and restaurants to limit supply to take away and delivery only. The State will take control of private hospitals to create a single national hospital service for the duration of the pandemic.
Lockdown of the population. Essential businesses including restaurants / take-aways will remain open.	March 28th	Until at least April 12th	Everyone must stay at home except: • To travel to and from work when work from home is impossible • To shop for food or household goods or collect a meal • To attend medical appointments or collect medicines • For vital family reasons • For farming purposes • To take brief individual physical exercise within 2km of home.

Source: BNPPRE Ireland.

SITUATION IN IRELAND

STATE SUPPORT SCHEMES

<table>
<tr><th>WHO IS AFFECTED?</th><th>TYPE OF GUARANTEE</th></tr>
<tr><td>Companies</td><td>A €200m Package for Enterprise Supports including a Rescue and Restructuring Scheme and Credit Guarantee Scheme to support loans up to €1m for periods up to 7 years
Microentreprises can access Covid-19 loans up to €50,000 from Microfinance Ireland
Central Bank prudential policies relaxed to free up rainy day capital to provide an additional €13bn of lending to the economy
Mortgages, loans and rent: On March 18th, banks announced a series of measures to support customers and businesses impacted by the pandemic, to include:
A payment break of up to 3 months for businesses and personal customers
Mortgage flexibility for owners of buy-to-let properties that have tenants impacted by Covid-19 (to be passed on to tenants in the form of rent payment flexibility)
Deferral of court proceedings for 3 months
Collection of Stamp Duty on credit cards deferred from April to July</td></tr>
<tr><td>Individuals</td><td>COVID-19 Pandemic Unemployment Payment, a new social welfare payment of €350 per week, made available for people who have lost their jobs as a result of the pandemic. Employers can provide top-up payments above this level.
Emergency wage subsidy scheme introduced under which the government will pay 70% of a worker's salary – up to a maximum of €410 per week – where the company agrees to pay the remainder. This scheme will run for 12 weeks and is aimed at encouraging employers to retain employees on their pay roll during this period.
Enhancements made to Illness Benefits for those who need to self-isolate as a result of themselves or a family member contracting Covid-19. Personal rate of illness benefit to be increased from €203 to €350 per week for a maximum of two weeks. Requirement for six waiting days for sick pay waived in respect of medically certified self-isolation.
Emergency Measures Bill enacted including measures for renters impacted by Covid-19:
A moratorium on notices to leave rental accommodation and on rent increases for the duration of the pandemic
An increase in the notice period for tenancies of less than six months from 28 to 90 days
Income supports and Rent Supplement for renters struggling to pay.</td></tr>
</table>

Source: BNPPRE Ireland, Department of Business, Enterprise and Innovation.

SITUATION IN THE USA

SANITARY MEASURES

OREGON
- Stay-at-home order
- March 20th
- n/a

MISSOURI
- Kansas City and St Louis on lockdown
- March 21st
- n/a

ILLINOIS
- Stay-at-home order
- March 20h
- April 7th

MICHIGAN
- Essential activities are allowed
- March 24th
- April 13th

PENNSYLVANIA
- 7 counties on lockdown
- March 23rd
- 2 weeks

NEW YORK
- New York on pause plan
- March 20th
- n/a

MASSACHUSSETS
- Essential activities allowed
- March 24th
- April 7th

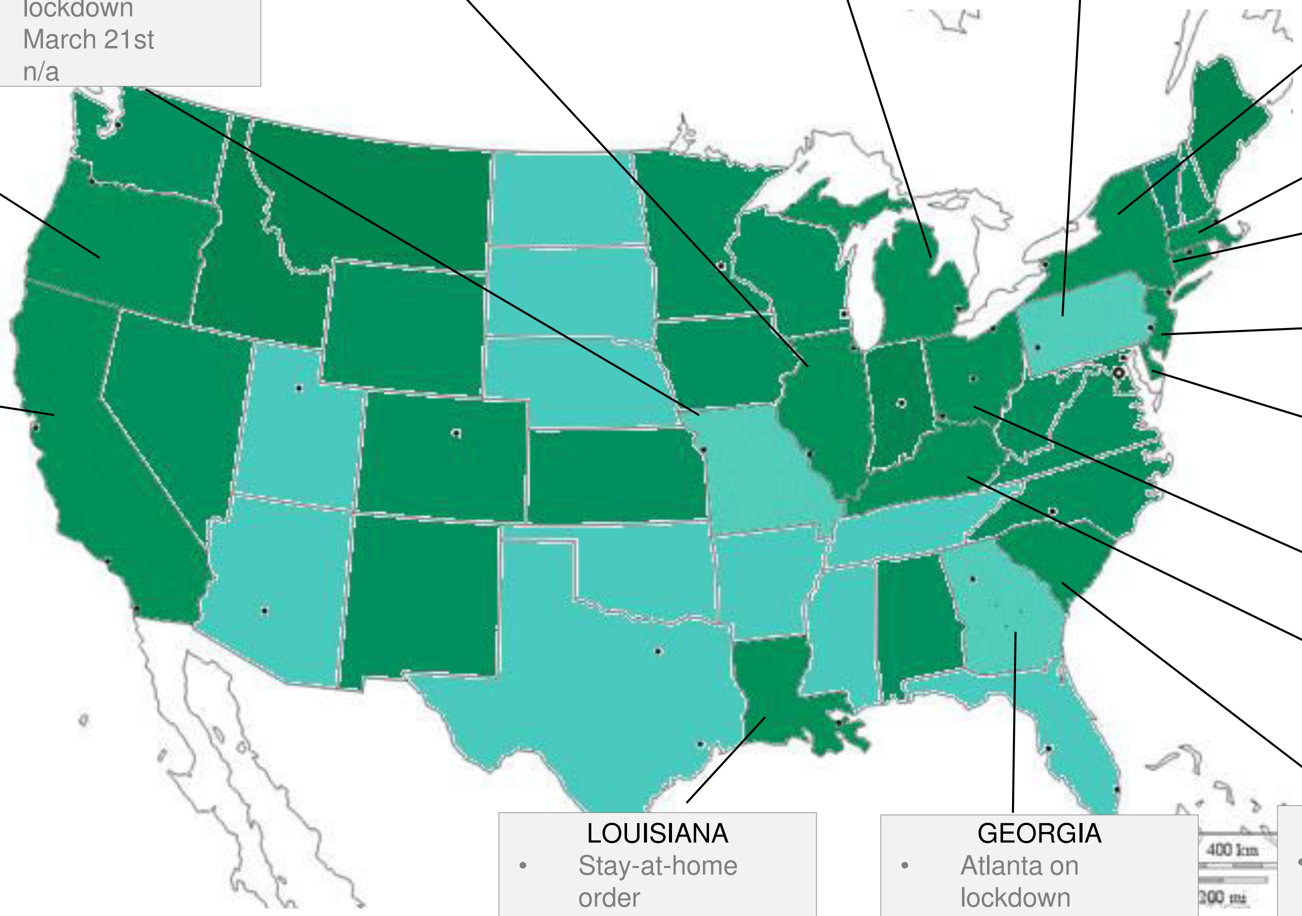
CONNECTICUT
- Stay-at-home order
- March 20st
- n/a

NEW JERSEY
- Stay-at-home order
- March 21st
- n/a

CALIFORNIA
- 16 critical sectors remain open
- March 19th
- 8 weeks

DELAWARE
- Stay-at-home order
- March 24th
- n/a

OHIO
- Closure of non essential business
- March 23rd
- April 6th



STATE NAME
- Type of measure
- Starting date
- Expected duration

State-wide measure

Local measure

Source: Press articles.

LOUISIANA
- Stay-at-home order
- March 23rd
- n/a

GEORGIA
- Atlanta on lockdown
- March 23rd
- 2 weeks

SOUTH CAROLINA
- Ban on gathering > 3 people
- March 23rd
- n/a

KENTUCKY
- Closure of non essential business
- March 23rd
- n/a

SITUATION IN THE USA

STATE SUPPORT SCHEMES: $2,000BN STIMULUS PACKAGE

WHO IS AFFECTED?	TYPE OF GUARANTEE
Companies	• $500bn to bail out distressed businesses: direct support for companies that are losing income incliding $58bn for airlines • $130bn for hospitals • $350bn through lending programs for small businesses that keep their payroll during the crisis
Individuals	• $500bn in direct payments to low and middle-income families: $1,200 per individuals making up to $75,000 a year, additional payments for families with children up to $3,000 • $250 bn for expanding unemployment insurance • > $10bn for masks, gloves and ventilators

Source: New York Times, Reuters.

REACTION OF THE EUROPEAN CENTRAL BANK

EMERGENCY PROGRAM OF €750BN ANNOUNCED BY THE ECB

- The European Central Bank strongly reacted on Wednesday March 18th and announced a **€750bn emergency purchase program** to sustain the economy and to ensure the monetary stability in the Eurozone.

- This program comes **in addition to the €120bn plan decided on March 12th**. As a result, the ECB's investment program in 2020 will amount to 7.3% of the Euro area GDP.

- The ECB will offer loans to banks at the lowest interest rate ever (-0.75%).

- Purchases of private and public sector securities will be conducted until the end of 2020 and will include all the asset categories eligible under the existing asset purchase program.

- This new purchase program will be the most important since the ECB started to conduct net purchases of securities in October 2014. During the net asset purchase phase, **monthly** purchase pace averaged:
  €60bn from March 2015 to March 2016
  €80bn from April 2016 to March 2017
  €60bn from April 2017 to December 2017
  €30bn from January 2018 to September 2018
  €15bn from October 2018 to December 2018

Source: European Central Bank.

6 BUSINESS LINES in Europe

A 360°vision

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