# COVID-19 REPORT

## OUTBREAK SITUATION
## ECONOMIC OUTLOOK
## REAL ESTATE PERSPECTIVES
## CITY FOCUS

GLOBAL RESEARCH
7TH MAY 2020

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

# CONTENTS



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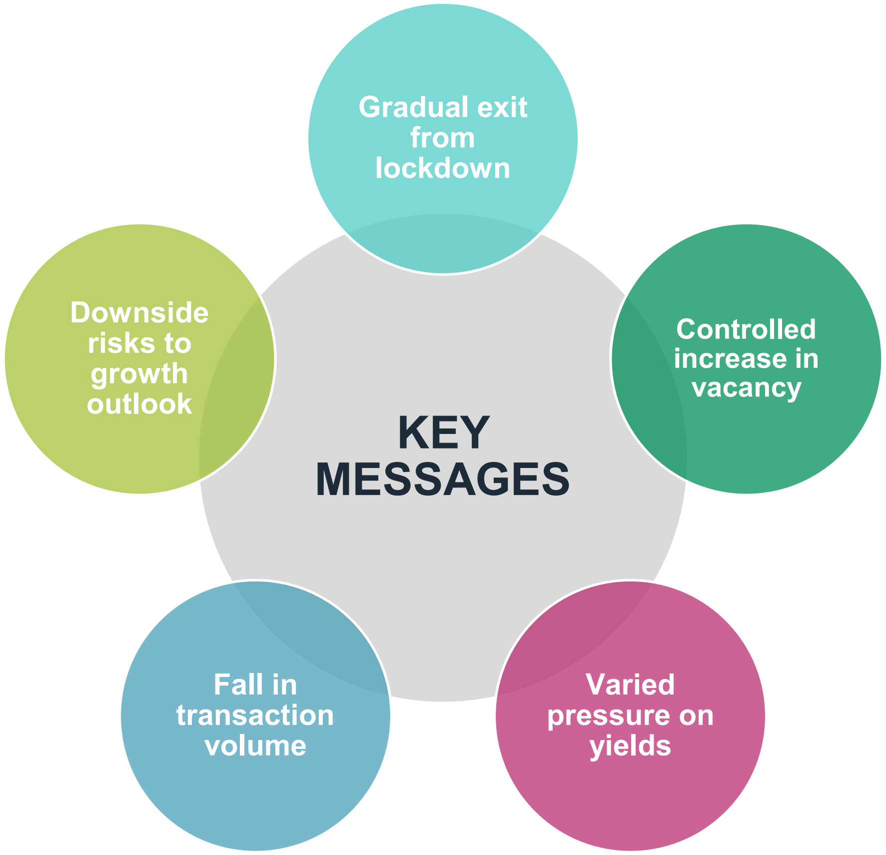
# EXECUTIVE SUMMARY

IN A NUTSHELL




## KEY MESSAGES

### GRADUAL EXIT FROM LOCKDOWN

Numerous European countries are ready to ease lockdown restrictions, allowing a gradual return to work and a progressive re-opening of different sectors. This aims at restarting the economy while avoiding a significant second wave of outbreak.

### DOWNSIDE RISKS TO GROWTH OUTLOOK

While the bold policy responses to the Covid-19 pandemic are promising, risks to our base case for GDP contraction are decisively skewed to the downside. We do not see a V-shaped recovery in economic activity during H2 2020.

### CONTROLLED INCREASE IN VACANCY

The increase in office vacancy is not expected to be substantial in most markets. Most central business districts should maintain high rental values. The average effective rents are expected to decrease in districts where the structural vacancy remains high.

### FALL IN TRANSACTION VOLUME

Total investment volume is expected to significantly fall in 2020 across Europe. Financial conditions seem to be tightening so far and cash is increasingly king. The fall in take-up is likely to be more severe than the peak to trough during the GFC.

### VARIED PRESSURE ON YIELDS

We expect very little upward pressure on prime yields in most markets, but there may be more general upward tensions on secondary segments. In general, the risk premium between core and non-core assets should come under pressure.

# OUTBREAK SITUATION

# POPULATION LOCKDOWN ACROSS EUROPE

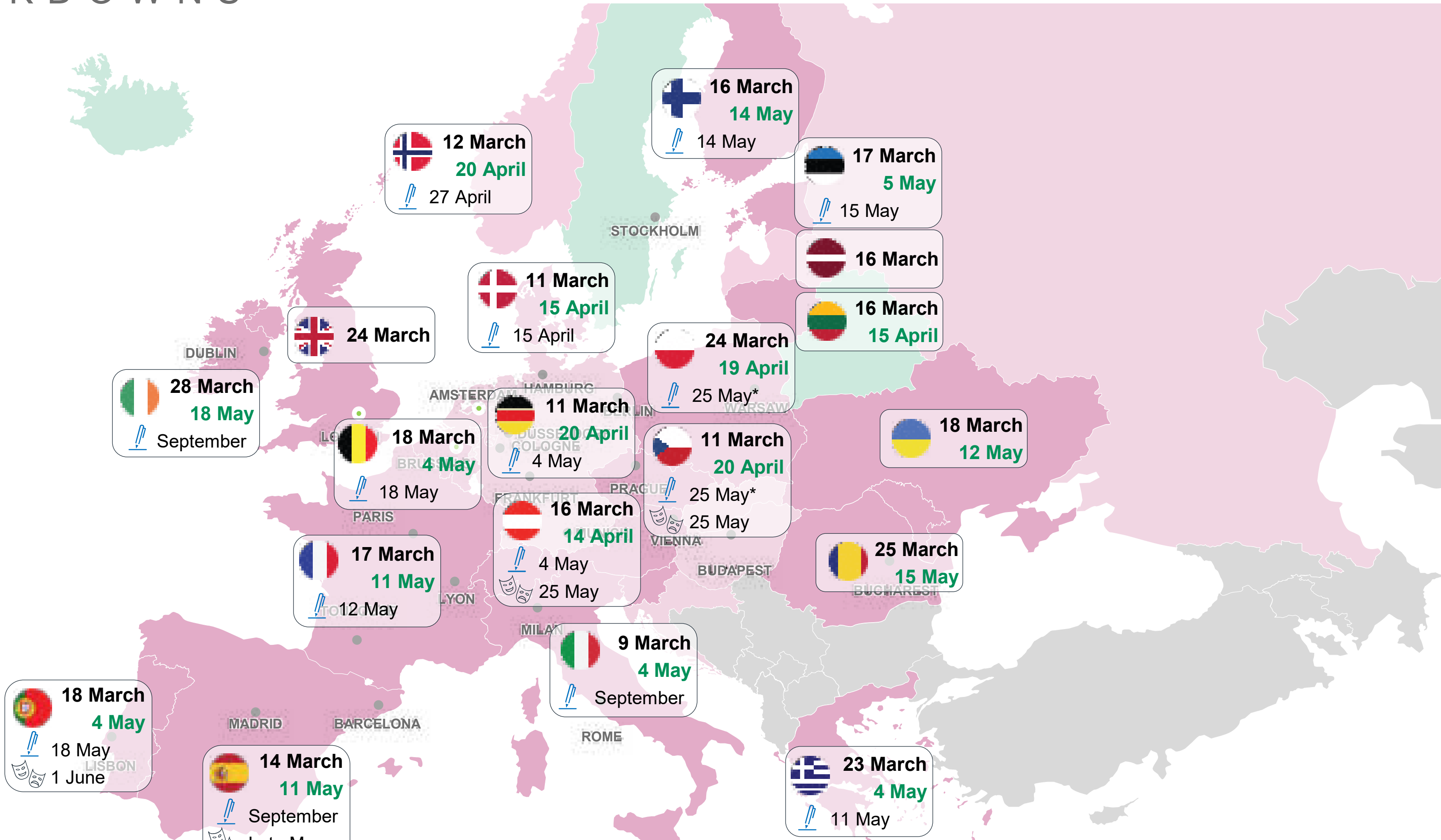
## MORE AND MORE COUNTRIES ACROSS EUROPE HAVE STARTED LIFTING THEIR LOCKDOWNS

Total lockdown

Partial lockdown

No lockdown

| | |
|---|---|
| 18 March | Lockdown ordered |
| 4 May | Easing lockdown (first stage) |
| 18 May | School reopening |
| 1 June | Theatre and cinema reopening |




* Might be postponed

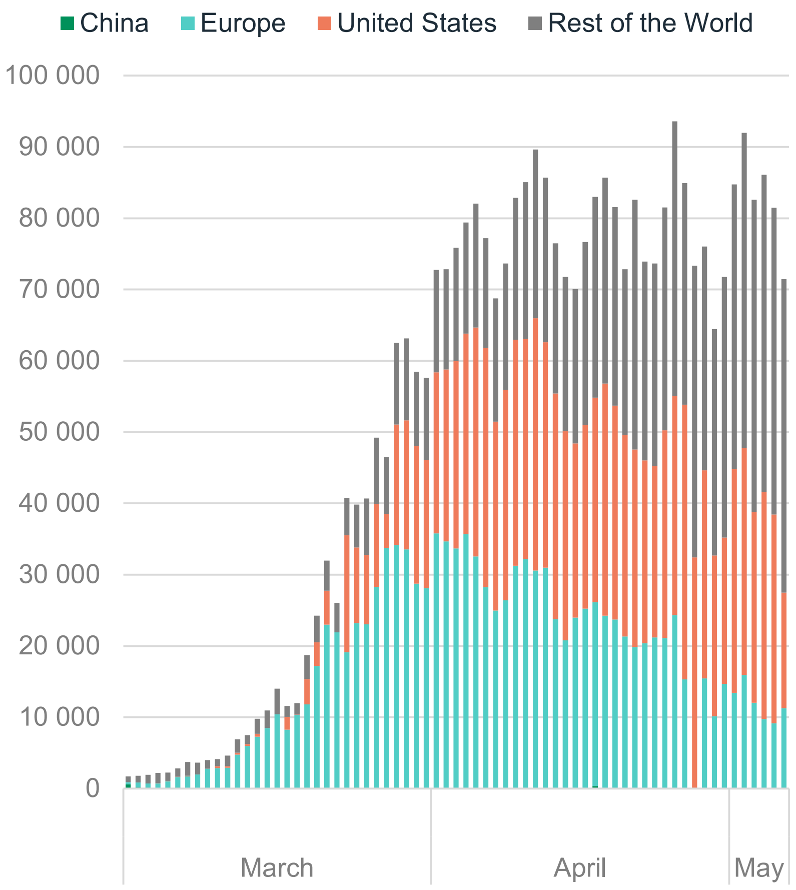
**Full – mandatory for every student/pupil school opening will be 1 September 2020

Source: Government announcements

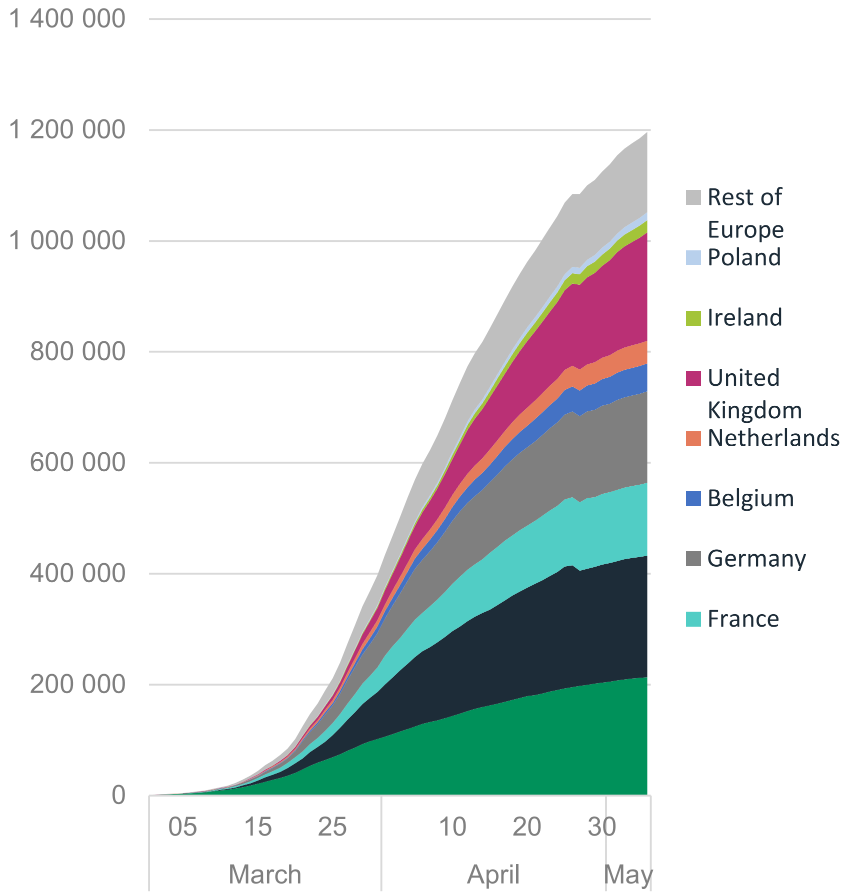
# CONFIRMED CASE OF COVID-19

## VIRUS WIDELY SPREAD OUTSIDE CHINA

### CONFIRMED DAILY CASES IN THE WORLD




### CUMULATIVE CONFIRMED CASES IN EUROPE

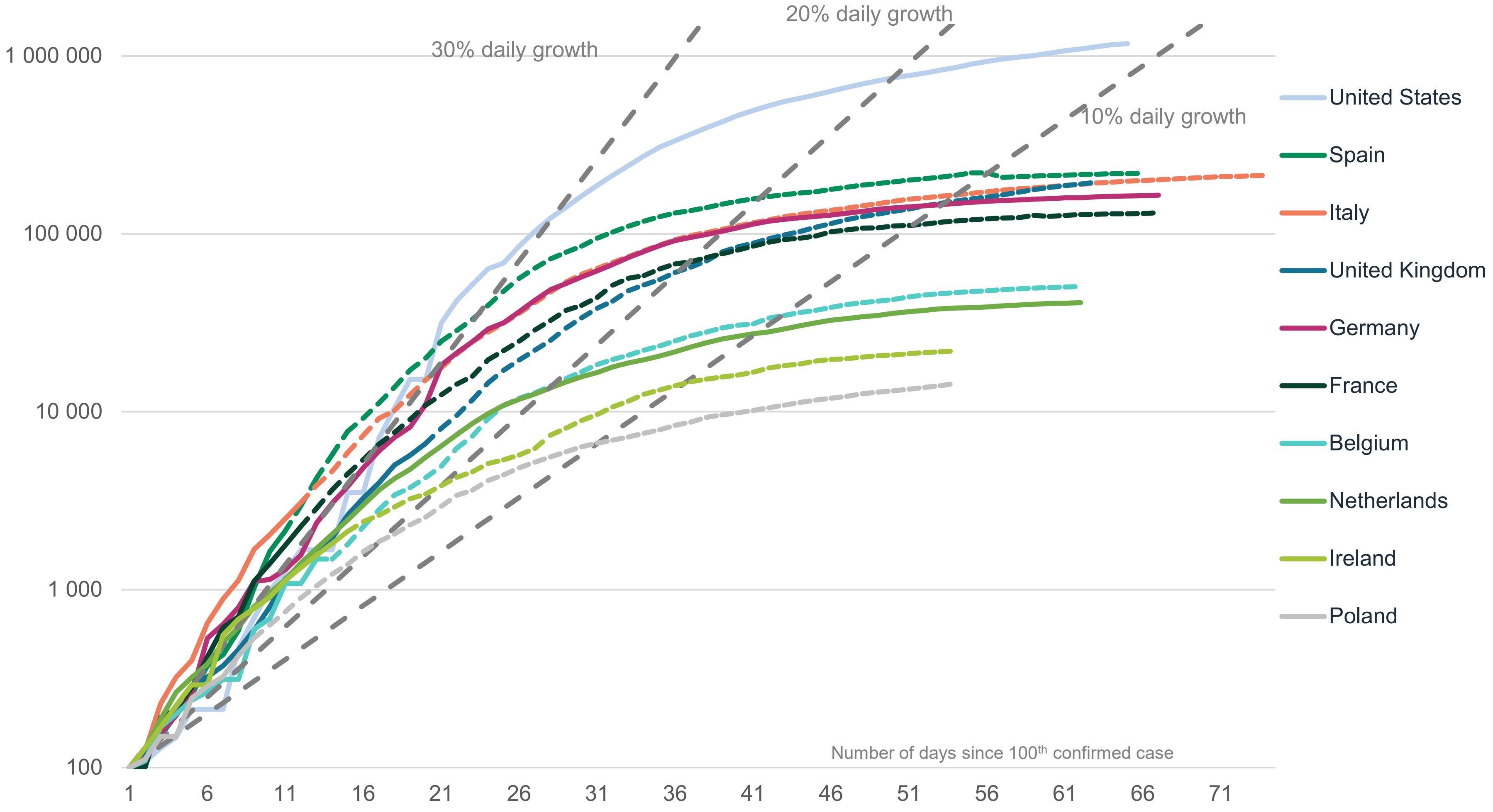



- **The Covid -19 emergency at the beginning of 2020 took the world by surprise** (delivering an economic shock), just as the global economy had begun to stabilise from trade wars in the preceding years. **Its implication for the global economy remains uncertain**, but it is clear that the effect is 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 and the US.**
- Currently, around **10,000 new cases** are being **reported each day in Europe.**
- **Italy and Spain were the epicentre**, with around 432,000 confirmed cases in cumulative terms (**36% of the total in Europe**).
- **Cases European countries are now decreasing, but the situation should continue to be monitored.**
- **The number of cases in the UK is also showing some decline**

Sources: World Health Organisation.

# INFECTION TRAJECTORIES

## GROWTH OF OUTBREAKS



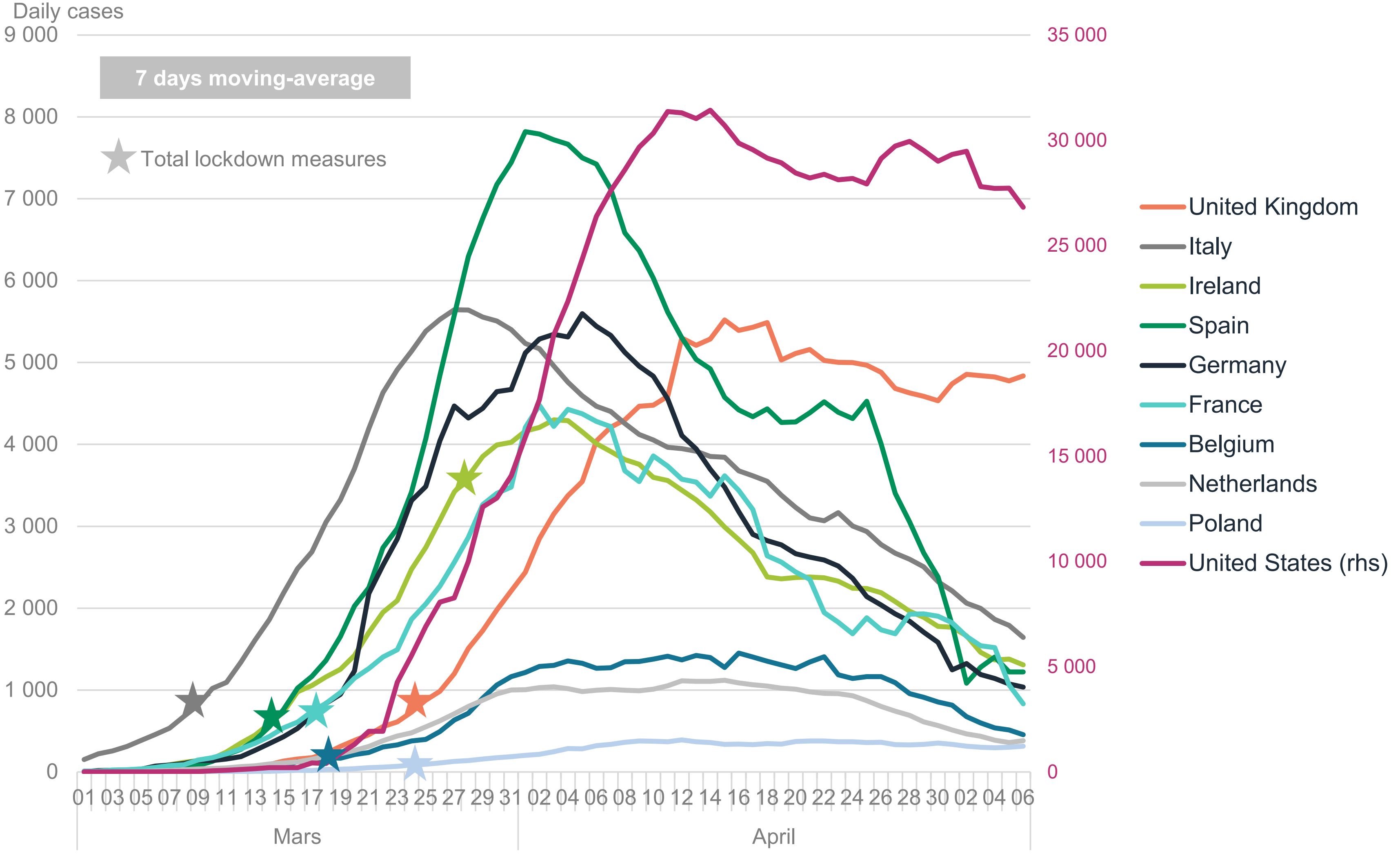

- **All the main economies in Europe currently have a growth rate for new cases of less than 10% per day.**
- **In the United States, about 95% of the population is now under some form of stay-at-home order.** Governments are now looking to ease some of the measures.
- However, **a lot of cases are still undetected and figures could be higher.**
- As the majority of countries are below **10% of daily growth, it means that the government's containment measures had a positive effect.**
- **The latest figures showed are encouraging, but the exit strategy looks challenging.**
- **In the UK, quarantine measures have been imposed by the government since the 23rd of March** and are also showing positive results.

* The dash line shows when the quarantine measures have been put in place by the government

Sources: World Health Organisation.

# NUMBER OF DAILY CONFIRMED CASES

## EUROPE IS NOW BEYOND THE PEAK OF INFECTIONS



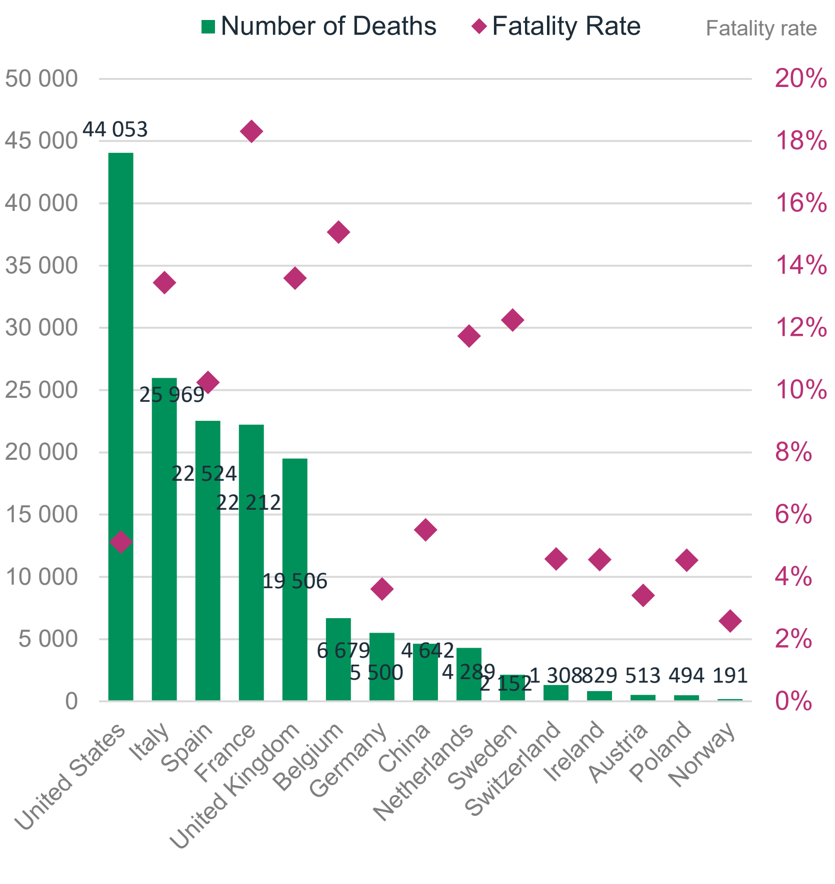

Sources: World Health Organisation.

- **Most of the European countries now have a decreasing number of daily cases.**
- **The lockdown measures (either total or partial) are now showing positive results for each countries.**
- **Some countries are now even thinking about** re-opening small shops and higher risk businesses. Social distances measures may still last for a couple of weeks.
- Italy and Spain are now looking very good and are in a positive trend. France and Germany seems to be far from the peak too.
- **Now, the UK and the US are the most concerning countries**. The UK seems to have reach a plateau, so we expect cases to decrease now.
- Finally, the US have also reached a plateau as lockdowns measures and social distances started have been put in place.
- In France, the end of the lockdown was announced for the 11th of May. However, social distancing policies will still be in place as bars, restaurants will stay closed and mass gathering restricted.

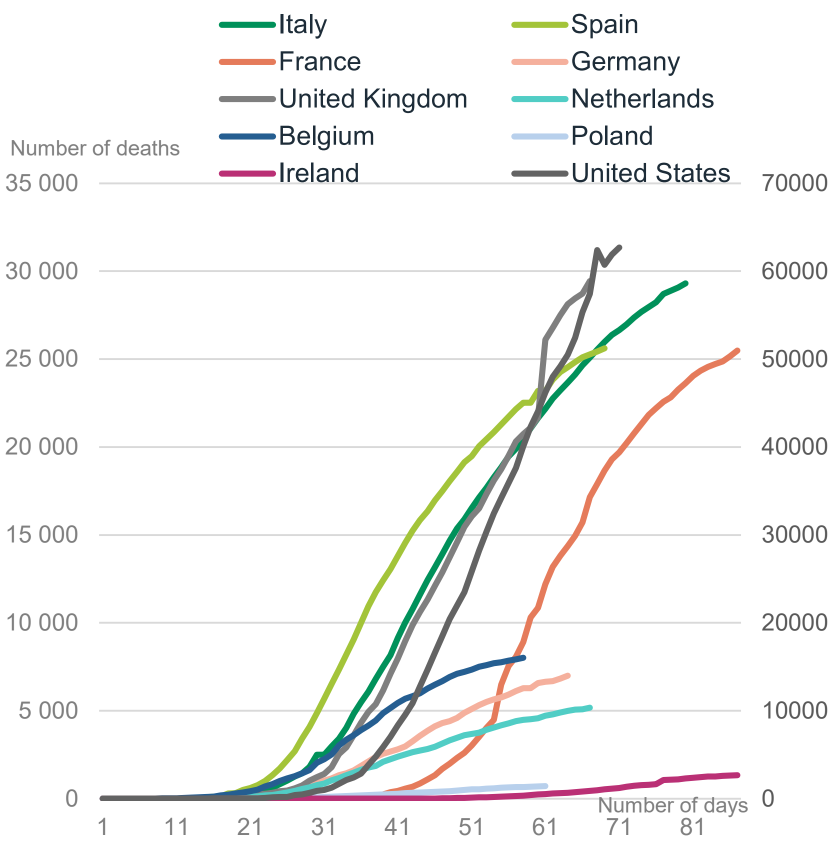
# THE FATALITY RATE OF COVID-19

## FATALITY RATE DEPENDS ON QUALITY OF HEALTHCARE AND POPULATION AGE

### FATALITY RATE IN THE WORLD




### EVOLUTION OF DEATHS (SINCE FIRST DEATH)




- **The fatality rate differs greatly from country to country. In China**, the fatality rate stands at 5.5% since the beginning of the outbreak. **For countries with more strongly resourced healthcare systems (Germany, Switzerland, etc.), the fatality rate could even be lower.**
- **The fatality rate is the highest in France as the virus is widely spreading in retirement home.**
- **The United States are now the country with the higher number of deaths in the world.**
- **However, Italy still has the highest number of dead in Europe.** 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.
- **The fatality rate is also increasing as the number of tests is decreasing. Now, only patients with severe symptoms are tested for the virus.**

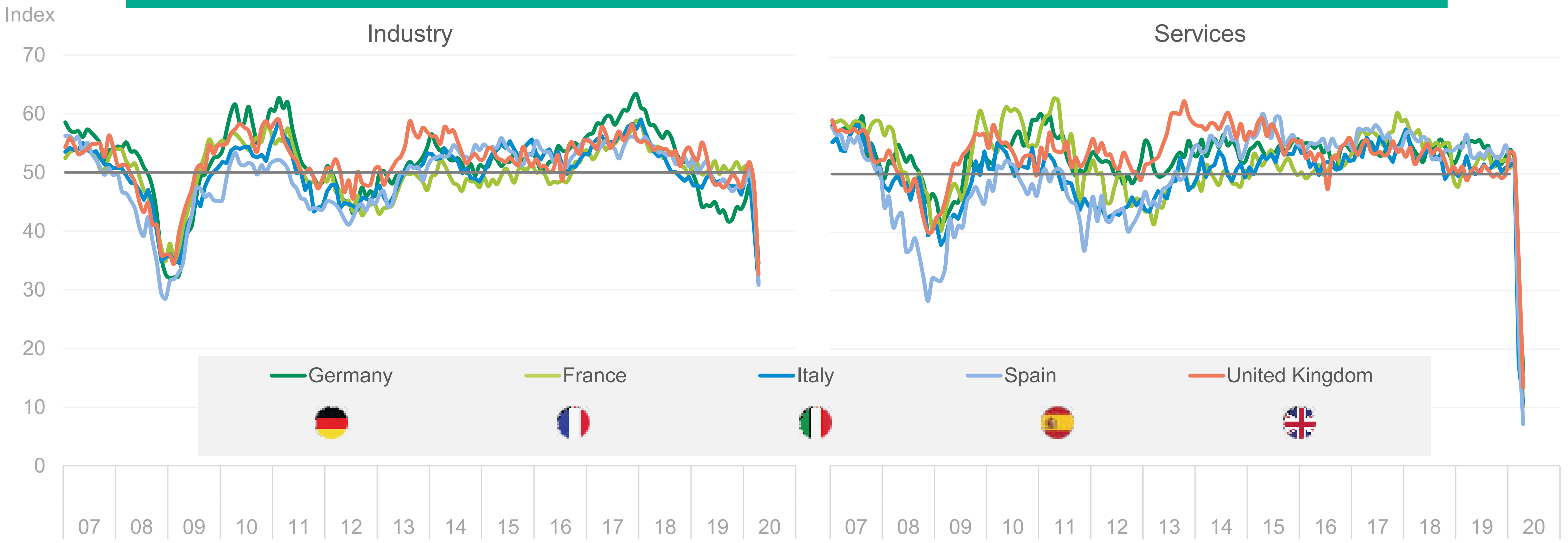
Sources: World Health Organisation.

# ECONOMIC OUTLOOK

# PURCHASING MANAGERS INDEX SURVEYS

## BUSINESS CONFIDENCE IN FREE FALL SINCE MARCH

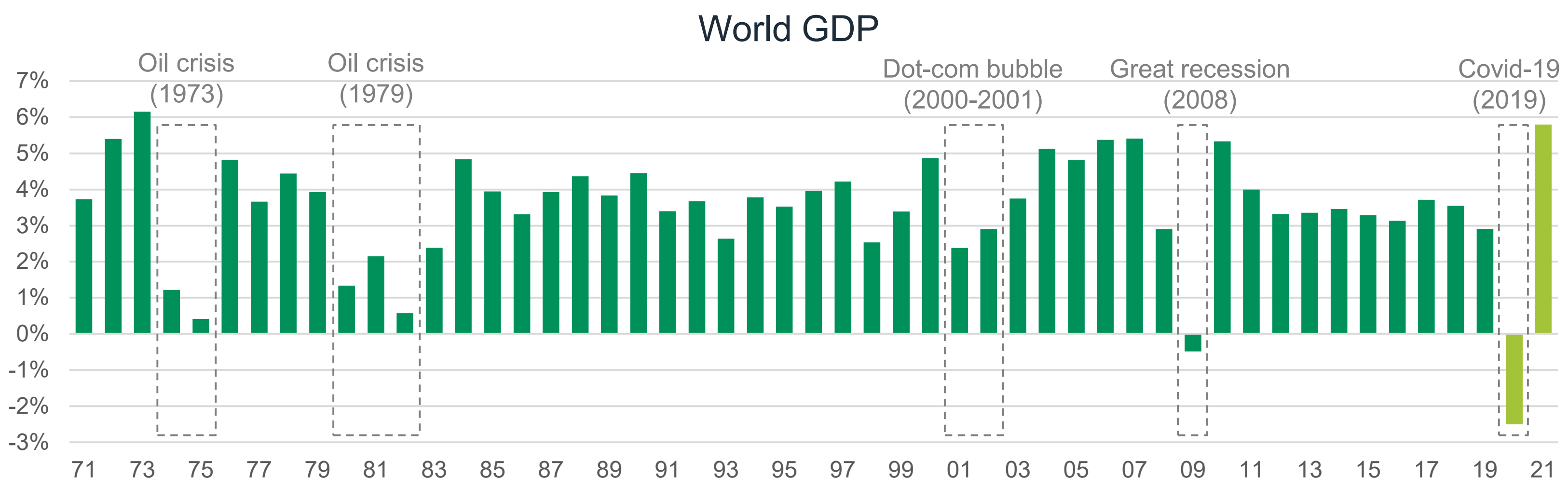
- The latest economic data gathered since lockdowns were introduced are starting to show the extent of the hit. The flash purchasing managers' indices for March show big declines, particularly in services and in export orders. In Germany, the IFO business climate had the biggest monthly decline on record 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.

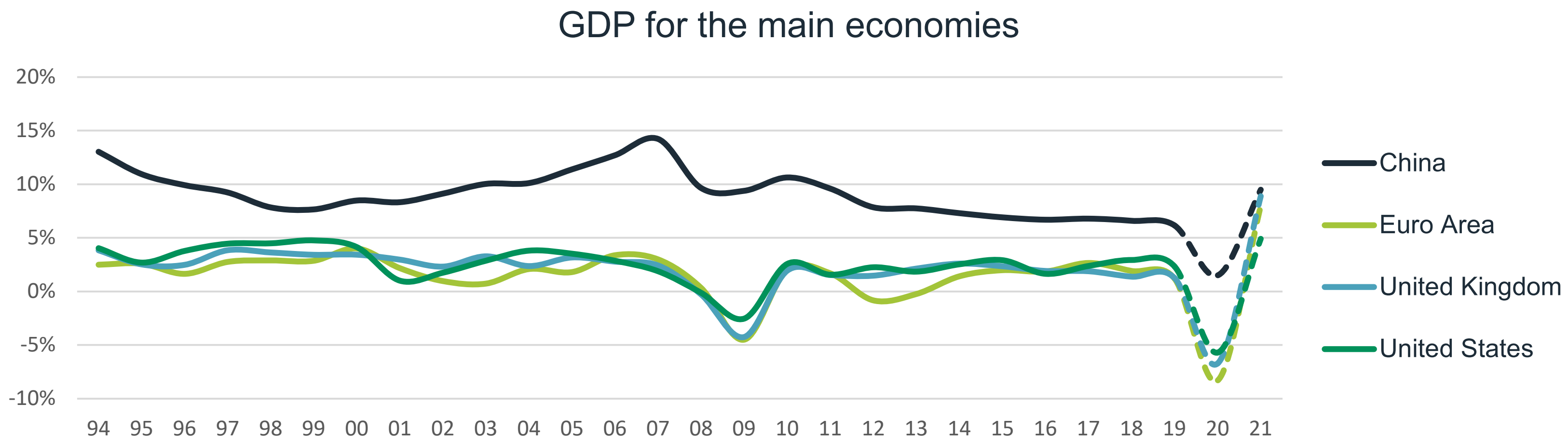



Sources: Markit, BNP Paribas Economic Research.

# ECONOMIC OUTLOOK

## WHAT OUTLOOK FOR THE MAIN ECONOMIES?



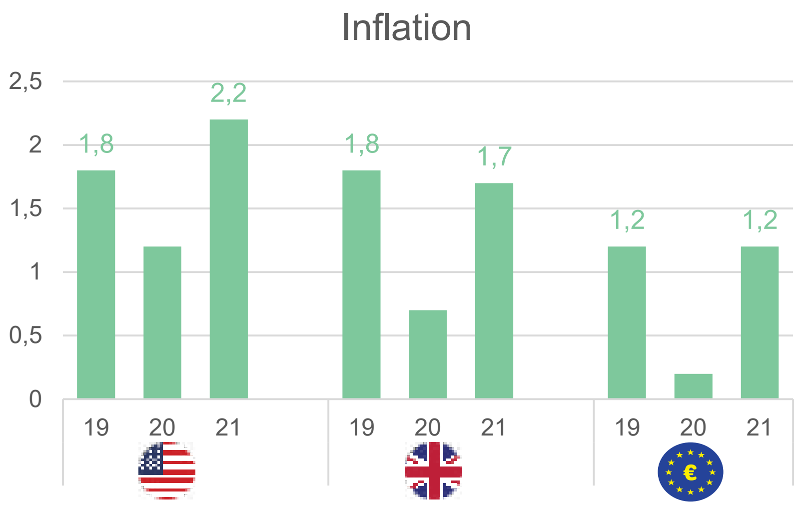



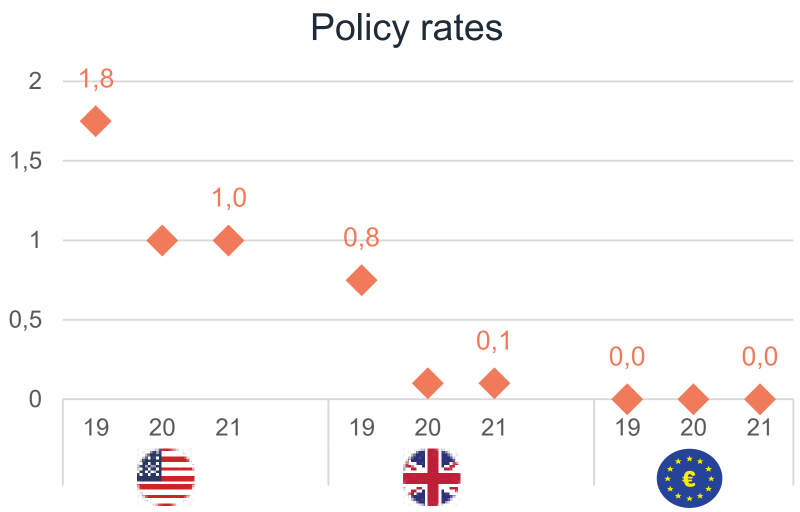

Sources: BNP Paribas, Oxford Economics, OECD.

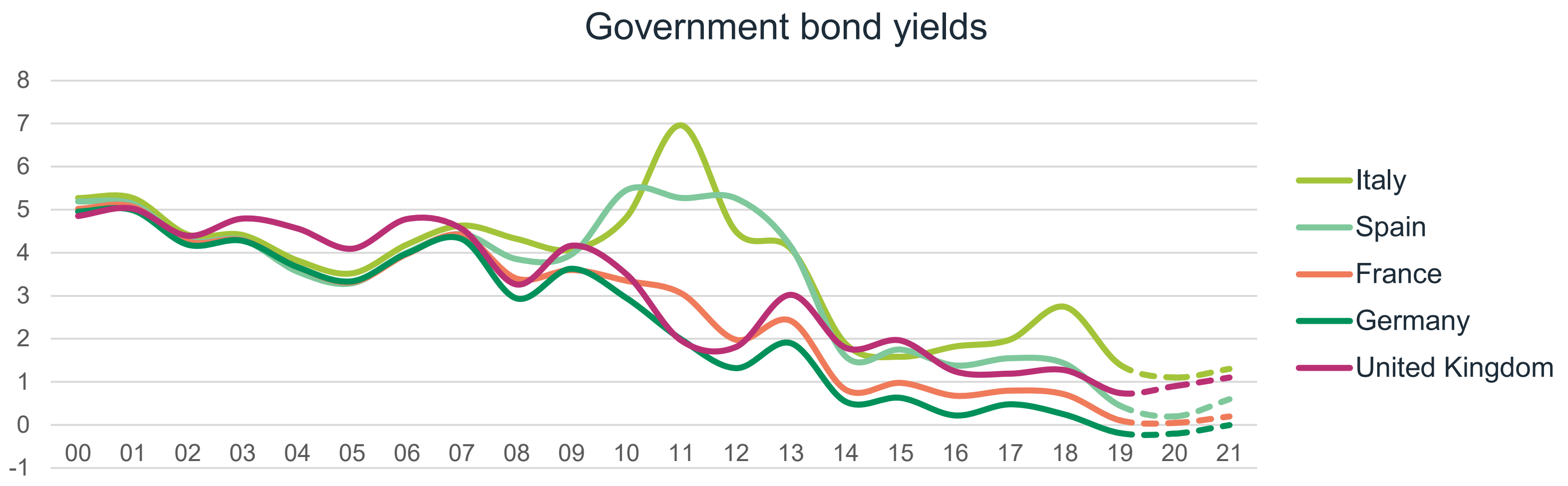
- **The shock from Covid-19 represents an unprecedented hit to both supply and demand.** The confinement measures adopted in many countries disrupt global value chains and reduce the supply of labour. Households also retrench their travel and recreational spending.
- We have revised down our global growth forecasts further to reflect likely longer imposition of 'social distancing' measures and slower recovery in economic activity thereafter than we had initially assumed. We also see greater chances of long-lasting effects as the economy's supply capacity is permanently impaired.
- **We now expect global GDP to contract by 2.5% this year before rebounding in 2021**, with sharp contractions in activity across the board in both developed and emerging markets.
- **Risks to our central case remain titled to the downside**, including the possibility that economies will remain shut down for even longer than we assume or that a temporary relaxation might be followed by redeployment of social distancing measures to counter further waves of the virus.
- The fiscal measures announced so far will have to be scaled up further, which might raise concern over debt sustainability in some countries.

# 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. In the short term, the drag on demand will likely more than offset the impact from supply disruptions. Together, with lower energy prices, lower demand should drag down inflation considerably, with outright price falls possible in some countries.
- **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 BASELINE SCENARIO

## A RECESSION COMING AHEAD FOLLOWED BY A REBOUND

| GDP Growth & Inflation | | | | | | |
|---|---|---|---|---|---|---|
| | GDP Growth | | | Inflation | | |
| | 2019 | 2020 e | 2021 e | 2019 | 2020 e | 2021 e |
| United States | 2.3 | -5.7 | 4.9 | 1.6 | 1.2 | 1.2 |
| Japan | 0.7 | -4.2 | 0.4 | 0.5 | -0.2 | -0.2 |
| United Kingdom | 1.4 | -6.7 | 8.9 | 1.8 | 0.7 | 1.7 |
| Euro Area | 1.2 | -8.3 | 8.0 | 1.2 | 0.2 | 1.2 |
| Germany | 0.6 | -6.4 | 6.7 | 1.4 | * | * |
| France | 1.2 | -7.1 | 7.0 | 1.3 | * | * |
| Italy | 0.2 | -12.1 | 10.2 | 0.6 | * | * |
| Spain | 2.0 | -10.1 | 9.5 | | | |
| China | 6.1 | 1.5 | 9.5 | 2.9 | 3.1 | 2.0 |
| India | 6.1 | 2.7 | 5.2 | 3.0 | 4.6 | 3.5 |
| Brazil | 1.1 | -4.0 | 4.0 | 3.7 | 3.6 | 3.5 |
| Russia | 1.3 | -2.5 | 3.2 | 4.3 | 3.3 | 3.5 |

Sources: BNP Paribas Economic Research.

- In the United States, about 95% of the population is now under some form of stay-at-home order. We assume this will persist for around eight weeks, as in most other countries, before the measures are gradually relaxed. Even when they are lifted, consumers will likely remain cautious for potentially a prolonged period.
- Encouragingly containment measures implemented appear to be slowing down the epidemic and the mortality curve; but the exit strategy looks challenging. Easing restrictions too quickly and/or in an uncoordinated fashion would raise the risk of a second wave.
- Uncertainty is thus likely to persist, and containment measures generally set to last longer than we had assumed. This is likely not only to make the immediate drag on activity deeper but also to increase the risks of second-round effects, as the shock to supply translates into an even greater shock to demand.
- 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 a gradual improvement in activity**, which should be helped by the huge support measures that are being taken.
- **Forecasts are entirely dependent on the scenario which is assumed for the epidemic.**

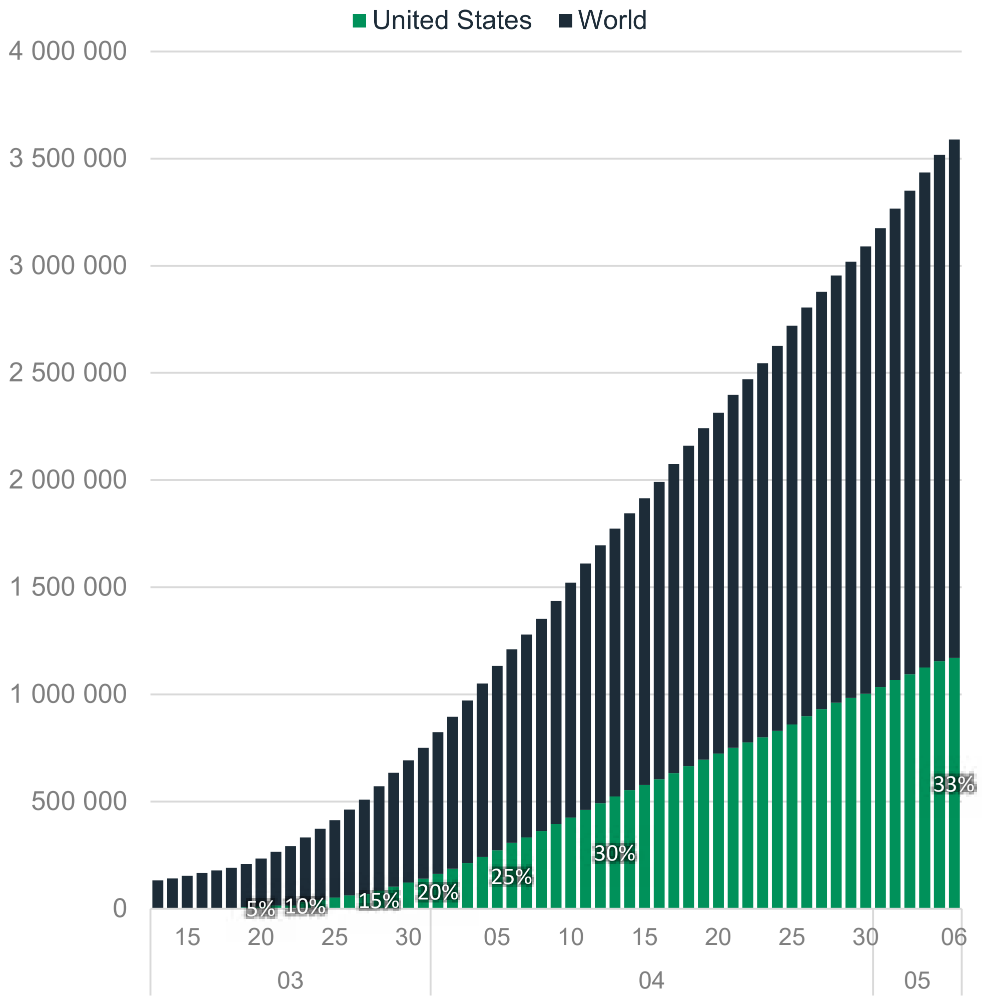
# ECONOMIC OUTLOOK

## FOCUS ON THE UNITED STATES

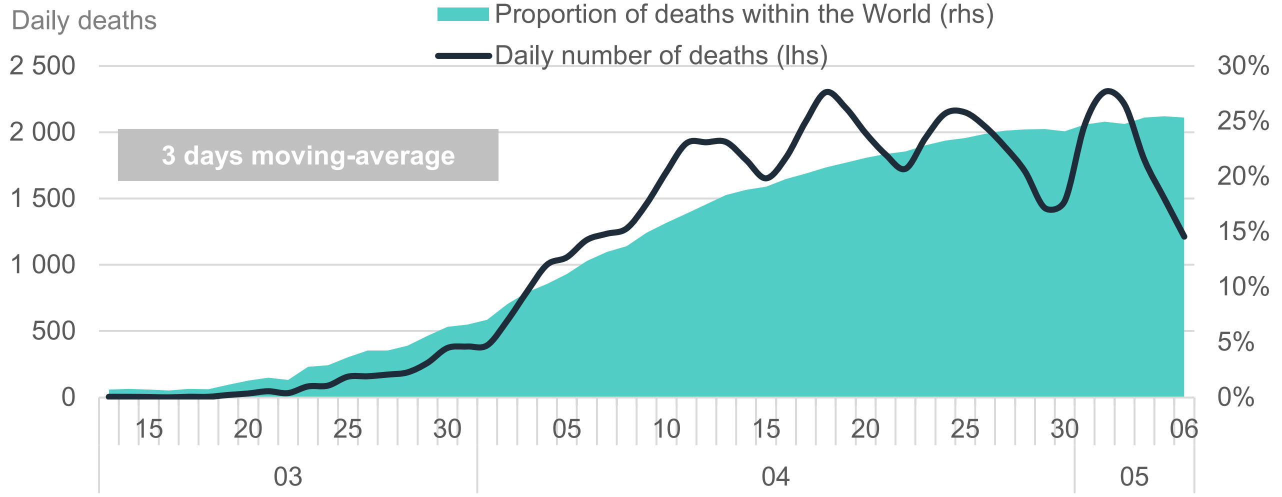
BNP PARIBAS REAL ESTATE

# UNITED STATES: NEW EPICENTRE OF THE PANDEMIC?

## Cumulative Confirmed Cases




## Deaths in the United States

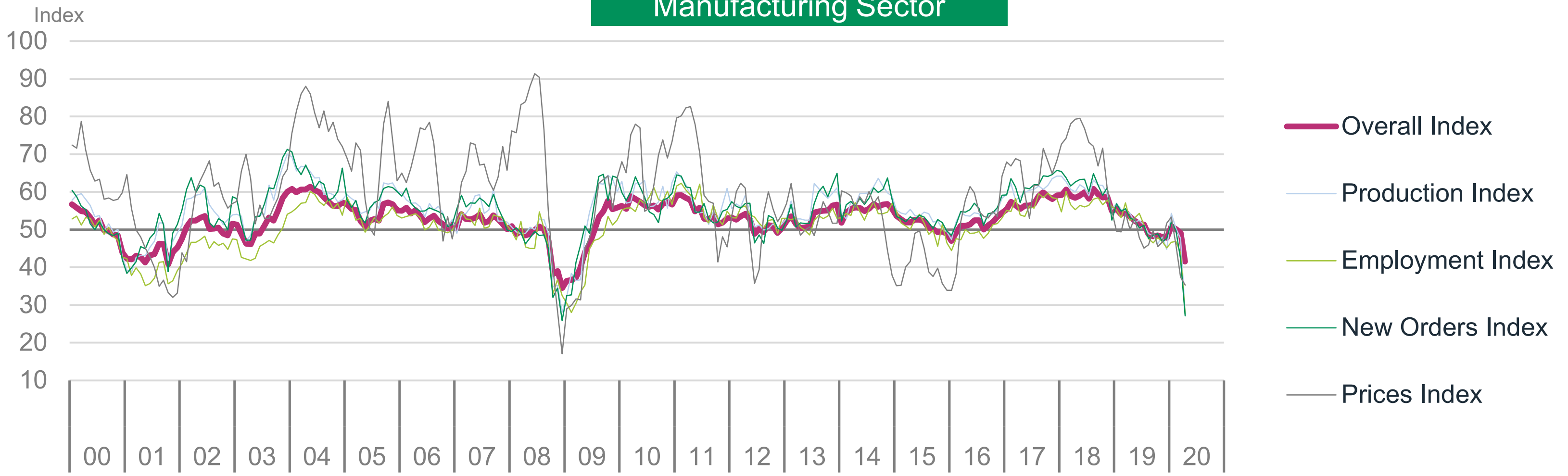



- Covid-19 has been spreading in the United States since the 23rd of January. The exponential increase started to become really worrying from around the 15th of March.
- The United States is now the new epicentre of the global pandemic.
- With around 27,000 new confirmed cases per day, the US represents almost half of new cases worldwide.
- In cumulative terms, 33% of global cases are now in the US and this figure is expected to stabilize in the coming weeks.
- The number of deaths also grew very quickly. With 62,698 deaths in the country to date at the time of writing, the US accounts for 25% of the global total.
- However, the fatality rate is still one of the lowest in the world, at 5.4%.

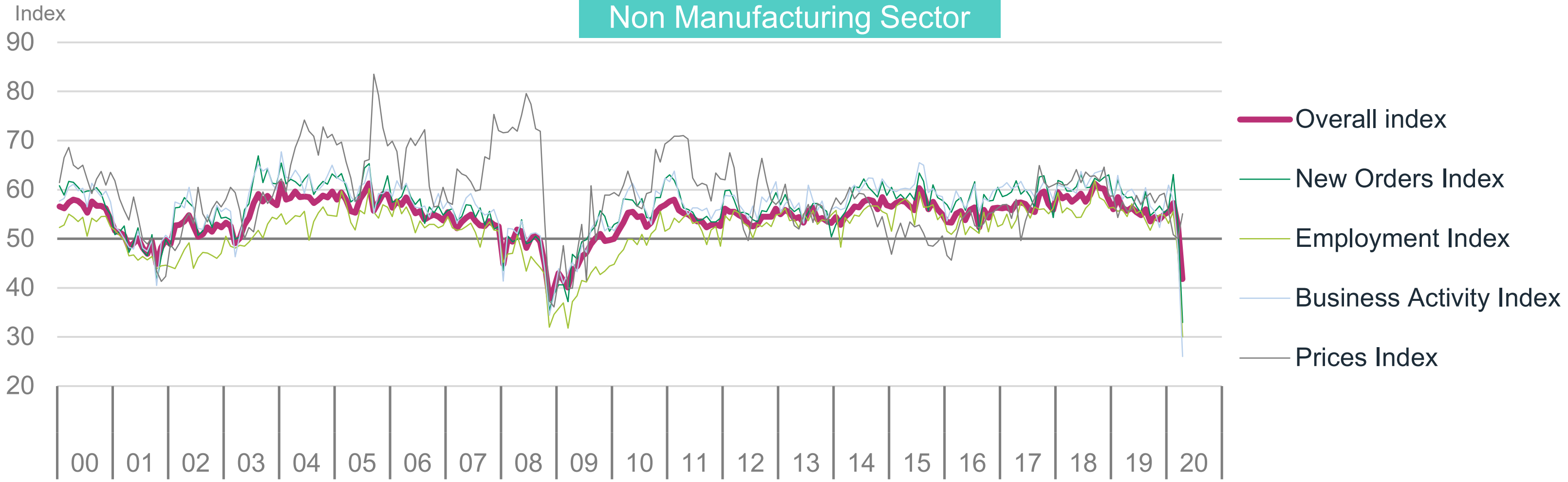
Sources: World Health Organisation.

# RECENT BUSINESS SURVEYS HAVE HELD UP

PMI Indices
Manufacturing Sector



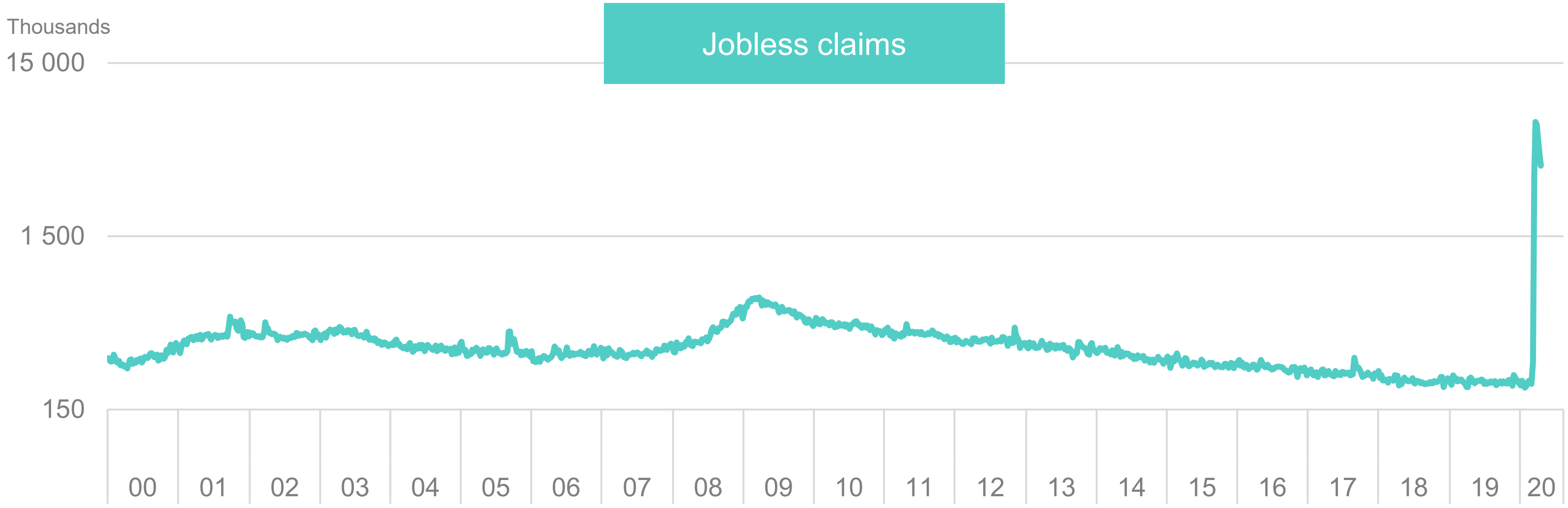

PMI Indices
Non Manufacturing Sector




Sources: Institute for Supply Management, BNP Paribas Real Estate.

- The impact of the Covid-19 virus on the economy is still difficult to measure. However, certain weekly and monthly indicators allow us to monitor some changes.
- PMI indices started to decline in March. Yet as the spread of the virus has only really been a concern since the 15th of March, it was too soon to see the real impact on the various business sectors.
- The manufacturing sector is now way below the 50 threshold, indicating a contraction of the sector. The sub-indices show even more contractions in terms of production, employment, new orders and prices.
- During the last economic crises, prices and new orders were the most impacted, but also recovered quickly. Employment recovered with a small lag.
- The non-manufacturing sector was still in expansion (greater than 50) in March. However, PMI indexes plunged in April (from 52.5 to 41.8 for the overall index).
- A contraction in activity would be an early indication that the United States is expected to slow. Its implications for the global economy are still unclear.

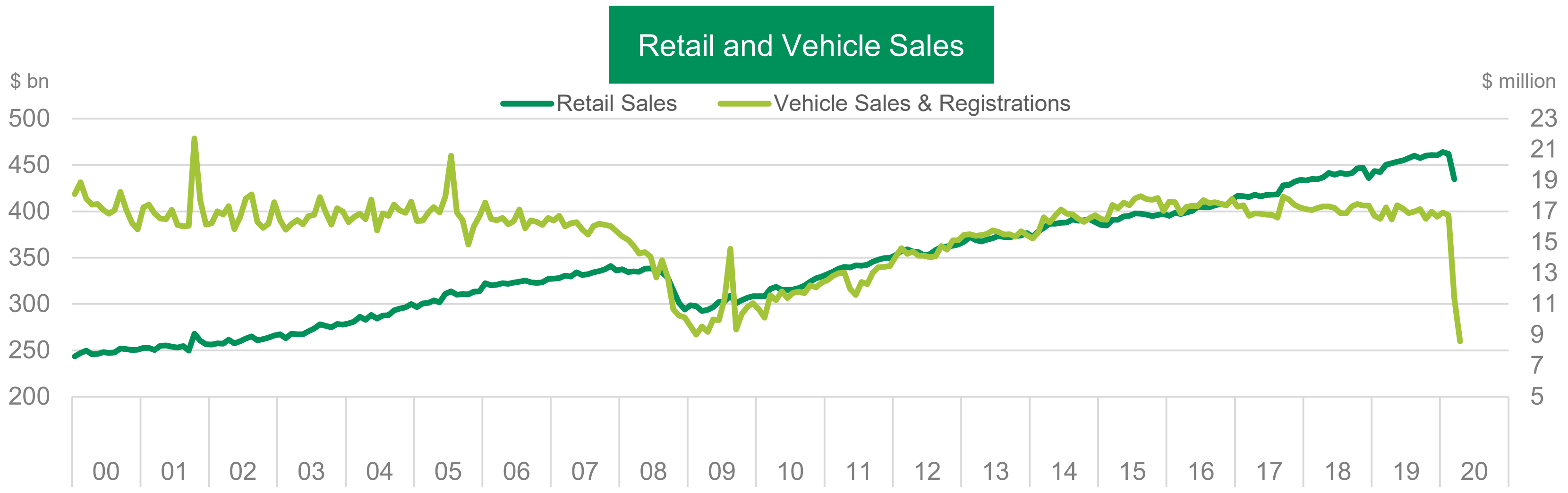
# A SHARP INCREASE IN JOBLESS CLAIMS

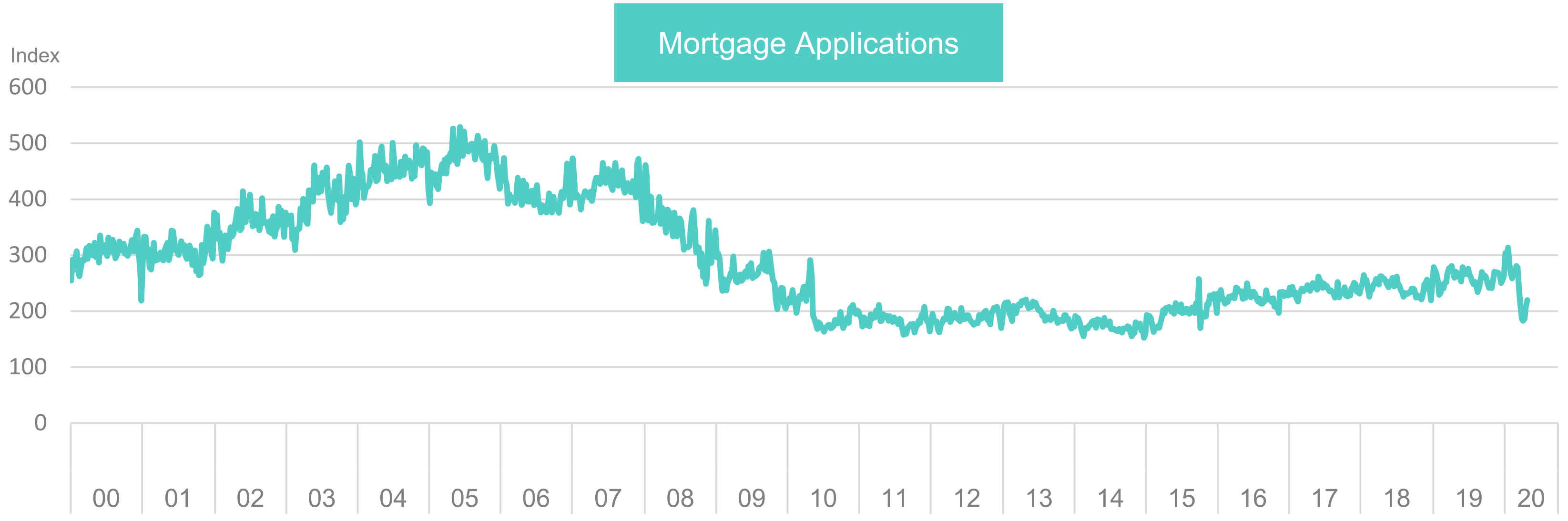




- Employment growth has been positive since the 2008 economic crisis for all sectors. Although on a positive trend, the manufacturing sector has never recovered from the slowdown and its level is still way below 2008.
- During the 2008 crisis, around 9 million people lost their jobs. 50% of the job cuts were in services. However, the rebound was fast in this sector.
- The construction and manufacturing sectors suffered the most with employment falling by respectively -30% and -20% between 2006 and 2008.
- Jobless claims have been rocketing for the past six weeks as more than 30 million people filed claims over the period. This is a record high and shows what is currently happening in the country.
- As social distancing measures and partial lockdowns are still in place in a number of states, workers in tourism, food services or retail are being hit hard. As in Europe, some states have ordered non-essential businesses to close.
- One reason for the high jobless claims is that the US has not implemented policies to help firms keep their staff on the payroll. This means that when the economy starts to recover, the unemployment rate should also decrease sharply.

Sources: U.S Bureau of Labor Statistics, U.S Department of Labor, BNP Paribas Real Estate.

# CONSUMPTION AND MAJOR PURCHASES ARE DECLINING



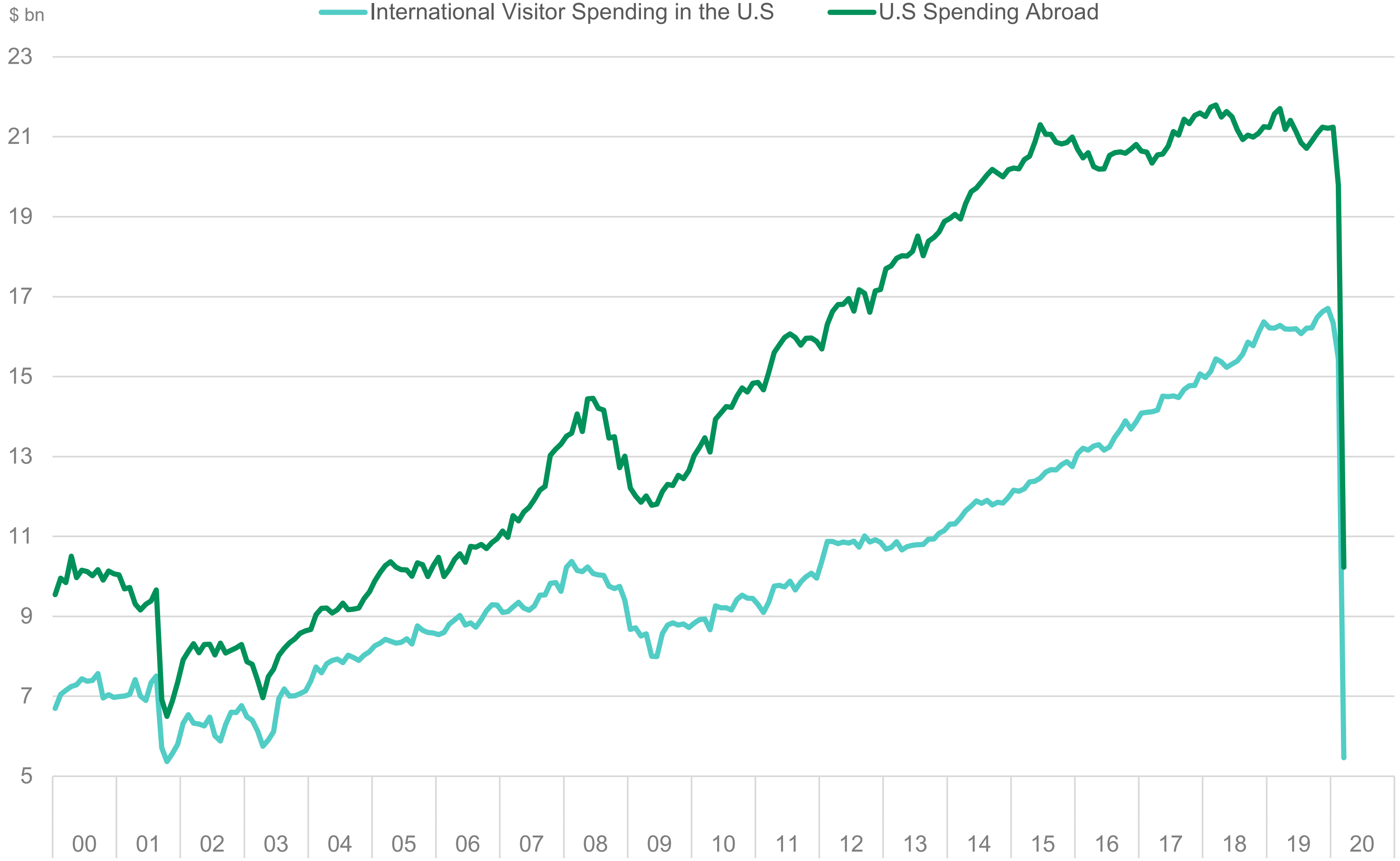




- The economic impact of Covid-19 remains uncertain, but it is clear that the effects are likely to be significant for both the supply and demand components of the economy.
- At the moment, households are not stockpiling anymore and retails sales are decreasing.
- Car sales and registrations are also useful economic indicators as they provide an early indication of big ticket consumer purchases. The automotive sector is also a key component of the US economy, employing millions and accounting for a large part of consumer spending.
- Moreover, the US also imports cars (mostly from China or Germany), and the decreases in sales should have a strong impact on these economies.
- Mortgage applications can also provide an indication on major purchases. The figure decreased after the subprime crisis in 2007 and we have also seen demand fall in recent weeks.
- This suggests that households are now more concerned about the future and are not considering any major purchases. This will have an impact on the global economy, as the US is a major trading partner for most countries.

Sources: U.S Census Bureau, U.S. Bureau of Economic Analysis, Mortgage Bankers Association, BNP Paribas Real Estate.

# FALL IN TOURISM REVENUES AND EXPENDITURE

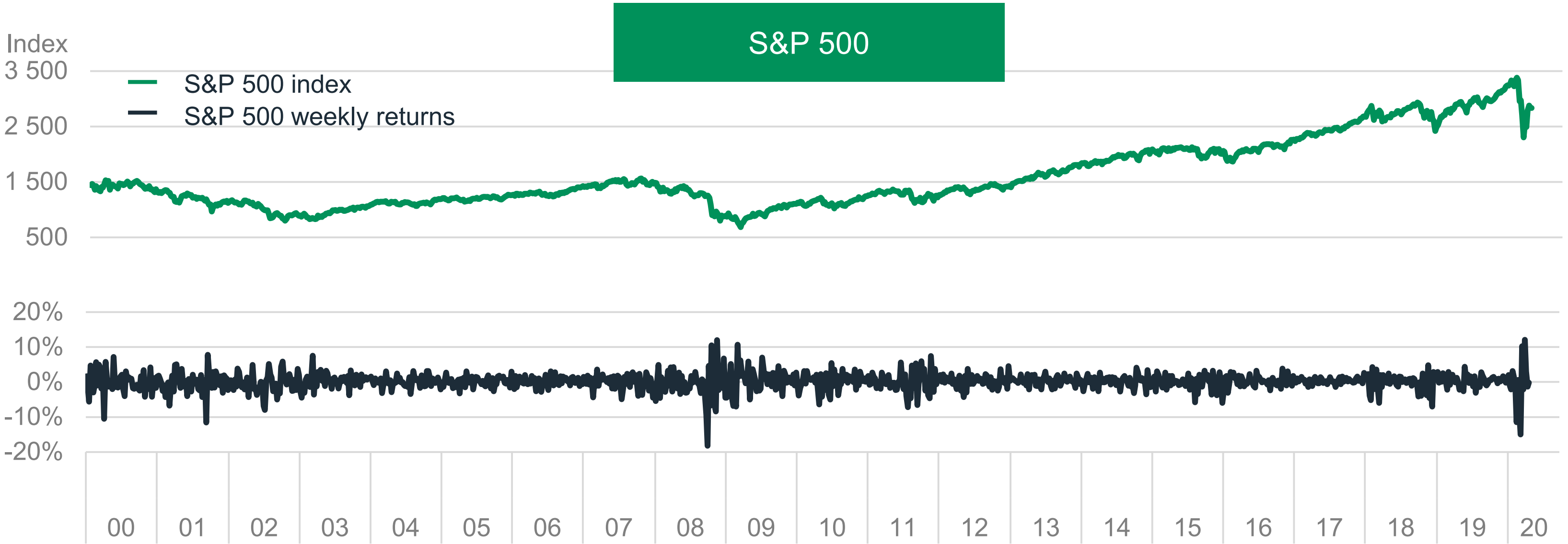
Total spending on travel from and to the United States (on a monthly basis)

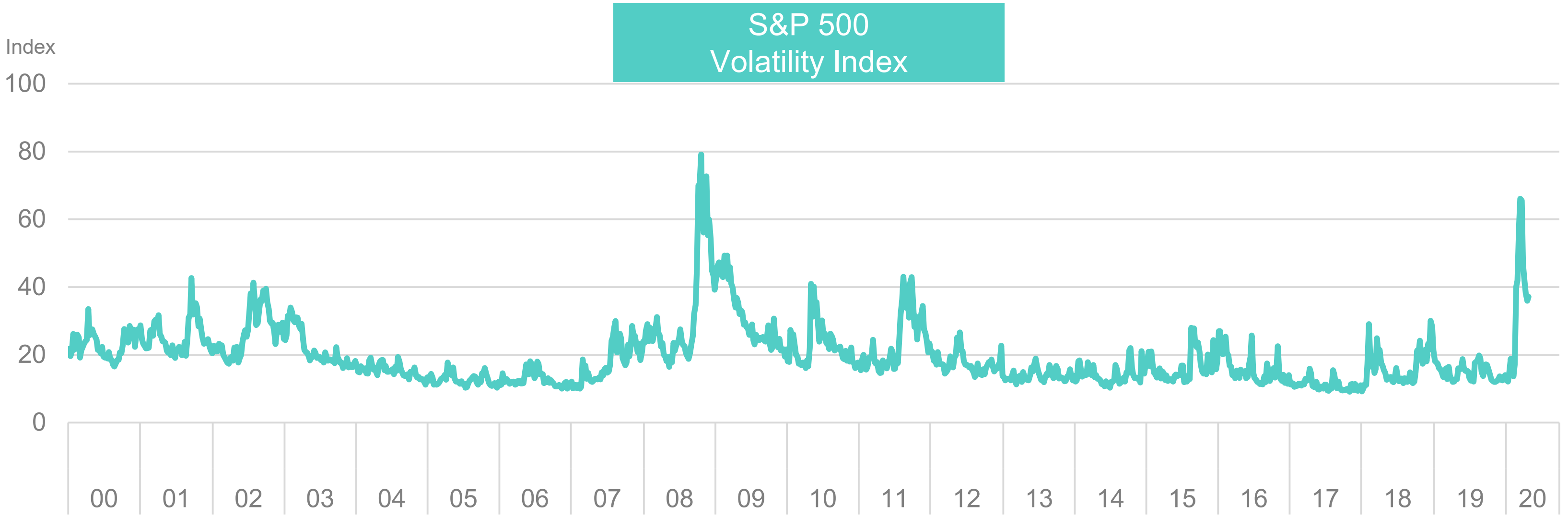



- The restrictive measures put in place (border closures, lockdowns) will severely reduce tourism-generated revenues for a lengthy period.
- The US will see both domestic and international tourism fall. Total US travel revenue stabilised in 2019 as international visitors spent $254bn.
- Other countries will also see their revenues greatly impacted as the crisis lasts in the US. American tourists spent around $195bn abroad in 2019.
- Again, as the restrictions are lifted, tourism may not soar. The psychological effects and protective measures should dominate in the early stages of a recovery and we should see an increase in domestic holidays.
- International tourism will resume but later in the year, and only gradually. For low-income households, lockdowns should drain savings for the purchase of necessities and we can expect big-ticket spending (such as holidays) to be shelved. Moreover, economic losses resulting from the fall in overnight stays cannot be fully recovered, as most of holidays or business trips have been cancelled.

Sources: National Travel & Tourism Office, BNP Paribas Real Estate.

# FINANCIAL MARKETS ARE STILL VOLATILE

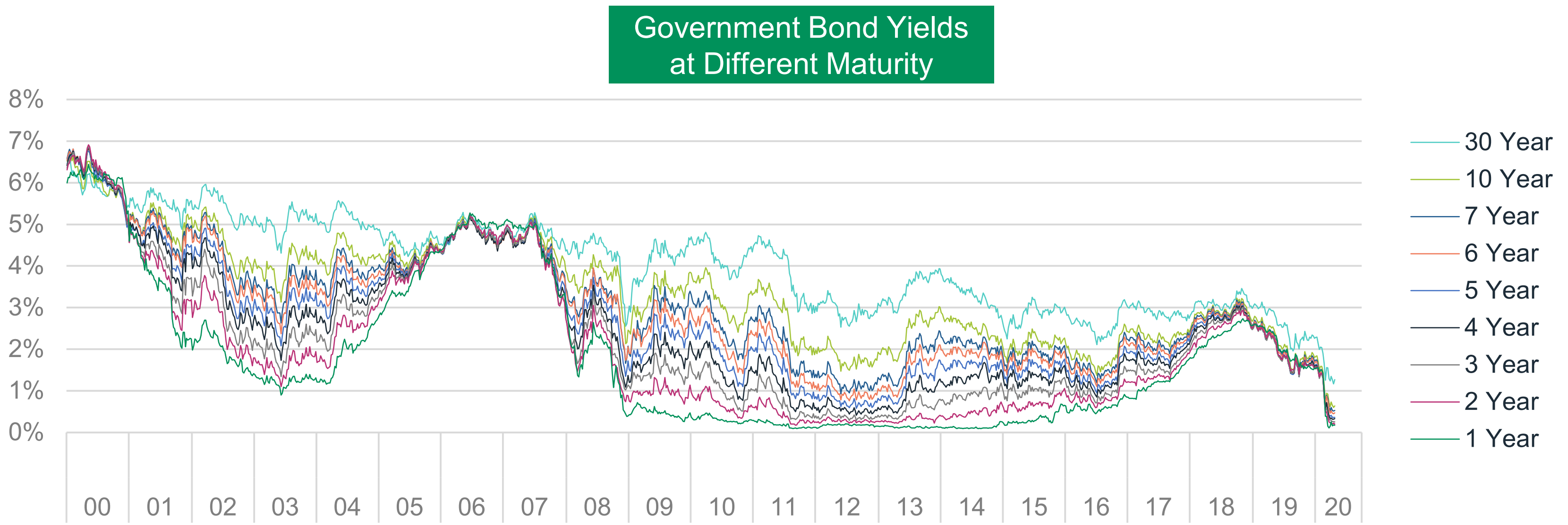


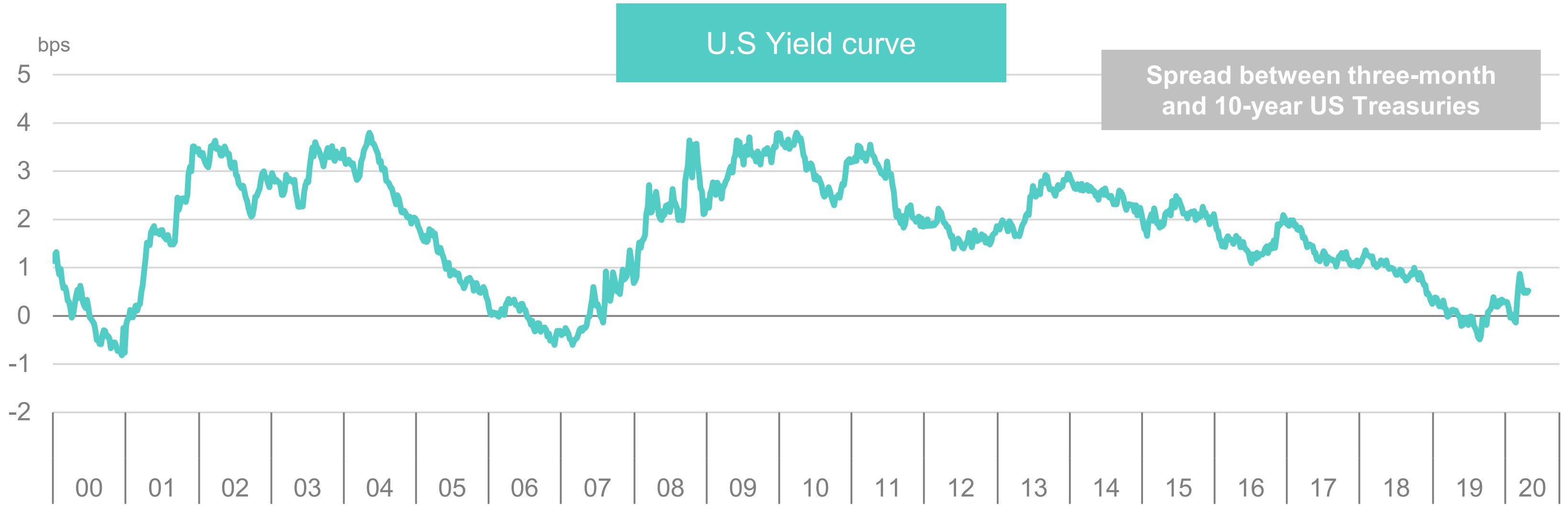




- Following the outbreak, it seems that investors are being more cautious, as they measure the direct impact of country lockdowns on companies' profits. A first crash occurred in the final week of February and a second one in the week ending on Friday 20 March, when the main stock markets experienced their worst week since 2008.
- The coronavirus crash appears less severe than other shocks. As a benchmark, the fall of the Great Depression (July 1933) and the financial crisis (October 2008) were much more significant in terms of magnitude. Both crises registered a peak of -18% in a week, compared to -15% for Covid-19.
- 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%. There should not be much further to fall for now as most repricing has been driven by assumptions about companies' cash flows. The uncertainty may recur in April and July, when companies publish their quarterly results.
- The VIX (a measure of the stock market's expectation of 30-day forward-looking volatility) provides an estimation of investor risk sentiment. The Volatility Index reached its second highest point in history, near to the level of the 2008 financial crisis. Now the volatility in the financial market seems to decrease slightly.

Sources: S&P Dow Jones Indices, Macrobond, BNP Paribas Real Estate.

# A FLIGHT TO SAFETY BY INVESTORS?




- During major events, investors tend to increase their allocations to government bonds.
- In recent history, this happened during the dot-com bubble, the 9/11 attacks and the subprime crisis. Since then, with global uncertainty and the purchasing program launched by the Fed in 2009, bond yields have been pushed down.
- As with previous events, the Coronavirus outbreak (and more specifically population lockdowns and the sudden halt of economic activity) is no exception to the rule. With the fall of the stock market, investors are focusing on low-risk assets.
- In order to contain the economic impact of the outbreak, the central government announced a stimulus package of $2 trillion. These extreme measures should, in the long run, increase the debt and the deficit of the country. The risks could then be much higher for investors and yields may see upward pressure.
- The yield curve is still positive, and the difference between short-term and long-term bonds is even increasing. This is still a normal situation as investors are better compensated for a greater risk.

Sources: Macrobond, BNP Paribas Real Estate.

# REAL ESTATE PERSPECTIVES

BNP PARIBAS
REAL ESTATE

# REAL ESTATE PERSPECTIVES

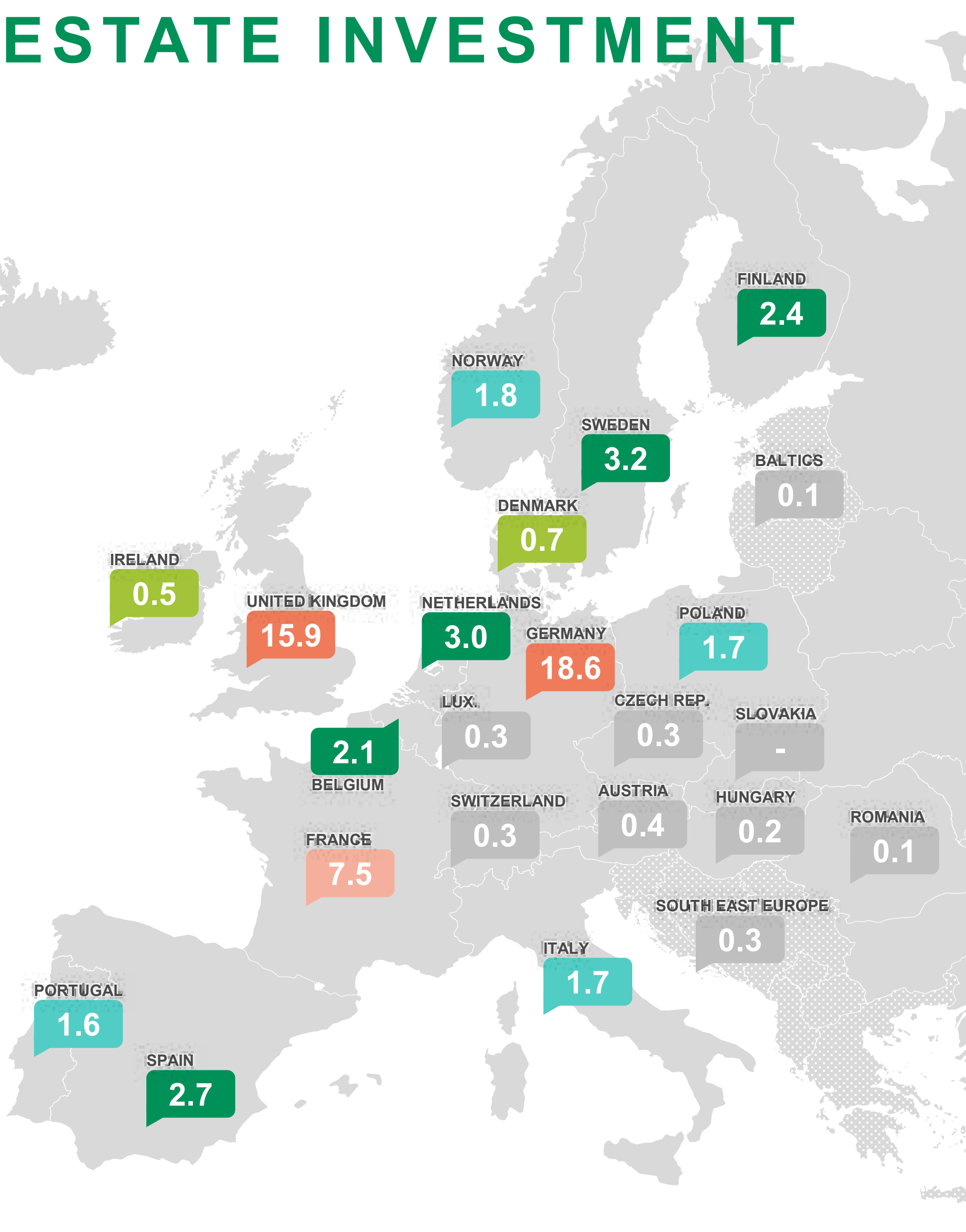
COMMERCIAL REAL ESTATE INVESTMENT MARKETS

BNP PARIBAS REAL ESTATE

# COMMERCIAL REAL ESTATE INVESTMENT

## Q1 2020 vs Q1 2019

| | |
|---|---|
| GERMANY | +68% |
| UNITED KINGDOM | +15% |
| FRANCE | +46% |
| NETHERLANDS | +47% |
| ITALY | |
| SPAIN | +21% |
| POLAND | +138% |
| IRELAND | -9% |
| BELGIUM | +106% |
| CZECH REPUBLIC | -60% |
| LUXEMBOURG | +419% |
| ROMANIA | -4% |




≥ €10bn
€5-10bn
€2-5bn
€1-2bn
€0.5-1bn
< €0.5bn

Source: BNP Paribas Real Estate.

*excludes residential investment.

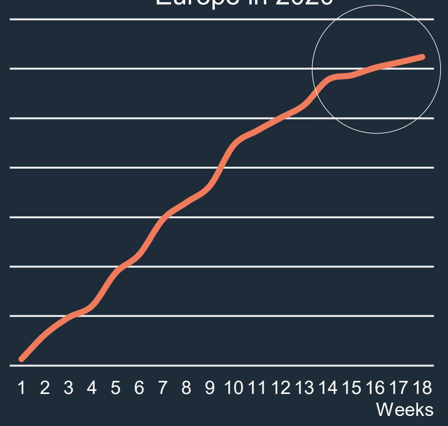
### EUROPE – Q1 2020

**€66.2bn**

+37% vs Q1 2019

- After record year 2019, investment was still buoyant in early 2020. Q1 2020 set a new all-time high for commercial real estate investment in Europe for a Q1. €66.2bn were invested, which represents a 37% increase vs Q1 2019, 22% higher than the 5-year-average.
- With Covid-19 pandemic hitting Europe, from mid-March, most of European investment markets experienced a slowdown in their activity.

Cumulative CRE investment in Europe in 2020




BNP PARIBAS REAL ESTATE

Real Estate for a changing world

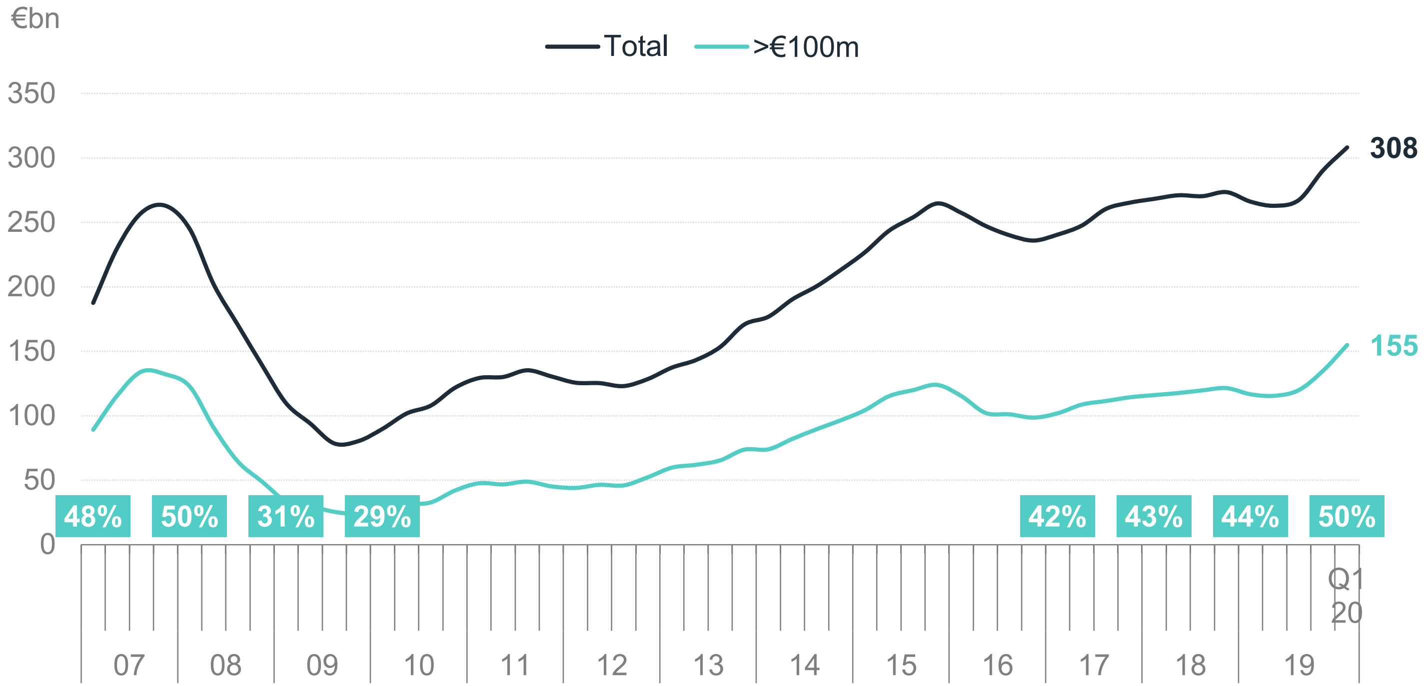
# CAPITAL MARKET OUTLOOK

## SIZE OF DEALS

**Mega deals hit all-time high while smaller deals see a reduction**

- **Mega deals (>€100m)** volume reached a record figure of €38bn, which represents 57% of the total investment, an unusually big share for a Q1. The mega deals have demonstrated an uptick in activity since mid 2019.
- Smaller deals have reduced in number, particularly in March. Big deals are more complicated and require a longer process before signature. The act of signature is legal formality to a deal already done. This may explain why the cooronvirus outbreak effect on the investment market  is impacting smaller deals more immediately because the process is easier to terminate.

**COMMERCIAL REAL ESTATE INVESTMENT IN EUROPE**
**TOTAL AND >€100M SIZE BAND - VOLUME AND SHARE**



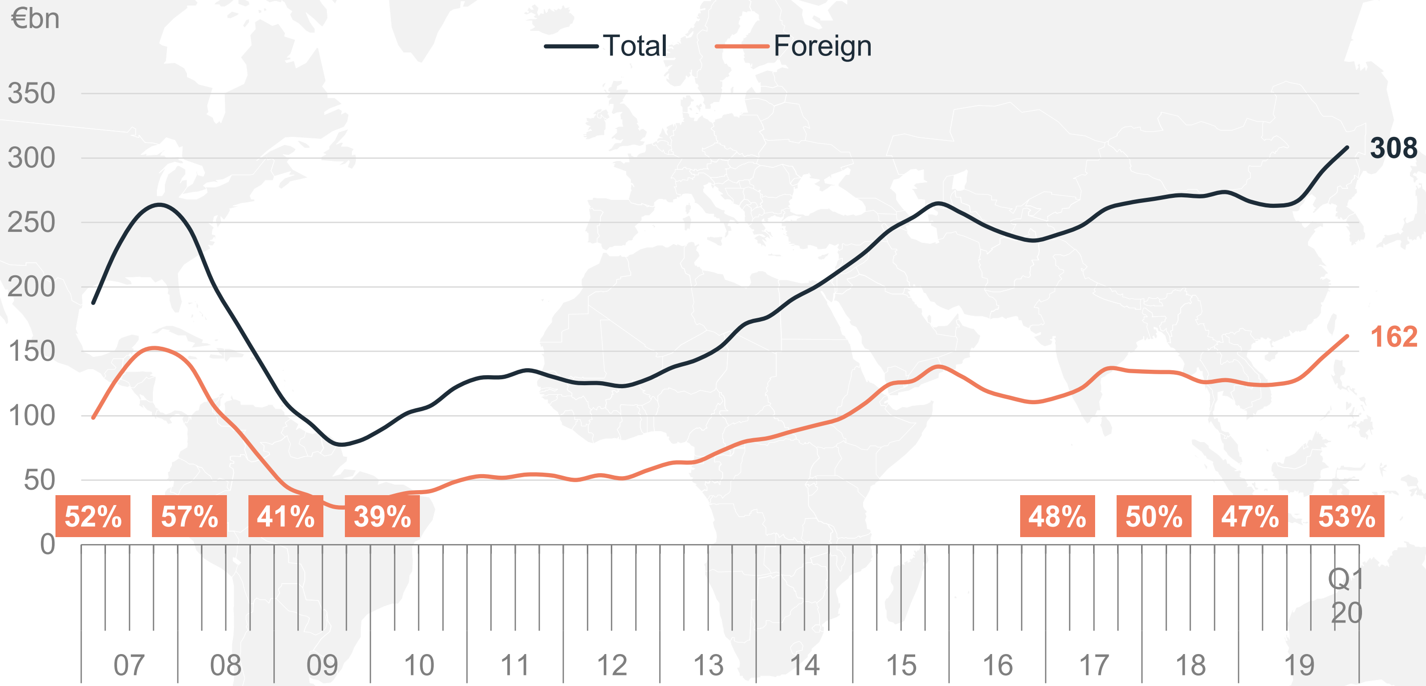
# CAPITAL MARKET OUTLOOK

## 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**. Q1 **2020** maybe the peak for cross-border investment as it posted a record of €39bn, 71% up on Q1 2018 figure. It brings the share of foreign investment to almost 60%.
- Before the GFC in 2008/9, a similar increase occurred. The share of foreign investment reached 58% at Q4 2007, then declined gradually over 2008 and 2009 to a 37% bottom at Q3 2009.
- 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.

**COMMERCIAL REAL ESTATE INVESTMENT IN EUROPE**
**TOTAL AND FOREIGN INVESTMENT - VOLUME AND SHARE**



# CAPITAL MARKET OUTLOOK

## CROSS-BORDER INVESTMENT MARKET

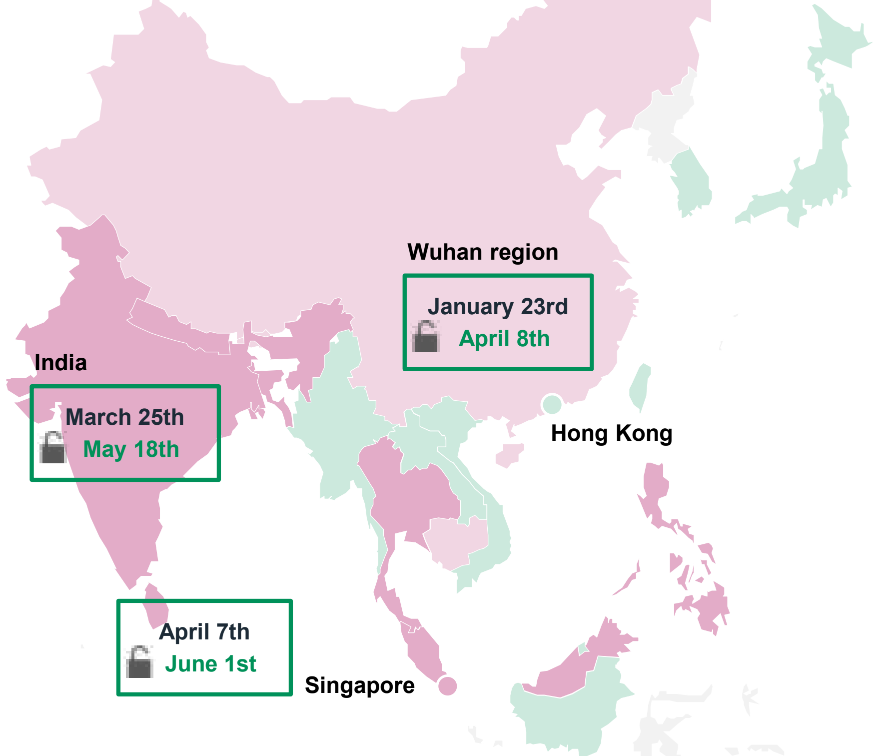
Most countries in the Gulf have relaxed lockdown measures. Night curfews still remain in place, but restaurants and malls have reopened under certain conditions. The number of Covid-19 infections continues to rise but Gulf countries witness some of the world's highest testing rates and lowest death rates.

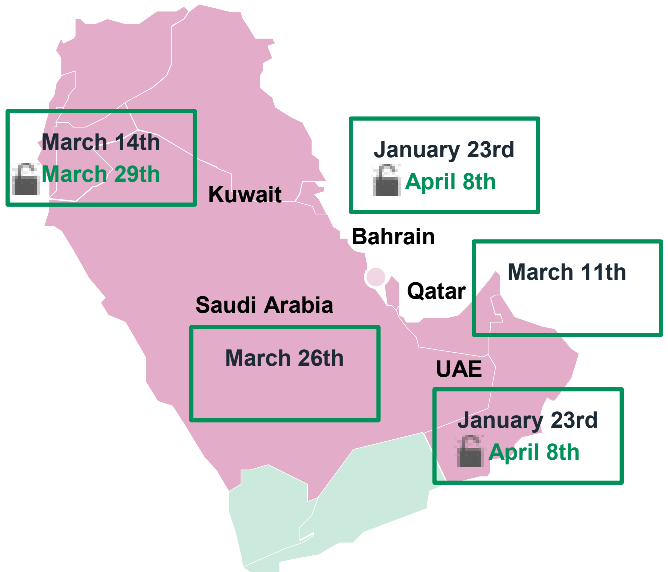
As lockdowns are gradually released around the globe, good news is the price of Brent Crude (key indicator for pricing oil exports) maybe stablising, recently achieving circa 30 USD / barrel.

Nonetheless, the economic impact on all sectors in the Gulf will be felt throughout 2020.

Most sovereign wealth funds have new investment on hold whilst continuing to selectively evaluate opportunities in Europe. Family offices remain cautiously interested in European real estate.

Investors continue to closely manage their portfolios, focusing on rent collection with rates ranging from 70% to 85% on office properties; loan covenant assessments continue to be of primordial importance.




Total lockdown

Partial lockdown

No lockdown

March 18th Starting date

April 13th Easing lockdown

**In Asia, South Korea** has shut schools and issued social-distancing guidelines for the public, but has not enforced lockdowns or broad business closures.

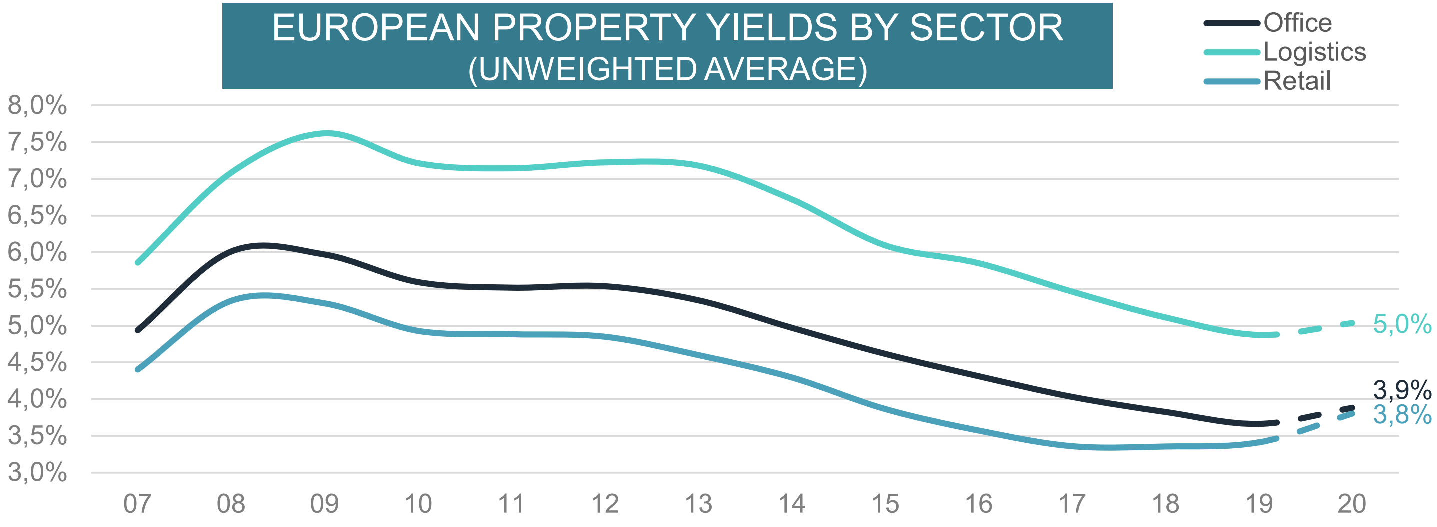
**Singapore** is facing a third wave of infections and the Government has taken new restrictive measures including individual movements restrictions.

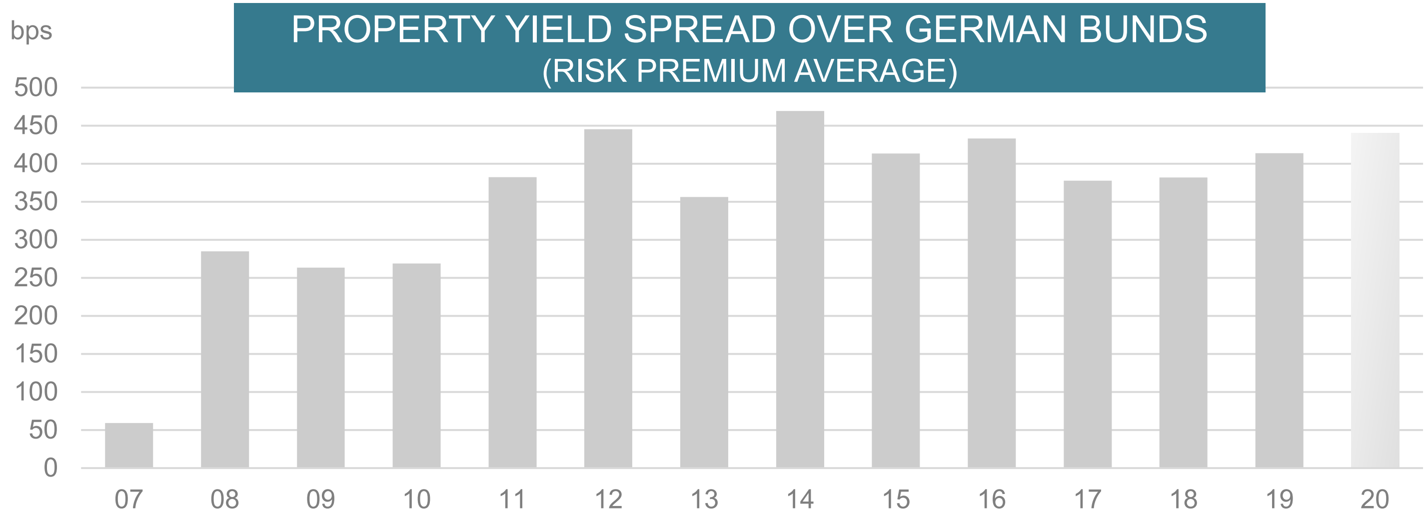
**Hong Kong** has extended the closure of venues and restrictions on public gatherings until May 7th.

Despite the recent improvements in controlling the covid-19 outbreak and the lockdown releases, the situation remains very restrictive in Asia. A majority of Asian investors have adopted a 'wait-and-see' approach and are focusing on the impact on the rental, occupancy and financing aspects of their investments. There is an increasing interest from Asian investors in distressed assets, especially in the UK, and in real estate listed equities of some European real estate companies for value investments.

# EUROPEAN PROPERTY YIELDS

## RISK PREMIUM TO REMAIN ELEVATED




**Limited upward pressure on prime yields, but there may be general upward tensions on secondary segments**

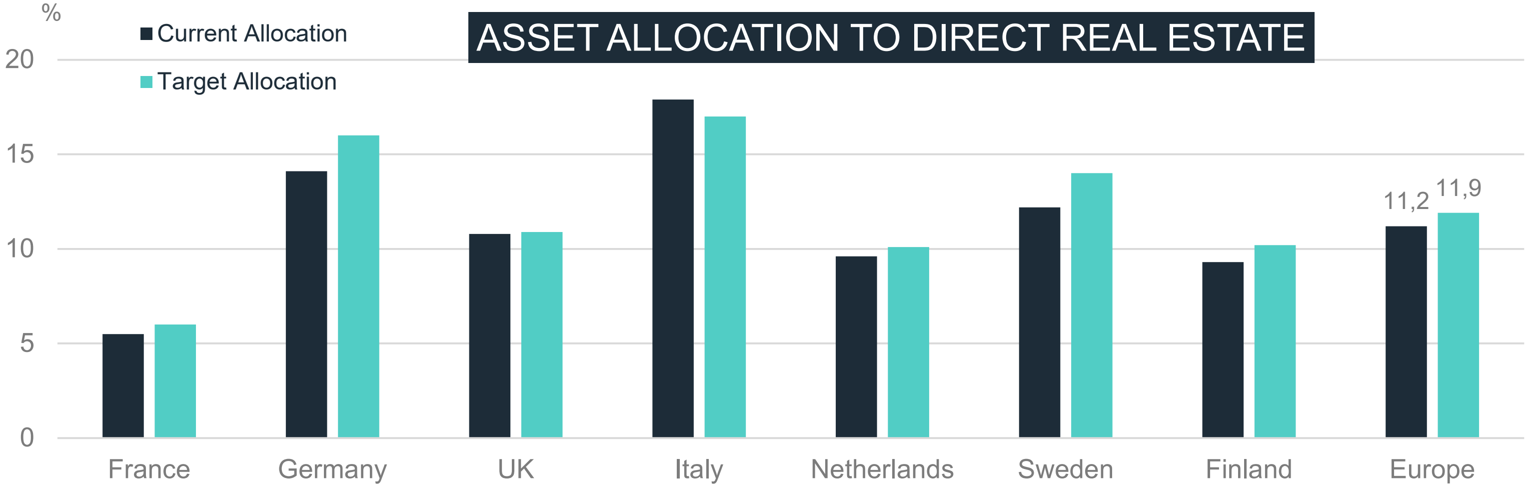
- Prime yields have now reached their lowest level on record across Europe and **before the crisis we were still expecting a further decrease in Prime yields in the core markets.**
- After the outbreak, the deteriorating outlook for the occupational markets and restrictive financing conditions means that investors are likely to demand higher yields. As such we see broad based increases in prime property yields across the sectors and in Europe.
- **We expected the increase in yields ranging between 10bps in logistics and 40bps in retail.** For offices we are likely to see yields increase by 20bps.
- In our latest forecast, the risk premium between property and risk free rate was expected to shrink. Now, **we are expecting the premium to increase as uncertainties are high, pushing bond yields lower and property yields higher.**

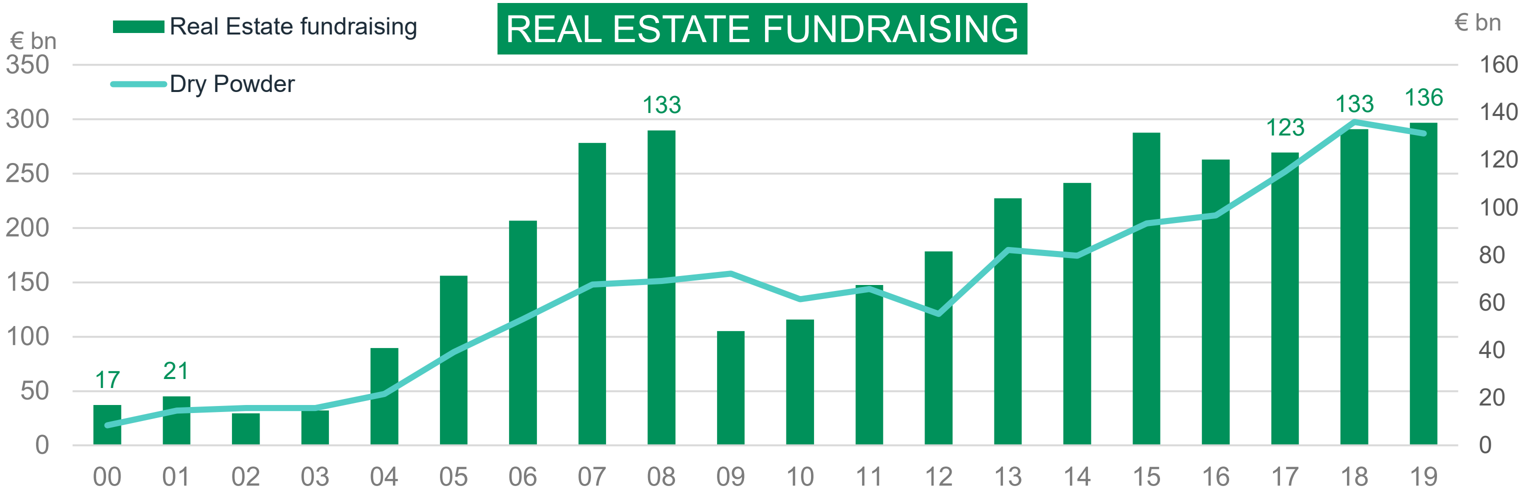
**Strong occupier fundamentals to support capital markets**

- 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 440 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.

# CAPITAL MARKET INSIGHT

## 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.

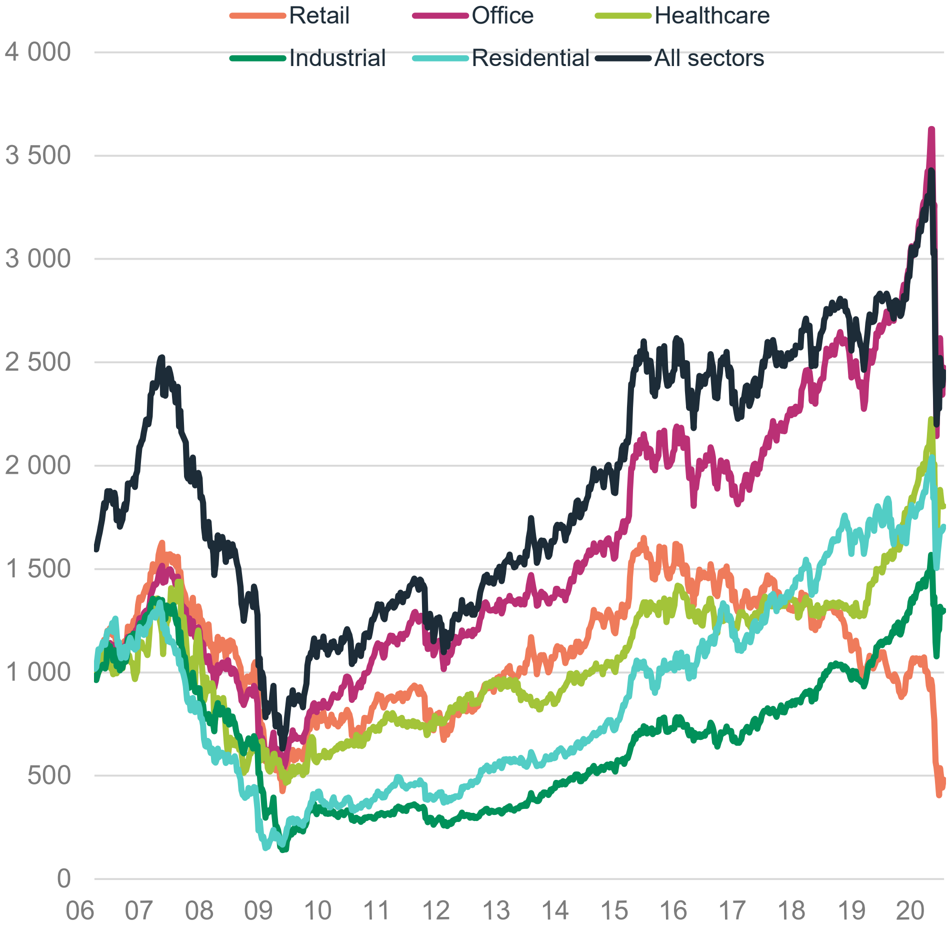
### The denominator effect may disrupt the investment market

- 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 INSIGHT

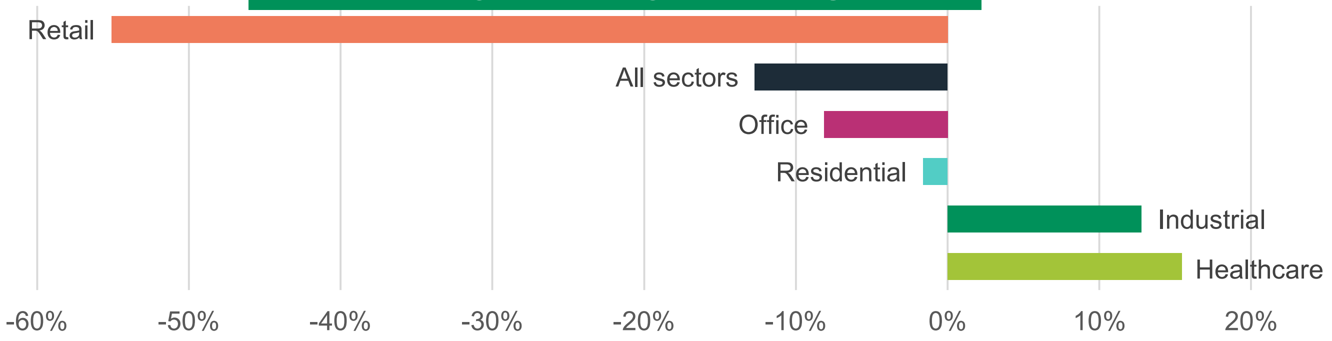
## REITS TOTAL RETURN AS AN INDICATOR

### EUROPEAN REITS TOTAL RETURN INDEX




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

### EUROPEAN REITS YEAR-TO-DATE TOTAL RETURN




**REITS have not been immuned to the widespread market sell off**

- **Covid-19 has already shattered real estate investment trusts in Europe**, as some of them had to shut down hotels, shopping centres, retail units and other properties to stop the spread of the virus. As a result, Europe indexes have been falling since the beginning of 2020, mostly since the third week of February.
- **The retail sector has been struggling since 2015 and is the hardest hit sector** by the spread of the virus. A significant share of retailers have already asked for payment breaks. Some have simply reused to pay altogether. This is having a negative impact on rent collection and on the performance.
- **Industrial and logistics REITs still display a strong and positive annual total return**. 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 (either stop hiring, at best, or cut their workforce) **are the main risks at the moment for Office REITs**.
- **The healthcare is the most performing sector**. This reflects the sectors crucial role in fighting the pandemic, and occupancy level in care homes holding up.

# REAL ESTATE PERSPECTIVES

## OFFICE MARKETS

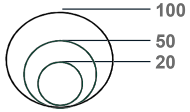
BNP PARIBAS REAL ESTATE

# OFFICE TAKE-UP IN EUROPE

## Q1 2020 vs Q1 2019

| | |
|---|---|
| CENTRAL LONDON | -9% |
| BERLIN | -28% |
| CENTRAL PARIS | -37% |
| AMSTERDAM | +20% |
| MADRID | -49% |
| MILAN | -18% |
| WARSAW | -5% |
| BRUSSELS | -64% |
| DUBLIN | -20% |
| LUXEMBOURG | +117% |
| BUCHAREST | -45% |

Deals in thousand sqm

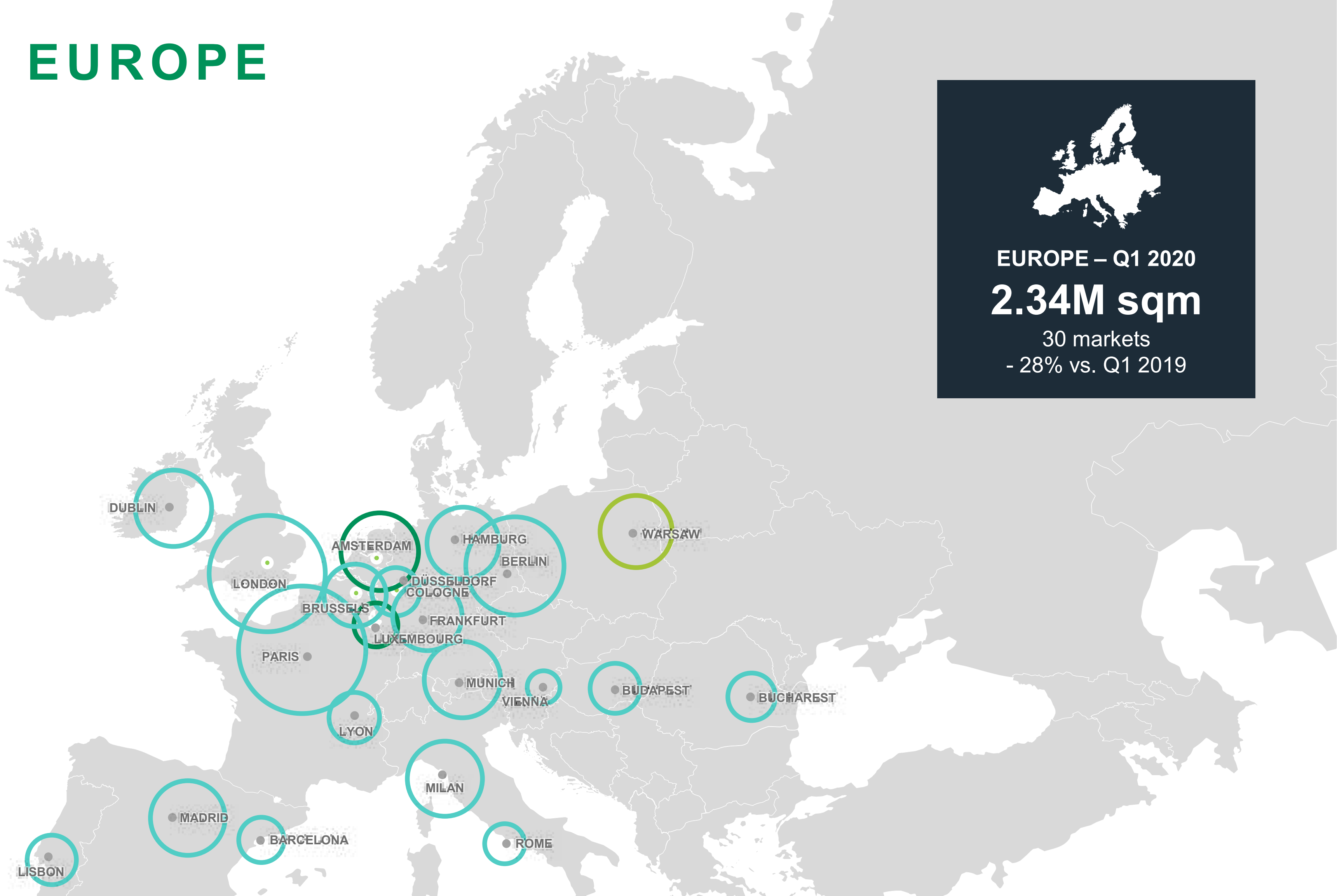



> +5%

-5 to +5%

< -5%

Source: BNP Paribas Real Estate.




**EUROPE – Q1 2020**

**2.34M sqm**

30 markets

- 28% vs. Q1 2019

Take-up had already started to slow down at the end of 2019 in most markets. Even though the compression of the volumes is already significant, the effects of the current crisis on the occupier have not been felt yet as the pandemic started in March in Europe. The decrease in demand is likely to be more visible in Q2 and Q3.

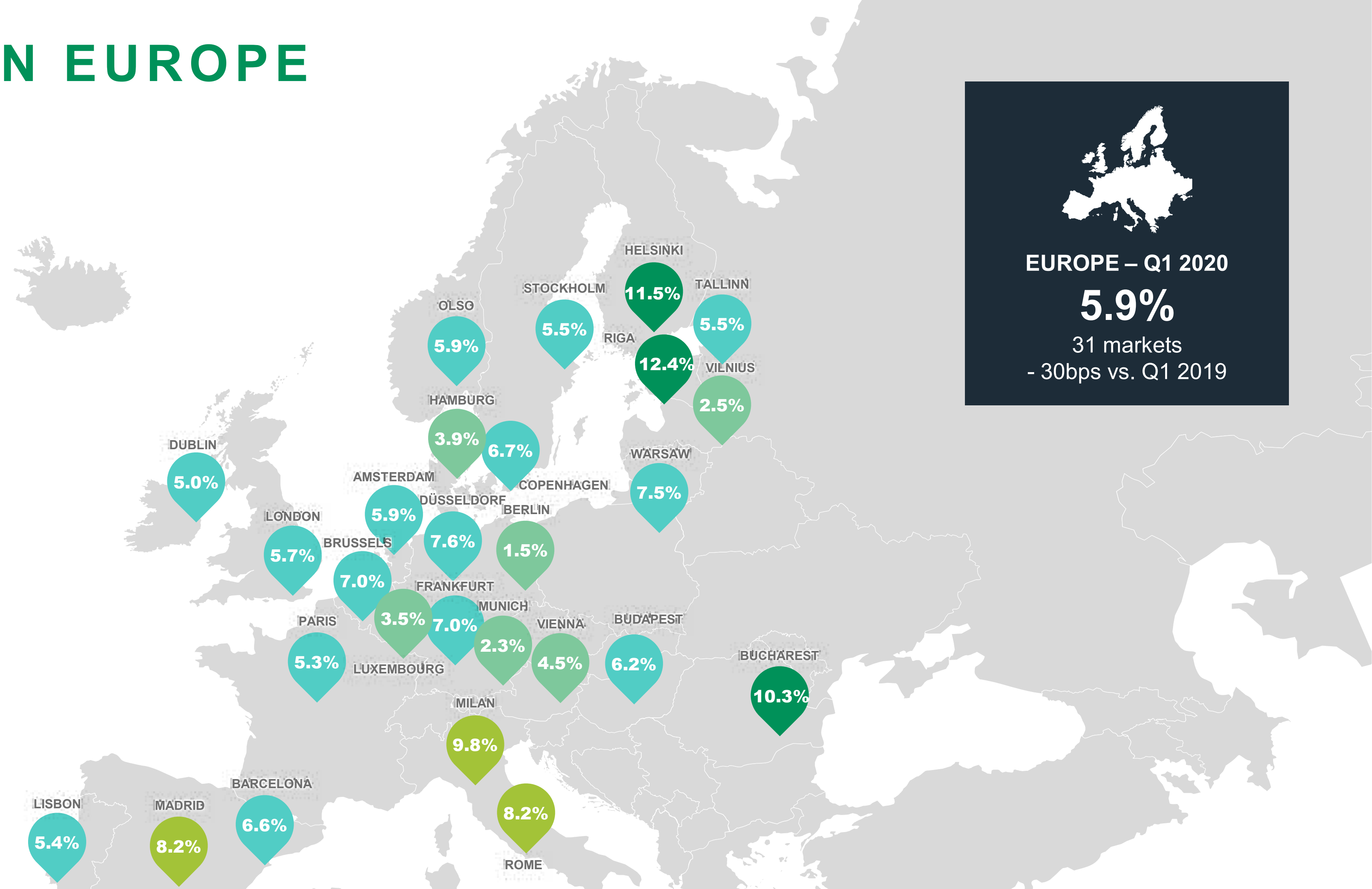
# OFFICE VACANCY IN EUROPE

## Q1 2020 vs Q1 2019

| | |
|---|---|
| CENTRAL LONDON | +70 bp |
| BERLIN | -10 bp |
| CENTRAL PARIS | = |
| AMSTERDAM | -110 bp |
| MADRID | -130 bp |
| MILAN | -70 bp |
| WARSAW | -170 bp |
| BRUSSELS | -70 bp |
| DUBLIN | -40 bp |
| LUXEMBOURG | -80 bp |
| BUCHAREST | +130 bp |

- > 10%
- 8 -10%
- 5 - 8%
- < 5%

Source: BNP Paribas Real Estate.




**EUROPE – Q1 2020**

**5.9%**

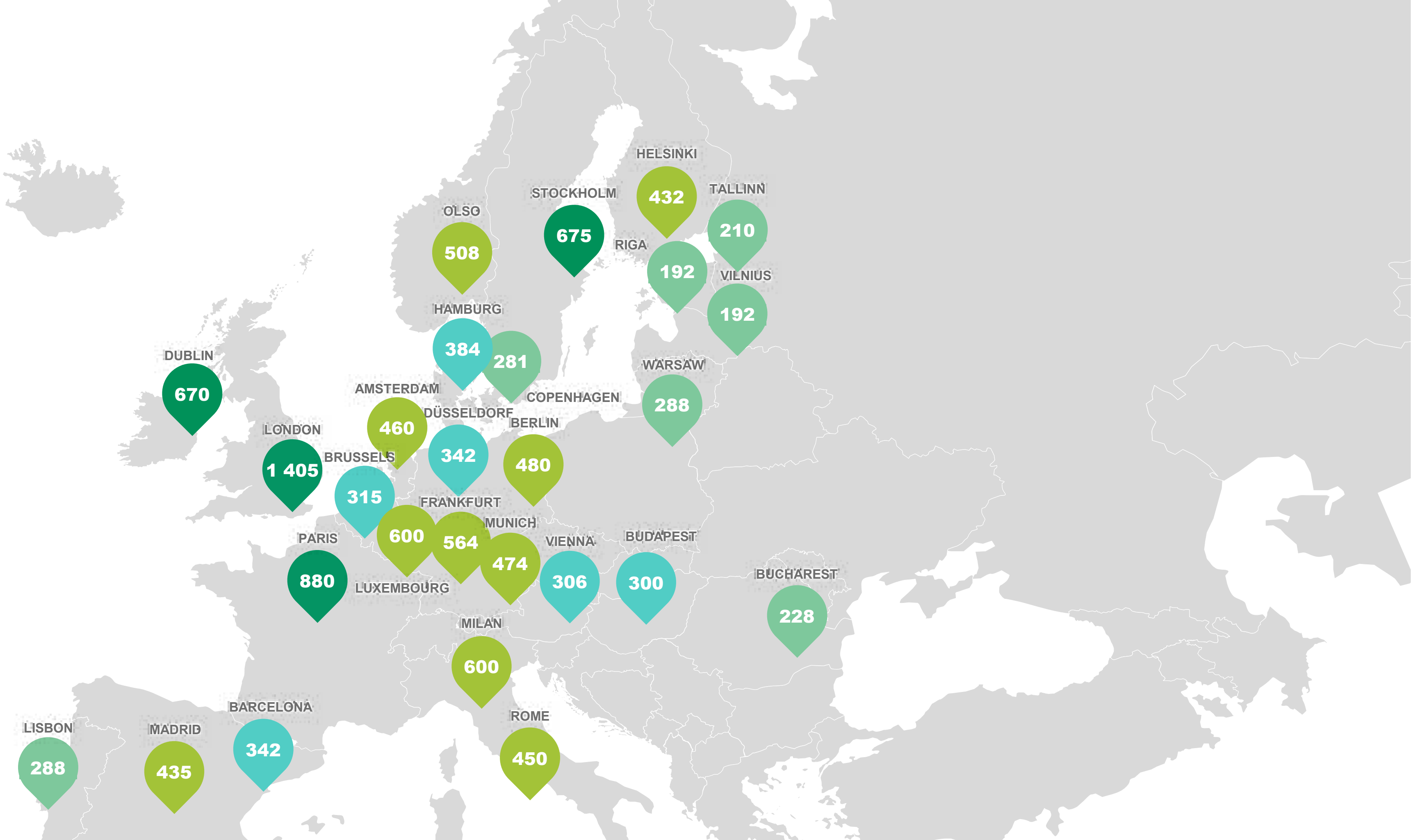
31 markets
- 30bps vs. Q1 2019

An overall increase in vacancy was expected in Europe before the outbreak of the pandemic due to higher level of completions in many cities, which was the result of the lack of supply in most markets. A significant share of office stock due for delivery in 2020 is likely to be pushed back to 2021. Consequently, the impact of the pandemic on vacancy should remain limited.

# OFFICE PRIME RENTS IN EUROPE

## Q1 2020 vs Q1 2019

| | |
|---|---|
| CENTRAL LONDON | = |
| BERLIN | +11% |
| CENTRAL PARIS | +4% |
| AMSTERDAM | +8% |
| MADRID | +4% |
| MILAN | +2% |
| WARSAW | +7% |
| BRUSSELS | +2% |
| DUBLIN | = |
| LUXEMBOURG | = |
| BUCHAREST | = |



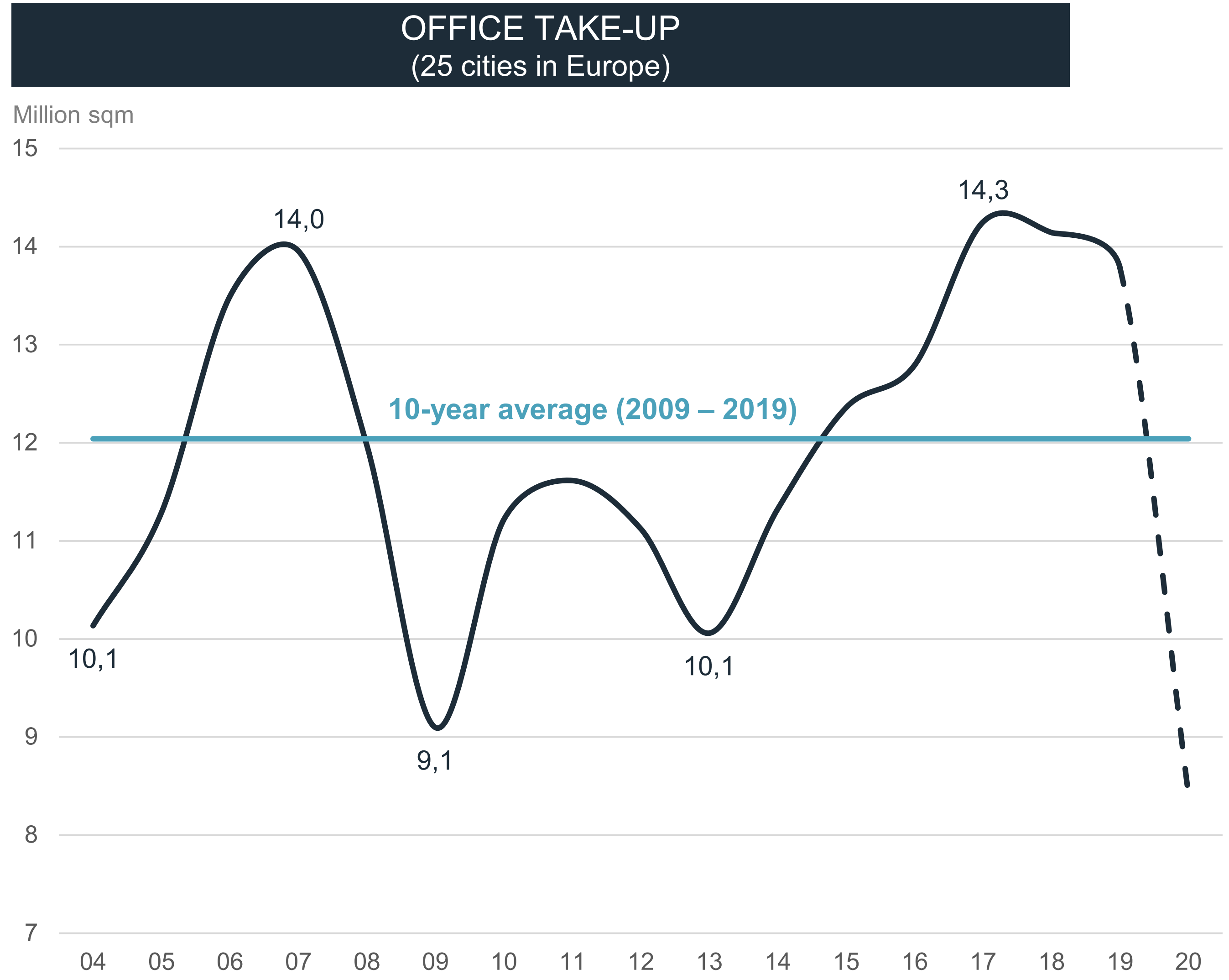

- > € 600
- € 400 - 600
- € 300 - 400
- < € 300

Source: BNP Paribas Real Estate.

The slowdown in demand could result in higher incentives rather than in a strong decrease in rental values. Office prime rents should not be affected too much as the level of available supply for prime assets was extremely low everywhere in Europe.

# OFFICE OCCUPIER MARKETS

## WE SEE SIGNIFICANT FALL IN DEMAND FOR 2020




**Speeding-up of take-up decrease**

- **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, where it could fall by as much as 41%.**

- **The fall in take-up is likely to be more severe than the peak to trough during the 2007 – 2009 crisis, because corporate balance sheets will be the epicentre of the current economic downturn.** This will weigh on employment growth and occupier activity. We see unemployment rate rising sharply in most European markets. However some markets may be less impacted than others depending on the economic measures put in place to support job retentions. For example in Germany the “kurzarbeit” scheme has been a long term and a generous programme that could more limit the rise in unemployment, than the less generous schemes in the southern European markets.

- As such the timing and how long the occupier downturn prevails will also differ among markets. In Italy, one of the earliest hard 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.

- **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.**

# OFFICE OCCUPIER MARKETS

## FUNDAMENTALS REMAIN STABLE GOING INTO THE PANDEMIC

**Controlled increase of the vacancy in most markets**

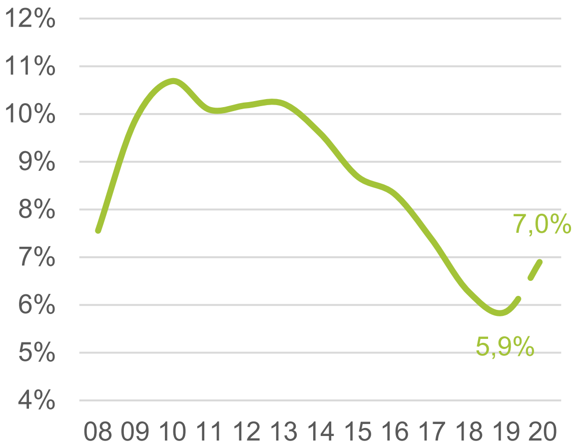
- **The vacancy rate** has been falling continuously since the last financial crises in 2009 and **had probably reached its floor at the end of 2019**. In almost all markets, **the vacancy rate at the end of 2019 was well below its 5-year average**. As a result, most of the European markets saw a rise 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. We now expect this increase in vacancy to be more than what had been anticipated.

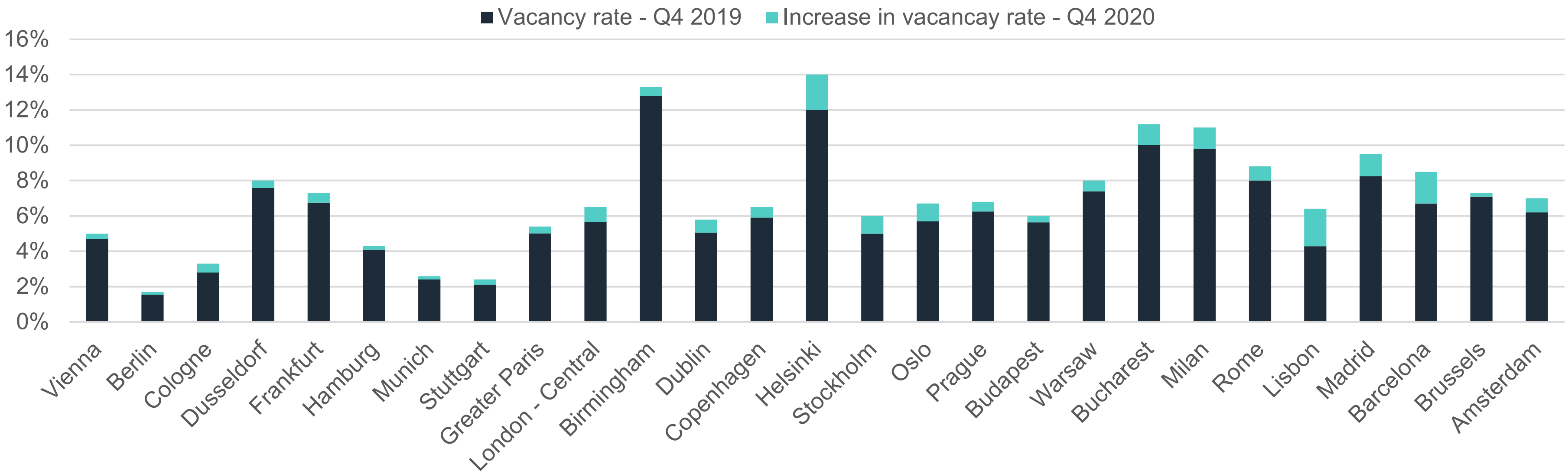
- **By the end of 2020 we are likely to see overall vacancy rate rise by 110bps, from 5.0% at the end of 2019 to 7.0% by the end of 2020.** This is likely to continue through to 2021, as large corporates continue to repair their balance sheets and therefore either stop hiring, at best, or cut workforce.

- However, **some markets, where vacancy rates have been at historic lows, will be better place to absorb the increases in vacancy**. Such markets include the German cities (Berlin, Munich and Hamburg), Vienna and Paris inner-city. In these markets the vacancy rate will remain below 5% by the end of 2020. Moreover we do not expect any significant increase in most CBDs of key European cities, where supply remains extremely limited.

- Additionally, 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 although the situation will vary a lot throughout Europe.

OFFICE VACANCY
(25 cities in Europe)



# OFFICE OCCUPIER MARKETS

## EXPECTED IMPACT ON RENTS

**EUROPEAN PRIME OFFICE RENTAL INDEX**
(unweighted, 36 Cities)


### 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. **Overall prime rent across Europe has risen by +34% since reaching the trough in 2009.** We anticipate that the limited increase in vacancy will result in a more than 2.0% decrease in prime rents across Europe in 2020.

### Very few changes in rents expected especially in CBDs

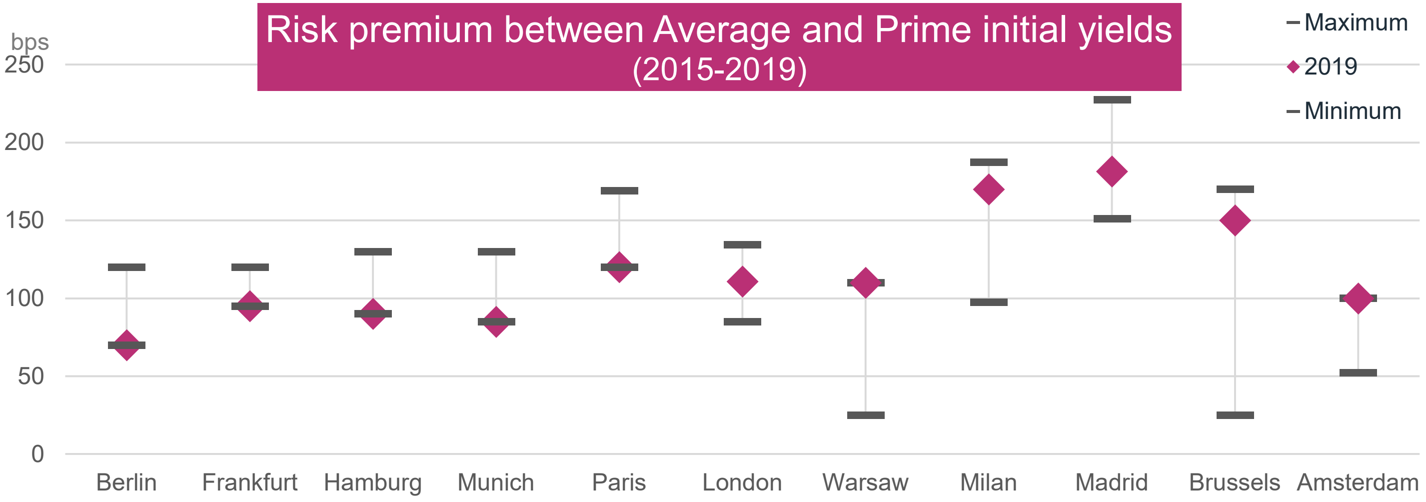
- Even though the CBDs should maintain high rental values, **the slowdown in take-up expected in the wake of the epidemic is likely to drive the average rents downward in the districts where the structural vacancy remains high**.
- For instance in the periphery of some markets such as Milan and Madrid, or in submarkets where supply under construction is currently at a high level, for instance La Défense, rents could be adjusted. 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.

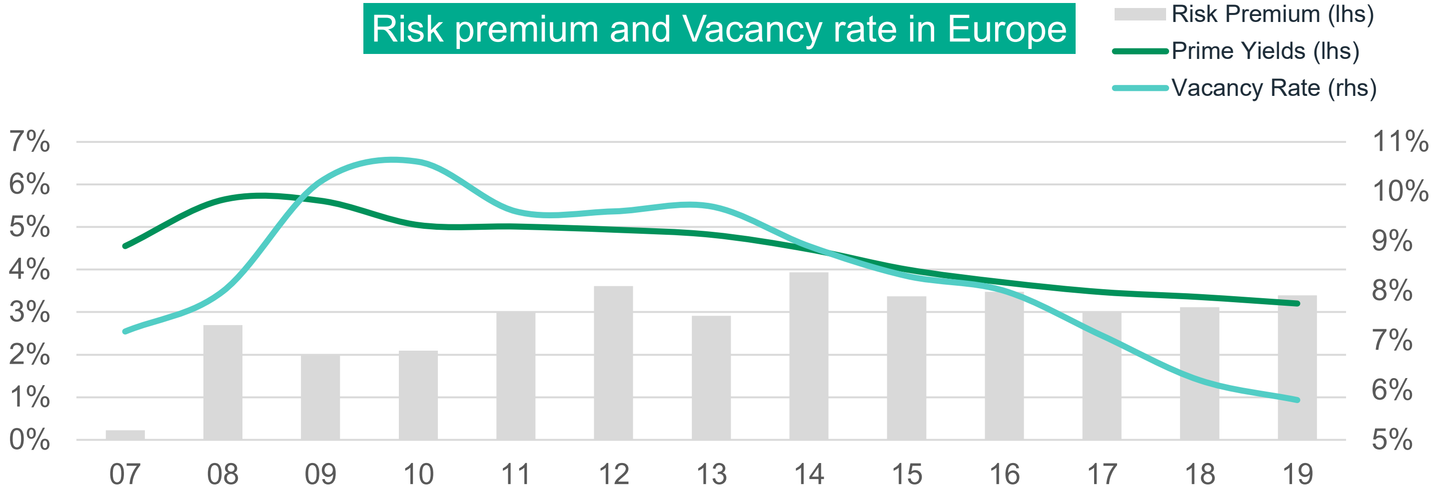
### Likely upward pressures on incentives

- 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.

# OFFICE INVESTMENT MARKETS

## A HIGH RISK PREMIUM TO ABSORB SHOCK




Source: BNP Paribas Real Estate.

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

- **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 anticipating the premium to increase as uncertainties are high and relocation strategies are likely.**

# REAL ESTATE PERSPECTIVES

RETAIL
MARKETS

# RETAIL OCCUPIER MARKETS

## EUROPEAN RETAILERS HAVE BEGUN CAUTIOUS REOPENING

### Rental levels in prime locations likely to see least change

- Prime rents are the ones likely to see the least important changes in the immediate future for most European main cities. **Downward 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.

### Recovery in retail may be gradual and subject to careful planning

- In Europe, the retail industry is working either preparing or resuming activity. However, recovery 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 international tourism, although that is subject to a large delay effect (through travel planning) and caveated by possible weakened purchasing power.

- In China, **recovery appears to be gradual and slow**, restrained by health protection measures. In the first week with all stores open in China (ie the last week of March), H&M scored a 23% drop in sales compared to the prior year. Nevertheless we are observing in the first days of reopening that a lower footfall is partially compensated by **a higher basket price**. **Retailers are expecting more a U-shaped recovery** than a V-shaped recovery. **Attention is now focused on Germany and Austria**, which were among the first to reopen in Europe, in order to observe level of store sale and if any "revenge spending effect" or not.

### Towards a "new normal"

- **Most retailers have started preparing stores for reopening** as lockdowns ease across Europe, albeit with **a number of required new safety protocols** including (in line with local government guidelines):
  - A limit on shopper numbers per sqp and social distancing rules
  - A safe queuing system for customers to enter
  - Staff safety measures
  - Body temperature checks
  - Wearing masks in shops (masks are mandatory in several countries: Spain, Germany, Czech Republic, and Austria)
  - Limited business hours to allow for enhanced sanitizing and disinfecting
  - One-way traffic patterns, where customers must follow a specific, marked path though the store with certain doors as entrance only or exit only

- This recovery is **very gradual** based on different criteria:
  - **Size**: in Germany, for now, shops up to 800 sqm are allowed to reopen whereas in Spain the limited size is 300 sqm and Austria 400 sqm. In France, the largest shopping centres will be allowed to open on a case-by-case basis depending on the local prefect appreciation.
  - **Activity**: hairdressers are allowed to open in some countries, but not in others. Cinemas and theaters remain closed in almost all countries. Restaurants and bars will reopen in several steps: outdoor areas and terraces first, interiors in a second time.

- With high streets shut down and a large proportion of the population working from home, there may be a greater appreciation for **local communities** and **the vital role that retail plays** in everyday life when normality eventually resumes.

- All in all, consumers may encounter **a very different shopping experience** from what they used to before the spread of Covid-19.

# RETAIL OCCUPIER MARKETS

A NECESSARY PARTNERSHIP BETWEEN RETAILERS AND LANDLORDS

**Difficulties are greatest for the most fragile sectors**

- Many retail businesses that have entered administration in recent weeks were already struggling prior to the pandemic. Further retail casualties may follow, with fashion, department stores and F&B* especially at risk. In what was already a **fragile retail market**, we expect to see **a number of administrations and bankruptcies over the coming months**, while some occupiers are likely to be forced to close units as a mean to streamline their store network. They will re-open with fewer stores once restrictions are lifted, having closed those where there is a break or lease expiry within 12 months. This will leave landlords with rental voids and rates / service charge shortfalls.

**Occupiers are seeking for support measures from landlords**

- Main support measures can range from:
  - Monthly rather than quarterly rental payments: Klépierre (France, Italy, Scandinavia), Wereldhave France, Carmila (France, Spain, Italy), Eurocommercial Italy have currently adopted this solution
  - Rent deferral, until the June quarter is due, or repayable over 18-24 months once stores reopen
  - Rent deferral until the end of the lease – i.e. lease is extended by the deferred amount
  - Rent holiday, but with a lease term extension from tenants in return
  - Rent holiday and then a possible lower rent going forward, in some cases turnover related. We see this becoming more prevalent for fashion occupiers, particularly in shopping centres

- Other easing measures can be observed: Value Retail, which manages nine luxury outlet centres across Europe, has waived all charges in the second quarter in an effort to help its retail brand partners through the coronavirus crisis.

# RETAIL OCCUPIER MARKETS

## A NECESSARY PARTNERSHIP BETWEEN RETAILERS AND LANDLORDS

### Information, dialogue and cooperation between landlords and tenants

- At the end of March, UK shopping centre giant Intu said it had received just 40 per cent of rents due this quarter while Hammerson received 37 per cent of the UK rent billed for the second quarter.
- A **case-by-case approach** may be adopted by many landlords (Hammerson, URW) taking into account the business model and risk profile of the occupier, alongside the aid made available by the relevant governments.
- The **need for communication and close collaboration between landlords and tenants appears more than ever essential.**


### A Code of Conduct for the retail industry is a first in German history

- After Australia has regulated relations between retail landlord and occupiers under the Covid-19 situation by a code of ethics, Germany is the second country to follow and adopt a similar protocol. Under the guidance of the **German Council of Shopping Places** (GCSP), renowned representatives of the retail industry formulated a Code of Conduct as **a common guideline for defining the rules of conduct between landlords and tenants** in the commercial property industry for the period of the Covid-19 crisis. This aims to **establish fair and cooperative dealings, on an equal footing, to ensure balanced burden sharing.** The Code of Conduct covers the entirety of the German retail, service, gastronomy and retail real estate industries and proposes a framework for negotiations during the crisis, especially for small and medium-sized tenants.
- The French Council of Shopping Centres (CNCC) is working out a similar model.

# RETAIL INVESTMENT MARKETS

## EXPECTED ACCELERATION OF THE GAP OF VALUES BETWEEN TOP PRIME AND SECONDARY ASSETS


### Prime high-streets will endure

- **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.
- In terms of how investors are reacting, most buyers '**wait and see**' with deals processes slowing down, put on hold or at worse, cancelled.
- All in all, **liquidity and likely repricing** will strongly depend on the **asset quality** (location, turnover, vacancy and footfall). Some powerful retailers may use **the opportunity to improve their high street / shopping centres positions** by acquiring position from the failing ones.

# RETAIL INVESTMENT MARKETS

## EXPECTED ACCELERATION OF THE GAP OF VALUES BETWEEN TOP PRIME AND SECONDARY ASSETS

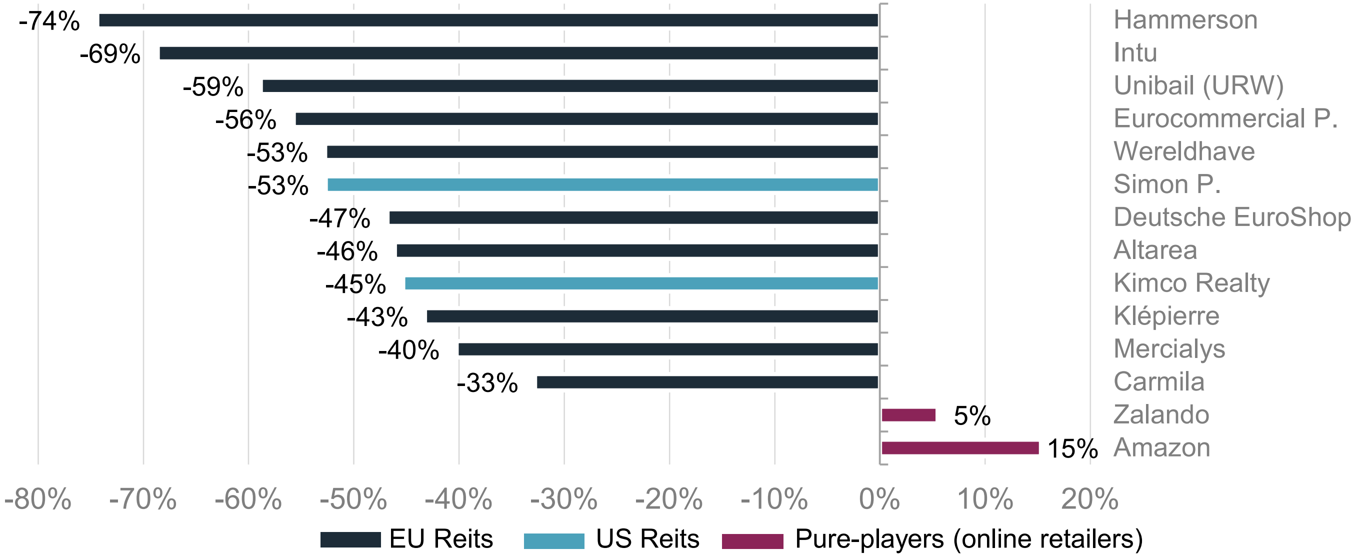
### Shopping centres and retail parks

- 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. Others are dealing with this on **a case-by-case basis**.

- 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. Investors shall be more attracted by assets with financing facilities in place.

**Main European et US Retail REITs share-price has dropped since the end of January contrary to pure-players share-price (%)**




Data of May 5
Represents change in share-prices from the close of 31.01.2020 to the close of 05.05.2020

- 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.

- For now, **Unibail-Rodamco-Westfield** and **Klépierre** reported **limited COVID-19 impact on their total revenues in first quarter** but outbreak will be reflected in the second quarter. Both have started to reopen some shopping malls in Germany and are actively preparing to do so elsewhere as lockdowns ease across Europe.

# E-COMMERCE

## EXPECTED IMPACT ON ONLINE SALES

### Low consumption confidence and supply chains issues

- **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. This does not mean that pure-players, e-food retailers and even traditional food retailers have improved their profit margin during this period. At best, they performed similarly to a year ago, at worse they strongly increased their losses.
- Delivery's issues, like closure of collection points, and safety of employees and customers, **forced some e-retailers to suspend their activity**. Some of them have reopened their online store with daily order limits after having made significant changes in work patterns and layouts to operate business safely.
- Half of European e-retailers are currently dealing with (or are soon expecting) **oversupply issues** due to the Covid-19 crisis, according to Ecommerce Europe[1]. Fashion industry, luxury goods, cosmetics and travel related products are particularly impacted.

### Mixed impact depending on category of goods

- Whereas online sales are still allowed in all European countries, **only three countries (Spain, Belgium, Austria) indicated that the crisis had a positive effect on online sales** according to a survey conducted in 13 countries by the European online sales confederation, Ecommerce Europe[2].
- Increasing online sales have been of more benefit to **mass-market** than **premium and luxury brands** which are typically associated with physical stores (providing personalized shopping experience to customers).
- Certain categories such as **electrical, gym and garden equipment have increased online sales** as households find new ways of spending time home, but online sales of fashion and big-ticket items like furniture are benefitting less as consumers cut back on non-essential spending overall at a time of economic uncertainty.

1. Survey conducted by Ecommerce Europe between 31 March and 2 April.
2. Survey conducted by Ecommerce Europe between 24 March and 27 March.

# E-COMMERCE

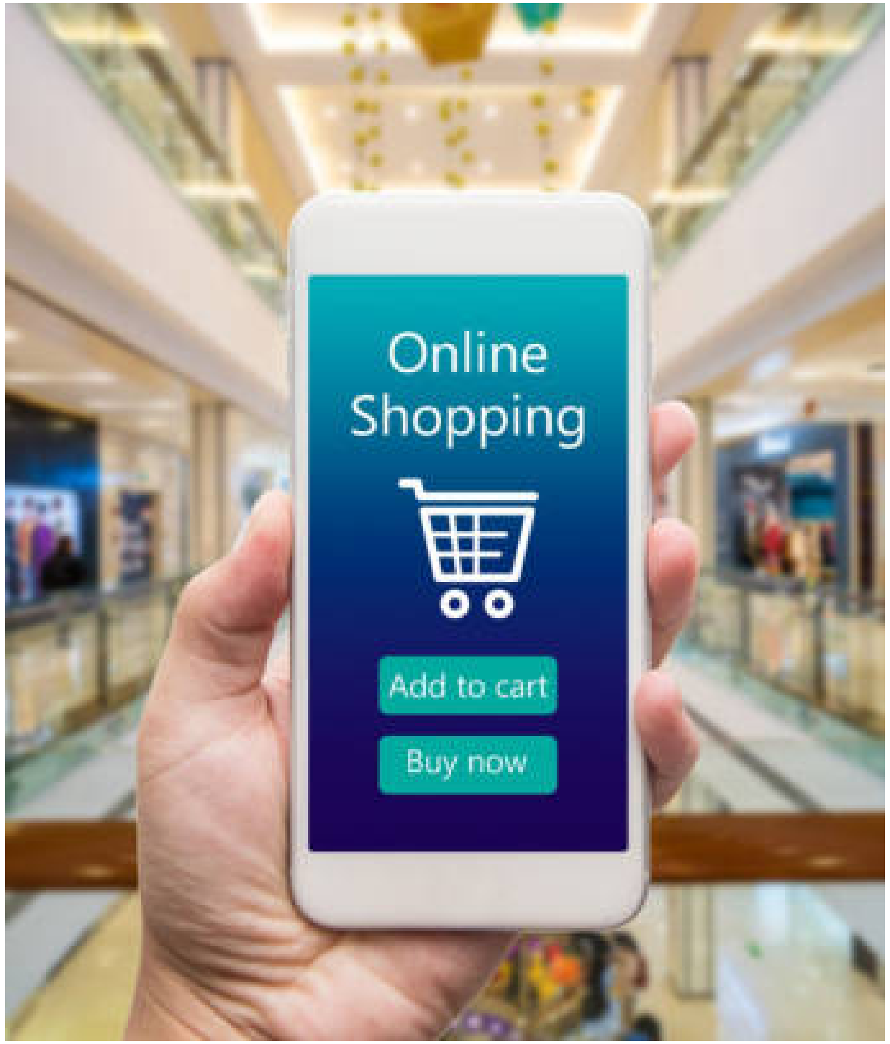
## EXPECTED IMPACT ON ONLINE SALES

**Gain appears relatively limited for online retailers**

- **Online services** (travelling, leisure) are severely impacted. However, **streaming services** (like Netflix, Amazon Prime Video, Disney Plus) currently 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** could change (but no one knows in what extent at this stage) in terms of physical/online purchasing once lockdown measures will be over. For example, the possibility remains that a part of the population, especially the elderly, will have discovered the internet by ordering food delivery services or cultural e-services (delivery of books), that may benefit some retailers. **Online is also a support mechanism channel** as long as fear of social contact persists.
- The e-commerce channel lacks the structural capacity to take advantage of the situation and it is unlikely to see revision upwards to the E-Commerce Foundation's forecast annual growth of 14.0% in Europe. On the other hand, some people speculate the channel will gain strength under the transition / recovery period to come.

**A omnichannel model more appropriate than ever**

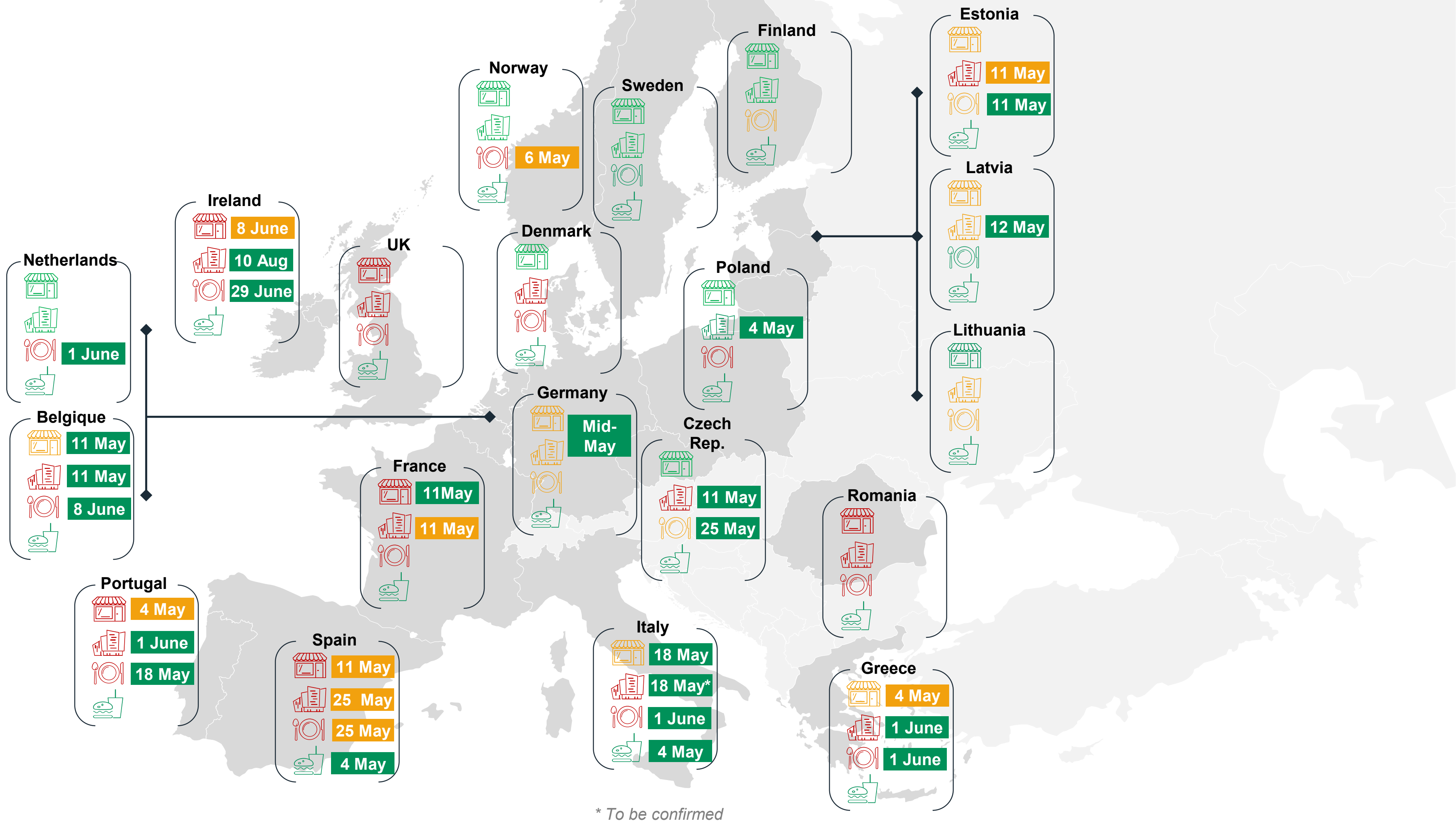
- It is therefore a mixed picture for online retail, and **if anything, COVID-19 reinforces the importance of having a omnichannel model where online and bricks-and-mortar seamlessly interact** and where the whole is greater than the sum of its parts.
- Furthermore, the Covid-19 crisis has not changed **the loss-making character of the online business** underlining that **the multichannel model is the only one economically viable** at long-term.
- Showing this close connection between physical and online retail, **Unibail-Rodamco-Westfield Germany has entered in April into a strategic cooperation with Zalando** through the Connected Retail programme. This partnership enables to reach new customers through Zalando and improve inventory turnover among participating brands. The cooperation has been launched early in order to cope with the considerable challenges faced by the retail sector due to the COVID-19 crisis. As a result, **stationary retailers in the shopping centres** operated by URW in Germany are now provided with an **additional sales channel** for their products.



# RETAIL OPENINGS / CLOSURES ACROSS EUROPE

*As of May 7th*

## A GRADUAL AND SLOW REOPENING OF RETAIL ACTIVITIES ACROSS EUROPE



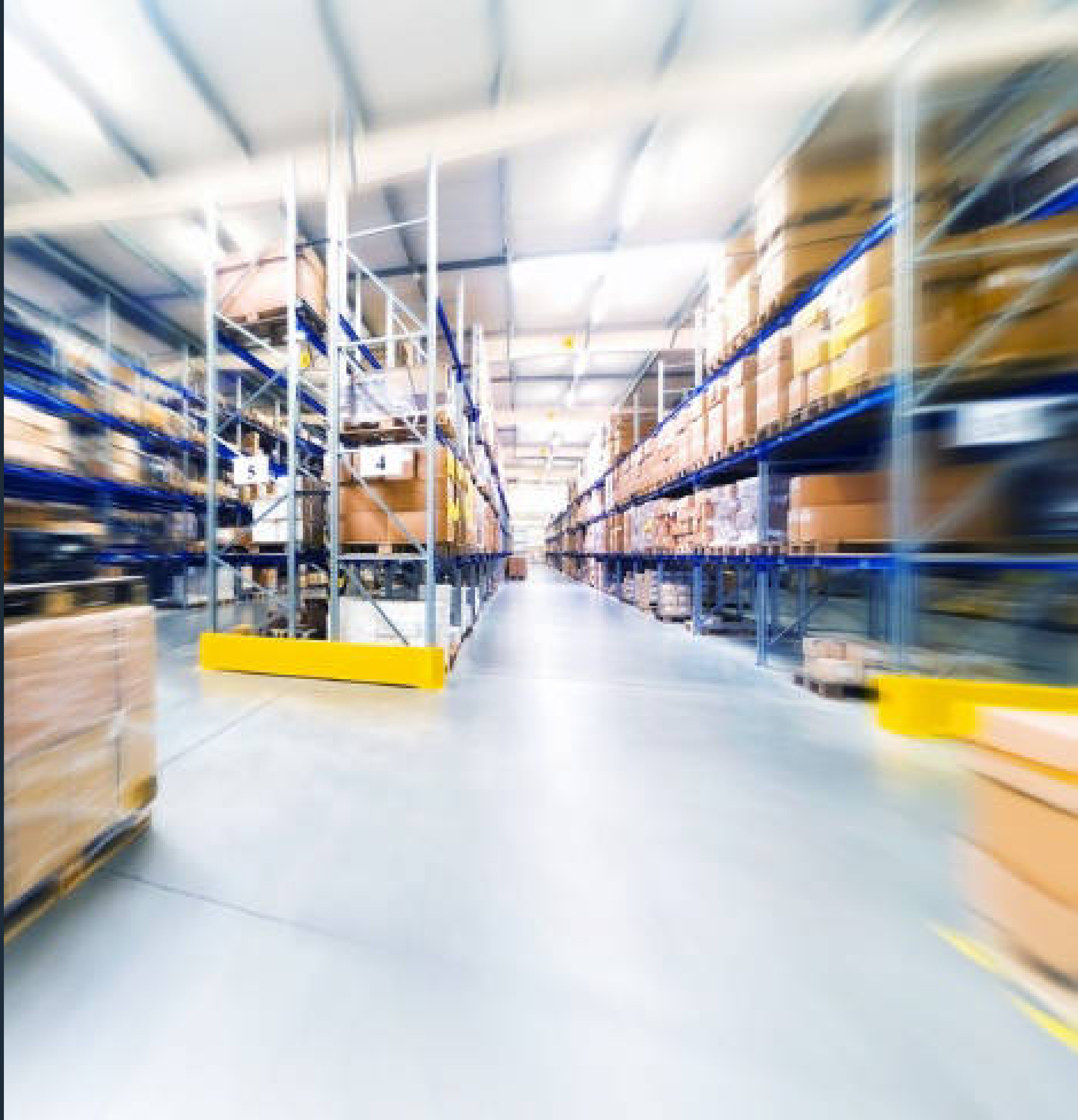

Country — Date of reopening

- Non-essential stores in high streets
- Shopping centres
- Restaurants and bars
- Take-away / home-delivery services *(remained open in most countries)*

- Stores are allowed to open
- Stores are partially allowed to open
- Stores are not allowed to open

# REAL ESTATE PERSPECTIVES

LOGISTICS
MARKETS



# LOGISTICS WAREHOUSING MARKET IN EUROPE

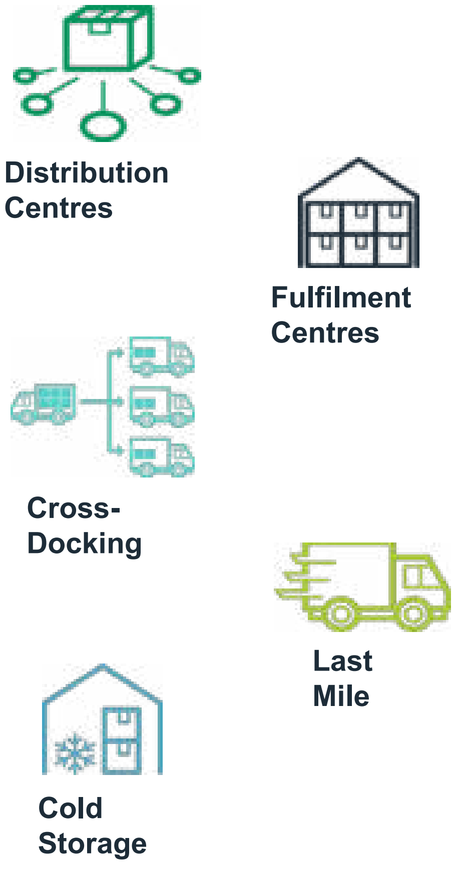
## THE COVID CRISIS IS RESHAPING THE LOGISTICS MARKET

**The logistics market showed good resilience during Q1 2020 … before the effect of the crisis took its toll.**

- **Take-up declined by just 4%** in the six largest European markets during Q1, following record volumes of transactions for 3 years in a row. The peak effect (with its inevitable decline) alone can explain slowdown in some countries without COVID-19. Overall, low vacancy and few developments have maintained a high level of rents.
- **Industrial and logistics investment rose by 22%.** Some countries declined significantly in Q1 following outstanding volumes achieved in the previous quarters. Investors are very keen to invest in this asset class.

**The logistics property market is disrupted by the COVID crisis**

- Take-up is going to plummet in the next few months since many lease signatures are delayed, even though not necessarily cancelled.
- Vacant space is expected to increase generating a downward pressure on rents.
- Yet, logistics has become clearly crucial and visible to everyone as key to provide basic needs by maintaining essential supplies, food, medical equipment and pharmaceuticals.
- Most markets are now at a standstill due to containment, but investors and occupiers are actively preparing the exit from the crisis.




**Logistics organisation could see transformation in the longer term**

- As an alternative to holding more inventory in response to supply chain disruptions, companies could establish dedicated logistics networks 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 large part of demand for space in the sector has been driven by warehouses for the storage and distribution of finished goods manufactured much further away. The current situation could lead companies to on-shore 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.

**The outbreak may 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 movement restrictions 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. It will help increase the penetration of e-commerce in markets where this has been limited so far, further boosting demand for logistics space.

# LOGISTICS OCCUPIER MARKET IN EUROPE

## TAKE-UP IN 6 COUNTRIES : -4% (Q1 2020 VS Q1 2019)

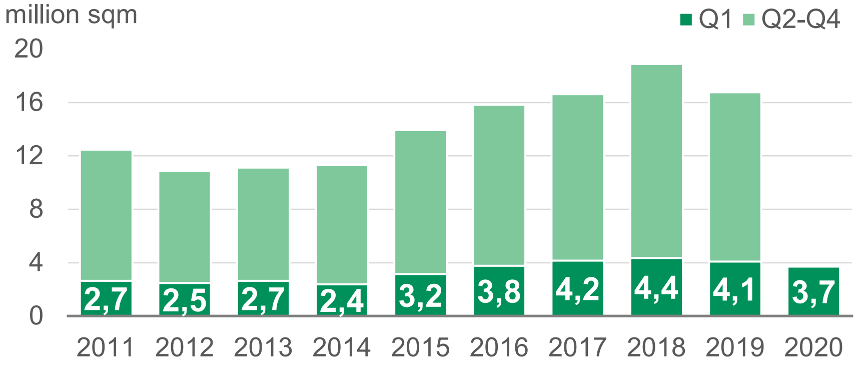
**The market is showing good resilience despite a slowdown in Q1**

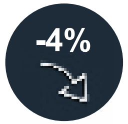
- The beginning of an economic slowdown at the start of the year did not have a major effect on the market. Activity remained strong in most markets supported by a buoyant e-commerce market.
- The COVID crisis did not impact the market in Q1, but it will be evident in Q2 and Q3.
- Supply drying over the past two years whilst demand staying sharp means there is a major imbalance in the market.
- New developments are still insufficient to meet demand and few speculative developments were launched.
- Following two years of substantial growth, prime rents remained stable in Q1, caught between economic slowdown on the one hand, low supply and strong demand on the other.

**Country profiles in Q1 2020**

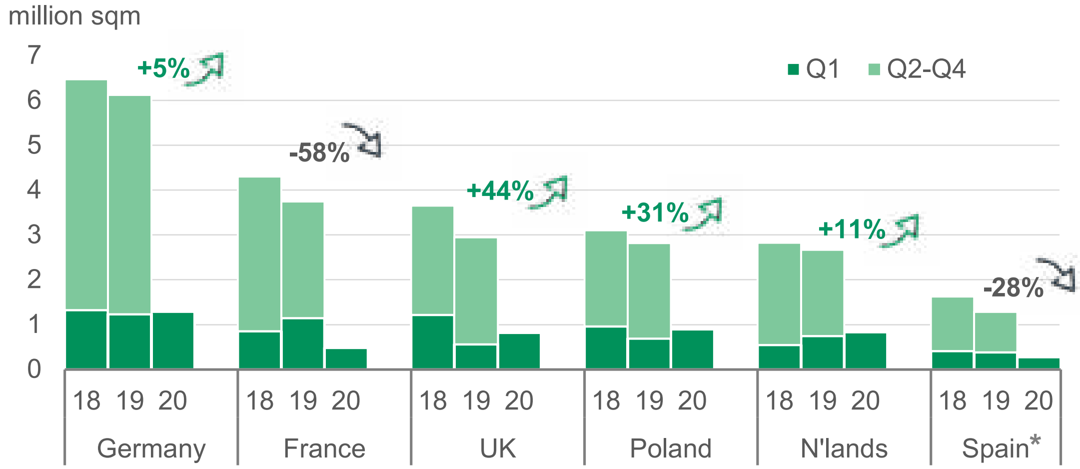
- Good activity in the **UK** market considering the political and economic uncertainty over last year and the COVID crisis this year. Despite the outbreak, there is still strong demand from the retail sector, especially from e-commerce and food providers.
- Take-up in **Germany** remained high, but decreased in some of the main hubs, constrained by a lack of modern space. As the majority of Q1 deals were negotiated at the beginning of the year, the effects of the crisis will only become visible in Q2.
- In **France**, the occupier market is slowing down. This stems from the economic slowing since Q4 2019 and the fact that most major retailers have completed their first phase of supply-chain transformation.
- In **Poland**, following outstanding levels of transactions two years in a row, the occupier market remained strong in Q1 2020.
- In the **Netherlands**, Q1 was particularly high due to some very large transactions. COVID means that most new leases are put on hold and take-up is expected to drop significantly in 2020.
- In **Spain**, after two years of strong activity supported by large transactions, demand remained strong for smaller units.

**TAKE-UP – 6 countries***




Q1 2020 vs Q1 2019




Germany, UK, France, Netherlands, Poland, Spain

*Total of Madrid + Barcelona + Valencia

# LOGISTICS OCCUPIER MARKET IN EUROPE

## MOST MARKETS ARE AT A STANDSTILL

### Occupiers are putting commitments on hold in the immediate term

- Inspections on site are not possible in most countries due to containment and the lack of staff in administrational positions is slowing down every process associated with property development and acquisition.
- Stocks are significant in shops, in warehouses and in ports; ships are even kept at sea. This crisis has created an unprecedented phenomenon where some users have had to rent some space with very short-term leases to collect goods accumulated in ports. Yet, this remains marginal in the overall logistics activity.

### Most markets are at a standstill

- Until COVID lockdowns occurred, the European market reached outstanding volumes of transactions boosted by a strong demand for owner-occupier developments.
- Currently, negotiations are disrupted thus creating delays in developments.
- This is further exacerbated by the difficulties getting new construction to proceed in most countries due to the lack of available workers and the complications of obtaining raw materials.
- One clear outcome for 2020 is that the outstanding letting records of the past 3 years are behind us for a while.

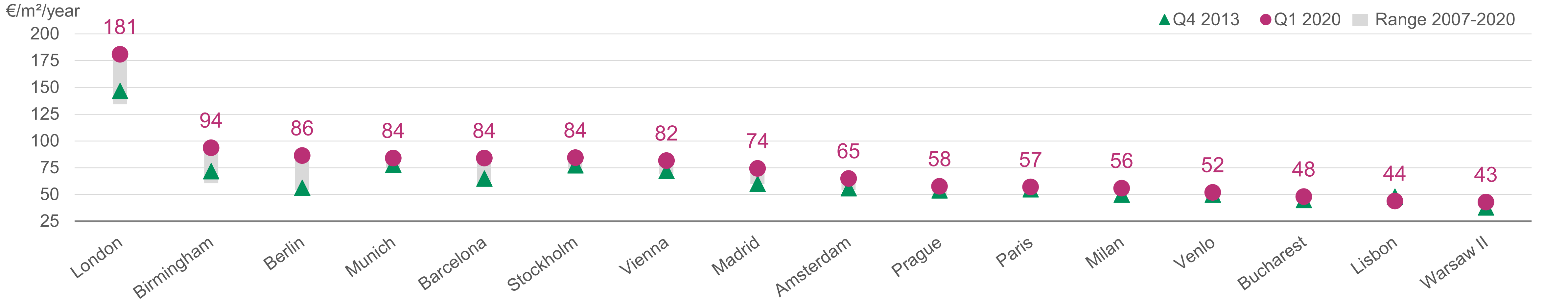
### Supply will increase despite slowdown in the construction of new warehouses

- A slowdown in new developments is occurring from the disruptions created by containment in most European countries.
- Financing new projects is expected to be more difficult since banks are tightening their lending criteria. This will strongly impact new speculative developments in a context of increased risk aversion.
- Supply will increase as second hand space is released.
- The crisis is affecting all businesses and some will be downsizing or shut down: their warehouses will be released and put back on the market.

### Rents are expected to drop with anticipation of increased vacant space

- Currently the impact on rents from COVID disruption is negligible, but with release of space into the market, we expect more incentives and an overall downward pressure on rents to appear.

## LOGISTICS HEADLINE PRIME RENTS



# INDUSTRIAL & LOGISTICS INVESTMENT IN EUROPE

## INVESTMENT AT A 15 YEAR HIGH

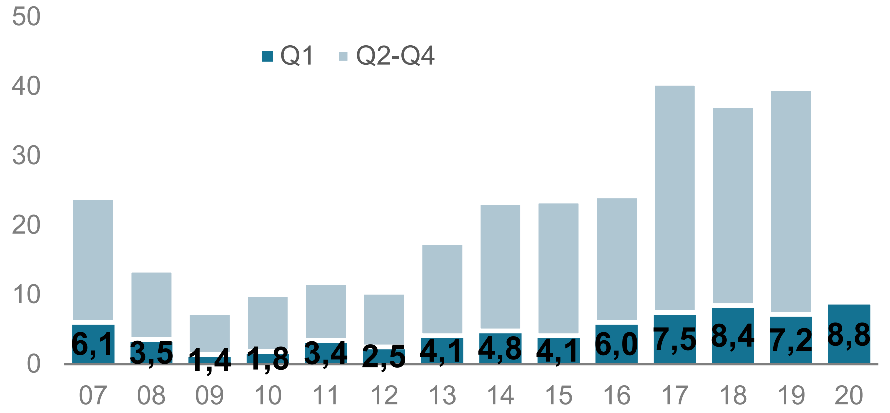
**Industrial & Logistics investment reached a new record in Q1 2020**

- € 8.8 bn in Q1 2020, the highest first quarter recorded in the last 15 years
- The industrial and logistics market represents 13.4% of total commercial real estate.
- Following two years of outstanding volumes of investment, the market continues to attract investors due to:
  - Low government bonds
  - Strong relative pricing compared to other sectors
  - New entrants
  - A strong driver : e-commerce
- The COVID crisis did not impact the market In Q1. It will be evident though in Q2 and Q3, as many projects have been put on hold.
- At the end of March, most markets are at a standstill due to containment, but investors and occupiers are actively preparing moves following exit from the crisis.
- Logistics remains quite resilient: the fall in volumes is expected to be less than seen for other asset types.

**Country profiles in Q1 2020**

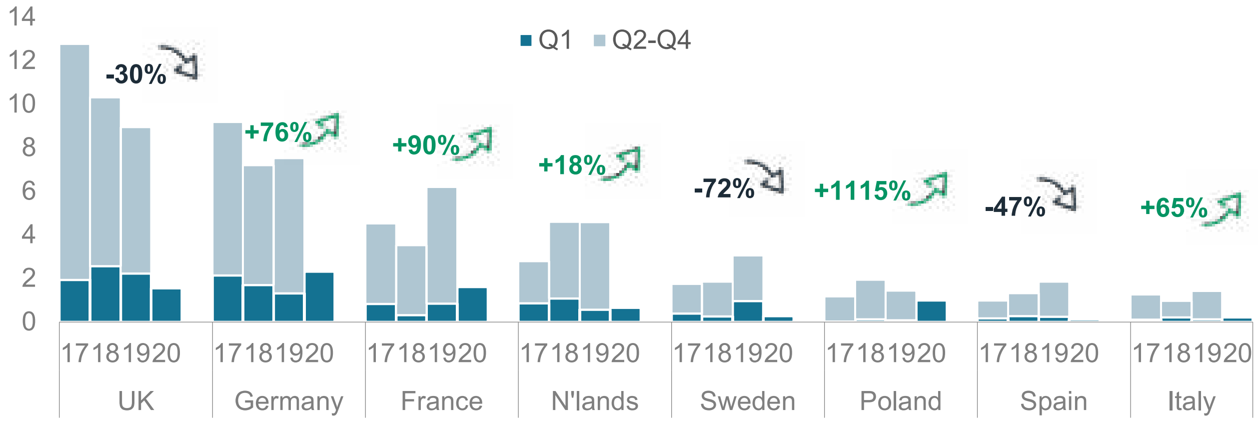
- In the **UK**, despite a slow start to the year, investors remain confident. They are still gathering capital, particularly for use in the logistics sector.
- In **Germany**, the logistics investment market continued to thrive in Q1 despite the COVID crisis and the scarcity of products in the major hubs.
- In **France**, the market was particularly dynamic in Q1, stimulated by historically low 10-year government bonds. Good activity was evident in all asset classes in France. Investor appetite remains strong in the logistics sector despite the COVID crisis.
- Industrial and logistics investment in **The Netherlands** rose in Q1 but investors have been increasingly cautious since the COVID crisis. Most mandates have been put on hold, but are in preparation to start again as soon the situation is resolved. In the short term, the volumes of investment are expected to drop in Q2 and Q3.
- In **Spain**, after two years with outstanding volumes of investment, the market slowed down in Q1 2020. In the context of the COVID crisis, on-going deals are expected to proceed, but those in the launch phase are more likely to be delayed
- In **Poland**, Industrial and logistics investment increased sharply Q1 2020 thanks to several portfolios acquired by investors from China, Singapore and South Africa. The market benefits from strong drivers including low labour costs and the strategic positions of units especially along the German border.

**INVESTMENT EUROPE (€bn)**




**+22%**

Q1 2020 vs Q1 2019



# INDUSTRIAL & LOGISTICS INVESTMENT IN EUROPE

## A BRIGHT SPOT

### Logistics property remains attractive for investors

- From an investment point of view the logistics and Industrial sector remains a bright spot as demand for space remains solid from sectors that are beneficiaries of the COVID crisis. Even so, we can anticipate lower investment volumes in the industrial sector due to the obstructions to deal negotiations.
- Because of more secure income generation, logistics investment is expected to remain quite resilient: the fall in volumes will probably be less than seen for other asset types.

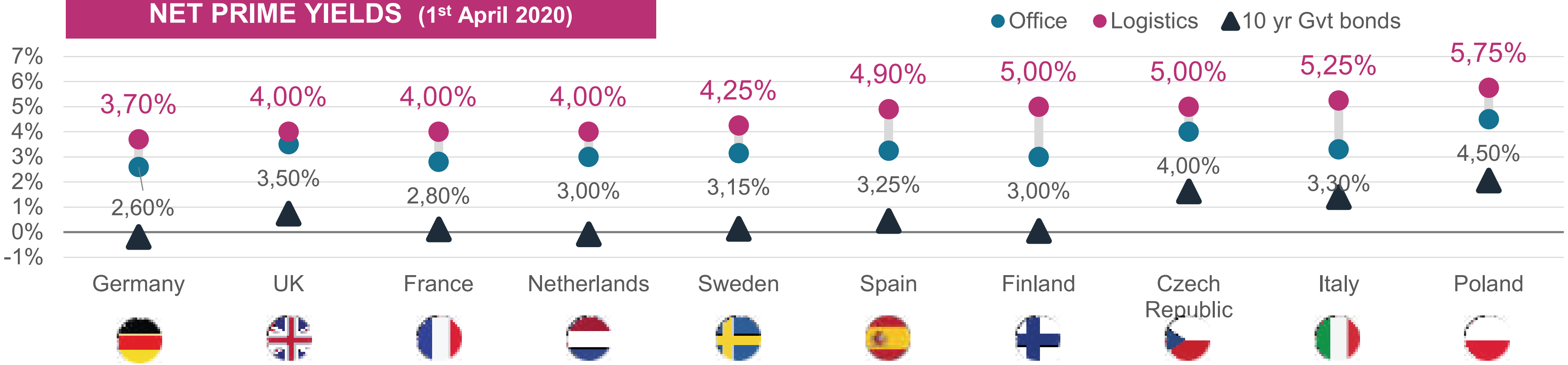
### Hubs with global exposure are more vulnerable

- In the short term, reduced global trade flows arising from the pandemic, will impact demand for logistics property at ports (both sea and air) through reduced utilization. Investment interest is unlikely to abate as in the medium to long term we see little waning in occupier demand for logistics space in these locations.
- 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.

### Prime yields are likely to stay stable

- Going forward we will see increased divergence in the performance of different logistics segments.
- Depending on the risk profile of the investor, the yield gap will widen.
- Prime yields are likely to be stable across Europe. Average yields though, are expected to increase given a context of tightened financing conditions and growing risk aversion.
- Repricing will depend more on how marginal the fundamentals are: location, state of the building and prevailing rental conditions.

**NET PRIME YIELDS (1st April 2020)**




# CITY FOCUS

MARKET SENTIMENT & KEY FIGURES

BNP PARIBAS REAL ESTATE

# GERMANY MAIN MARKETS – MARKET SENTIMENT

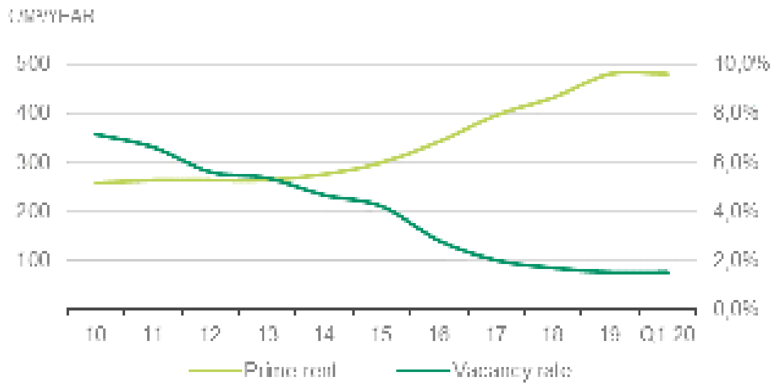
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Moderate decrease | Take-up has been showing signs of slowdown since the end of 2019 due to a more sluggish economic activity in Germany. Due to the covid crisis, some lease negotiations have been put on hold, which was only marginally reflected in the lower performance in Q1, but should be felt in the coming months.<br>As such, demand is expected to be significantly lower in 2020 than in 2019 especially due to a slack activity in Q2, even though the magnitude is hard to predict. Depending on how fast the crisis will be overcome, signs of recovery could be seen as early as Q3 and Q4. |
| RENTAL VALUES | Stability | German markets display a well-balanced supply and demand situation as well as an extremely low vacancy. These good market fundamentals should help to maintain the rental values close to their current level. |
| VACANCY | Stability | German markets, especially Berlin and Munich, are still displaying the lowest vacancy rates in Europe at 1.5% and 2.3% respectively. Vacancy in the main German market CBDs is even lower. The supply situation on Germany's office markets at the moment is completely different than during the financial crisis. Vacancy is down by half compared to early 2009.<br>Even if take-up declines in 2020 and 2021, the overall vacancy rate in Germany should not increase significantly or will at least remain at a very reasonable level, with absolutely no risk of oversupply. |
| YIELDS | Moderate increase | The evolution of yield will depend on the type of assets, but we expect only minor yield increases in the office market as demand will remain high. Delay in completion of new schemes will maintain supply at a low level and as rents are expected to remain high, key investment fundamentals are good. External factors, such as higher financing costs, are expected to inlfuence yields, but the impact should remain limited. |

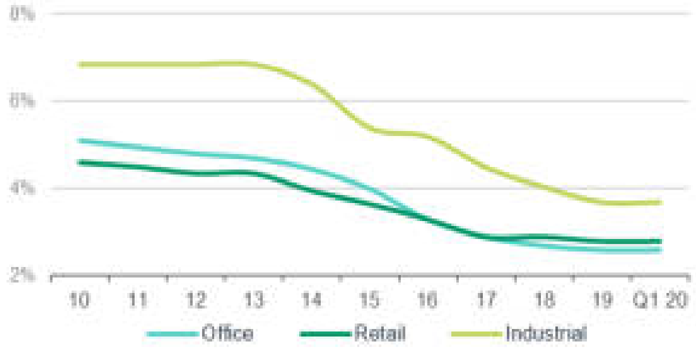
Strong increase · Moderate increase · Stability · Moderate decrease · Strong decrease

# BERLIN – KEY FIGURES Q1 2020

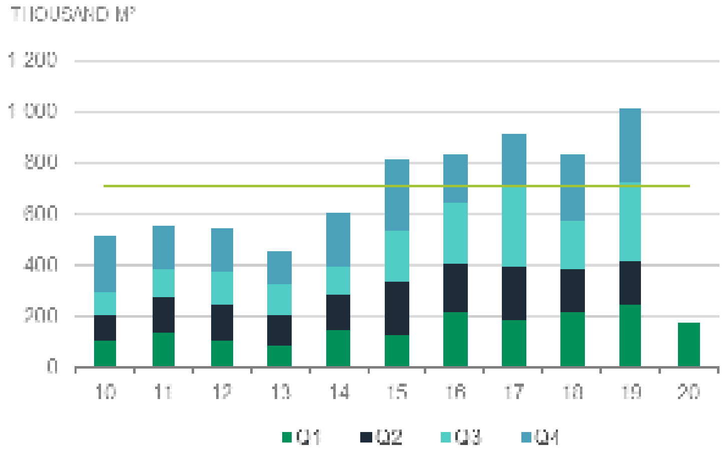
## PRIME RENT & VACANCY



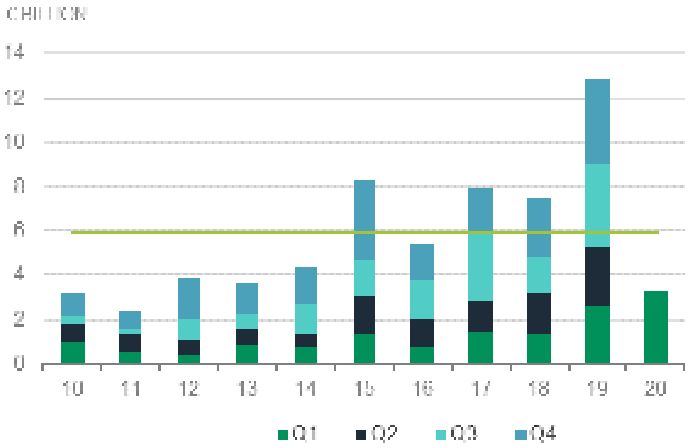

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | **244** | **176** |
| **Prime Rent** (€ / m² / year) | **432** | **480** |
| **Vacancy Rate** (%) | **1.6** | **1.5** |

### INVESTMENT MARKET INDICATORS

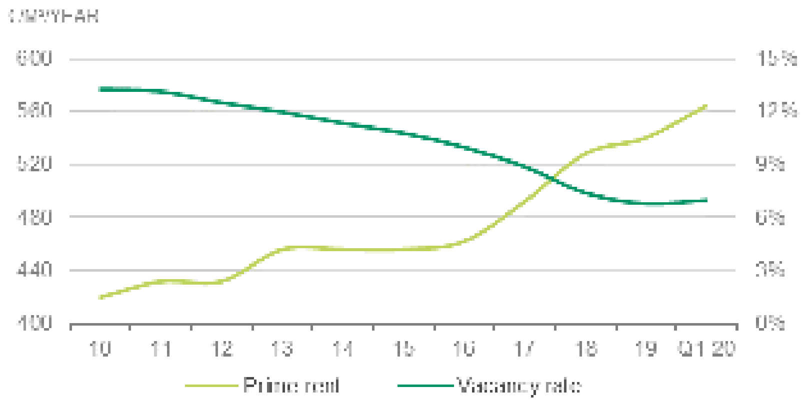
| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | **2,626** | **3,244** |
| **Office Inv.** (%) | **71** | **66** |
| **Retail Inv.** (%) | **18** | **13** |
| **Foreign Inv.** (%) | **44** | **73** |

### PRIME YIELDS

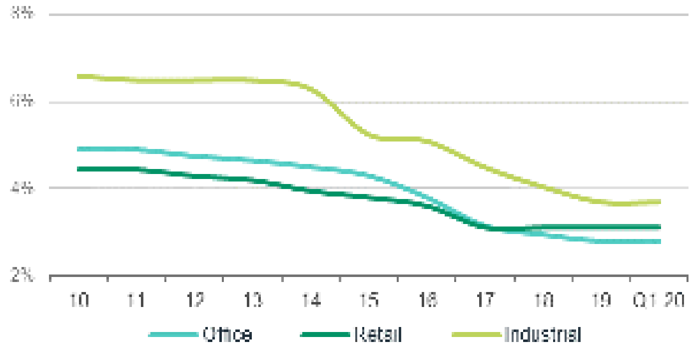
| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | **2.70** | **2.60** |
| **High Street Retail** (%) | **2.80** | **2.80** |
| **Logistics** (%) | **4.05** | **3.70** |

# FRANKFURT – KEY FIGURES Q1 2020

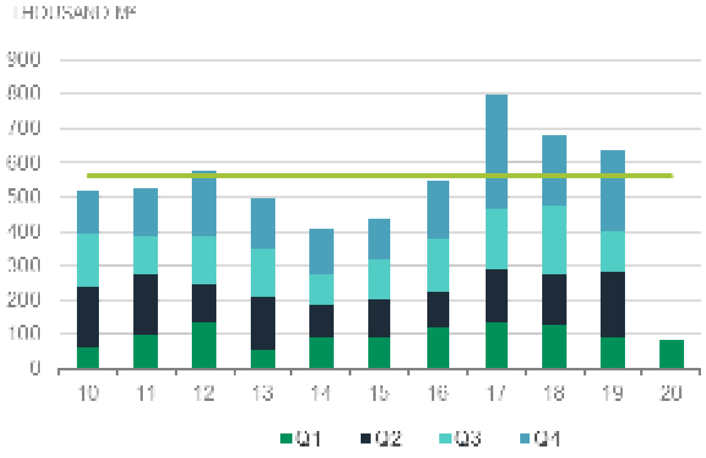
### PRIME RENT & VACANCY



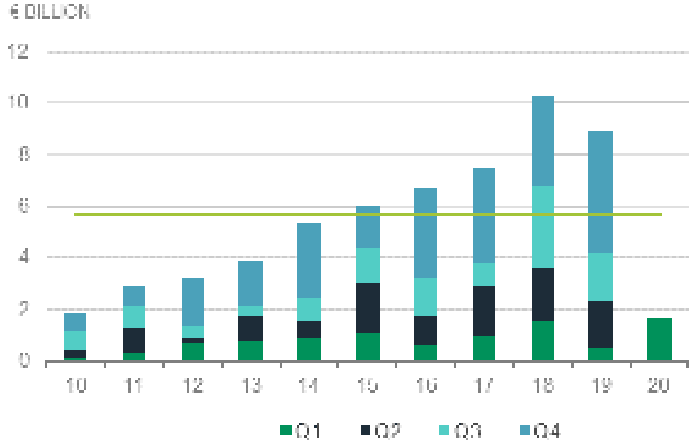

### NET PRIME YIELDS




### OFFICE TAKE-UP




### INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

### KEY FIGURES

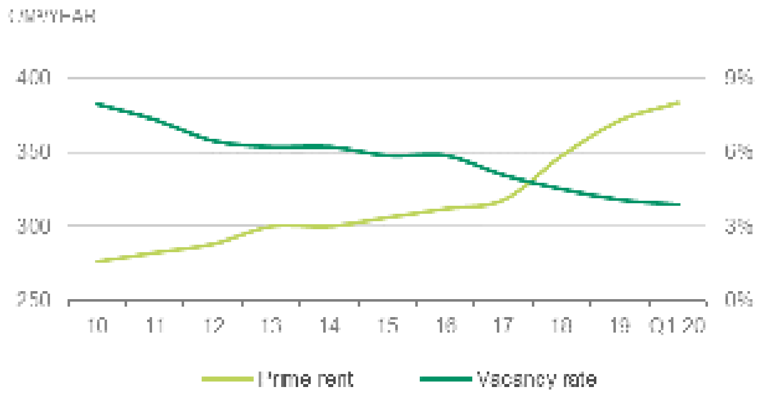
| OFFICE OCCUPIER INDICATORS | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 89 | 82 |
| **Prime Rent** (€ / m² / year) | 528 | 564 |
| **Vacancy Rate** (%) | 7.0 | 7.0 |

| INVESTMENT MARKET INDICATORS | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 502 | 1,667 |
| **Office Inv.** (%) | 93 | 65 |
| **Retail Inv.** (%) | - | 2 |
| **Foreign Inv.** (%) | 58 | 43 |

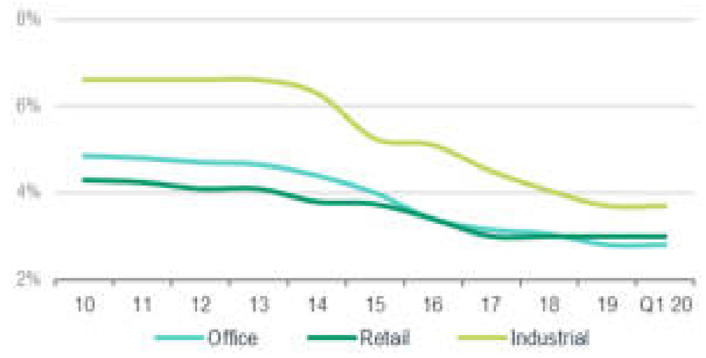
| PRIME YIELDS | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 2.95 | 2.80 |
| **High Street Retail** (%) | 3.10 | 3.10 |
| **Logistics** (%) | 4.05 | 3.70 |

# HAMBURG – KEY FIGURES Q1 2020

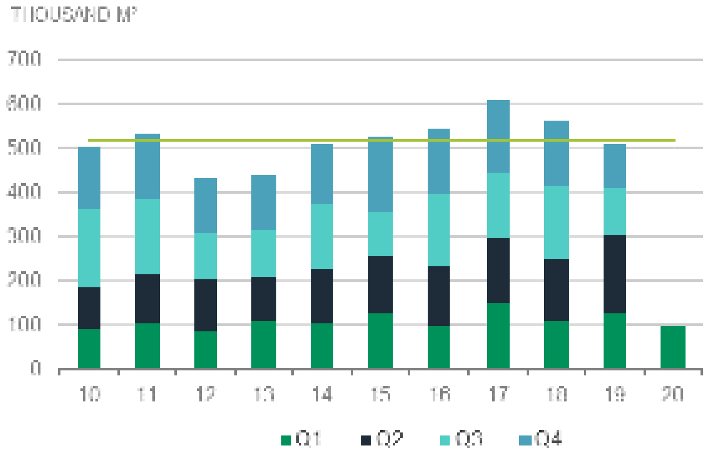
## PRIME RENT & VACANCY



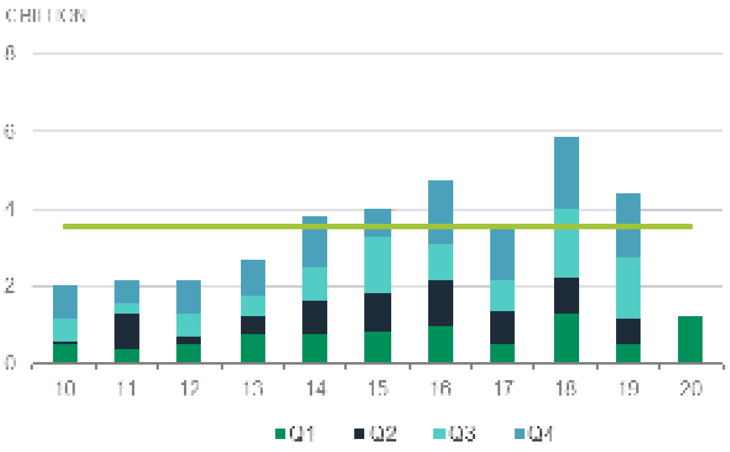

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 130 | 96 |
| **Prime Rent** (€ / m² / year) | 348 | 384 |
| **Vacancy Rate** (%) | 4.5 | 3.9 |

### INVESTMENT MARKET INDICATORS

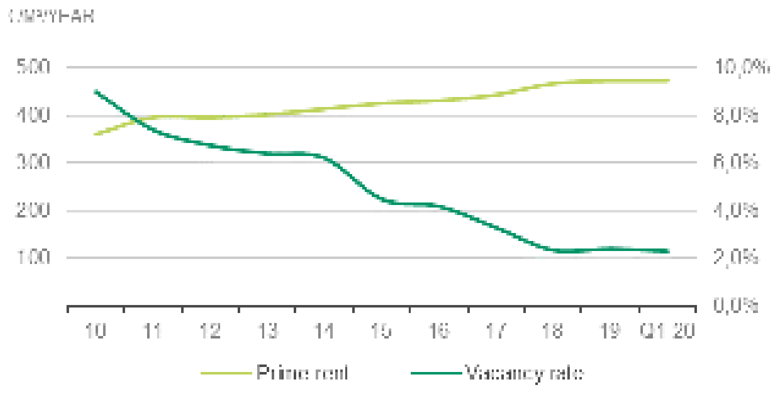
| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 500 | 1,226 |
| **Office Inv.** (%) | 52 | 35 |
| **Retail Inv.** (%) | - | 12 |
| **Foreign Inv.** (%) | 8 | 24 |

### PRIME YIELDS

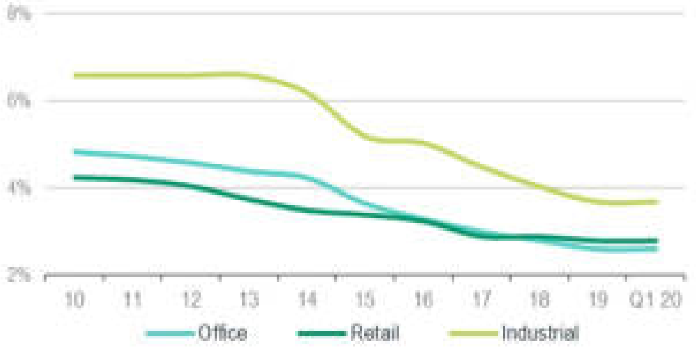
| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 3.05 | 2.80 |
| **High Street Retail** (%) | 3.00 | 3.00 |
| **Logistics** (%) | 4.05 | 3.70 |

# MUNICH – KEY FIGURES Q1 2020

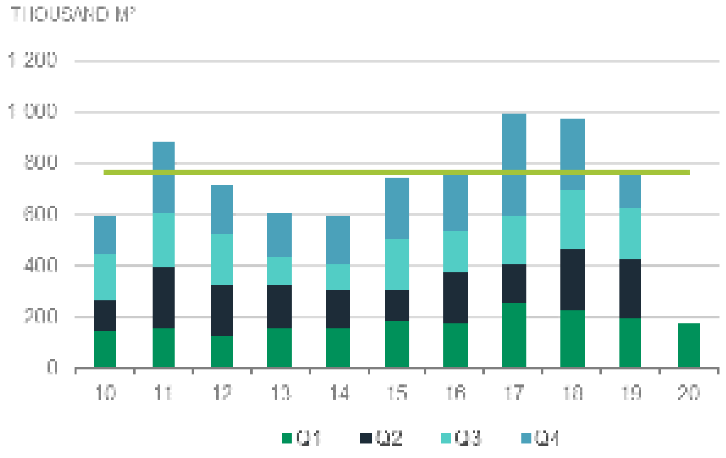
## PRIME RENT & VACANCY



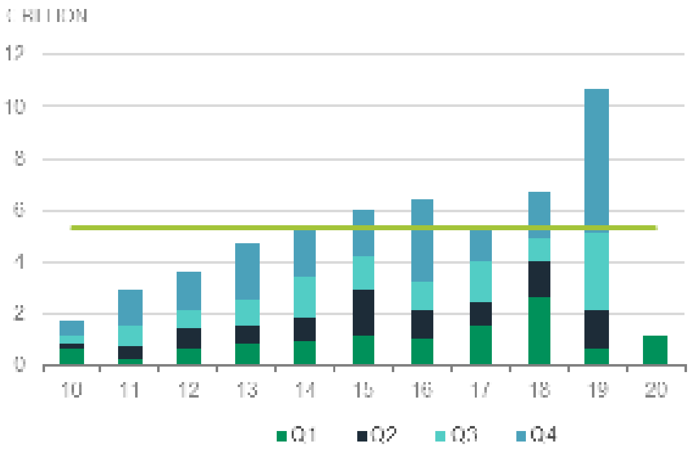

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 194 | 179 |
| **Prime Rent** (€ / m² / year) | 468 | 474 |
| **Vacancy Rate** (%) | 2.3 | 2.3 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 617 | 1,145 |
| **Office Inv.** (%) | 56 | 50 |
| **Retail Inv.** (%) | 16 | 26 |
| **Foreign Inv.** (%) | 44 | 20 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 2.80 | 2.60 |
| **High Street Retail** (%) | 2.90 | 2.80 |
| **Logistics** (%) | 4.05 | 3.70 |

# CENTRAL LONDON – MARKET SENTIMENT

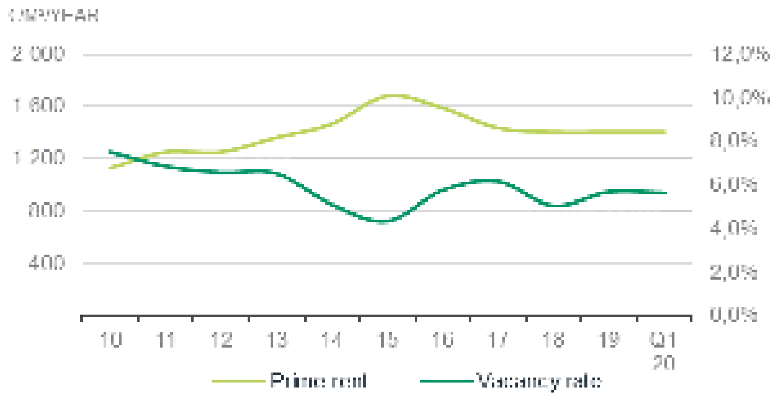
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Strong decrease | Take-up will slow over Q2 and Q3 as occupiers adopt a 'wait and see' approach. Smaller occupiers, key drivers of UK city demand, will be more likely to put requirements on hold until more clarity emerges over the length and outcome of the pandemic. Positively, the major office markets of the UK are not overly reliant on any one sector to drive demand and therefore will be shielded from any sector specific COVID-19 related fall out. UK office market demand is generally driven by lease events, which will still require occupiers to make property decisions once the crisis is over. |
| RENTAL VALUES | Moderate decrease | Low levels of supply, coupled with a restricted development pipeline, exacerbated further by a delay to development completions, should minimise any significant falls in prime rents. Instead, to incentivise occupiers, we are likely to see rent free incentives increase. |
| VACANCY | Moderate increase | A modest rise in vacancy is expected through tenant return space, however, the majority of large UK office markets are currently characterised by below average levels of supply coupled with a restricted development pipeline. |
| YIELDS | Moderate increase | Yields will see a moderate increase over the course of the year. To what extent, will be dependent on the length of the pandemic. Pressure on prime yields may still be strong after the crisis with investors focusing on prime locations with long income streams and good covenants. |

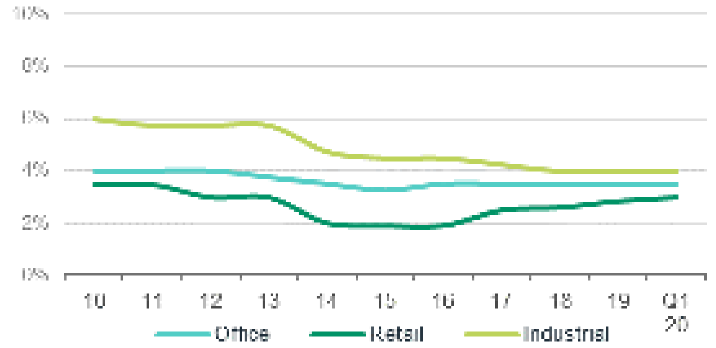
Strong increase — Moderate increase — Stability — Moderate decrease — Strong decrease

# CENTRAL LONDON – KEY FIGURES Q1 2020

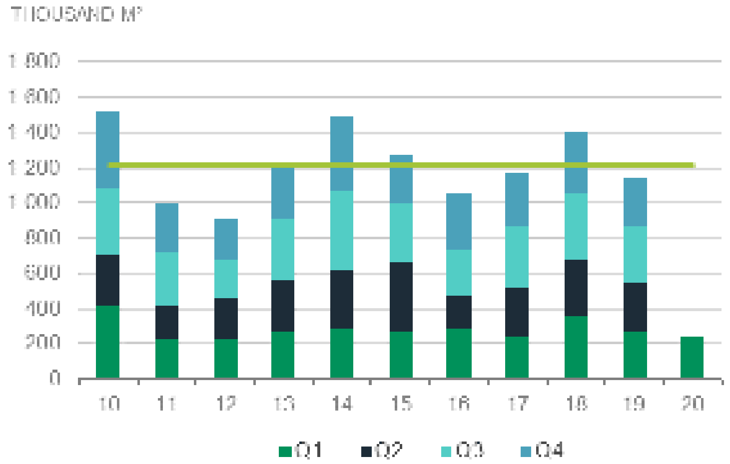
## PRIME RENT & VACANCY



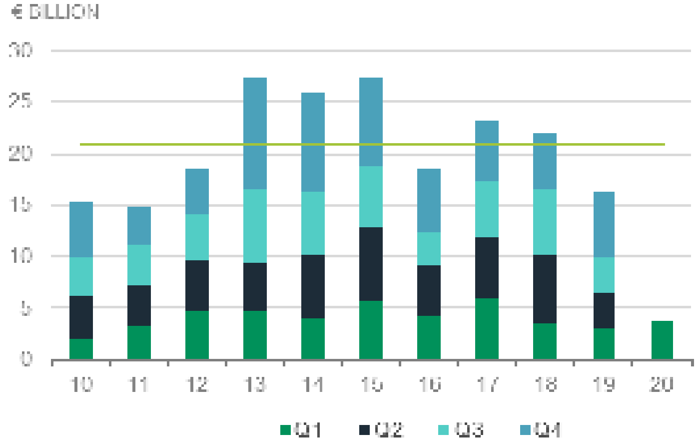

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 274 | 249 |
| **Prime Rent** (€ / m² / year) | 1,405 | 1,405 |
| **Vacancy Rate** (%) | 5.5 | 5.6 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 2,949 | 3,812 |
| **Office Inv.** (%) | 62 | 54 |
| **Retail Inv.** (%) | 3 | - |
| **Foreign Inv.** (%) | 64 | 71 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 3.50 | 3.50 |
| **High Street Retail** (%) | 2.60 | 3.00 |
| **Logistics** (%) | 4.00 | 4.00 |

# CENTRAL PARIS – MARKET SENTIMENT

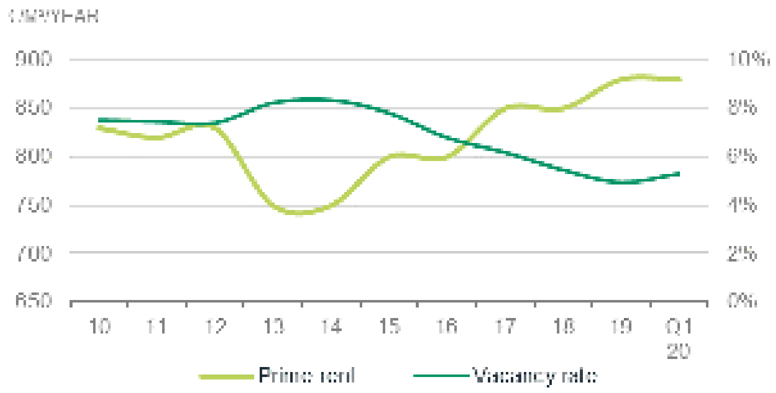
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | ↘ (Strong decrease) | Slowdown in take-up had already begun in 2019 after several years of strong leasing activty. Although Q1 2020 saw a sharp decrease in volumes relative to the same period last year, the impact of the crisis is likely to be more evident in Q2 as many companies are adopting a « wait and see » attitude until the end of the lockdown.<br>Small and medium-sized companies will be the most affected by the sluggish economy and could postpone or even cancel their movements. Large companies could review their priorities and adopt cost-saving measures. As such, consolidation of sites should fuel demand in the coming months. |
| RENTAL VALUES | ↘ (Moderate decrease) | The increase in rental values will probably fade in 2020 as a result of the pandemic and average rents are likely to experience a slight decrease. However, districts displaying a low vacancy such as Paris inner city should be less affected.<br>In some districts, incentives could increase more significantly. |
| VACANCY | ↗ (Moderate increase) | Vacancy in Central Paris increased for the first time in years in 2019 due to a higher level of completions although still remains extremely low. 1.8m sqm is currently under construction in the Greater Paris region, and a further 1.4m sqm has been granted planning permission. However these new schemes could be postponed until further notice to limit the rise in availability. The vacancy rate in the Paris Region is consequently expected to increase marginally. |
| YIELDS | → (Stability) / ↗ (Moderate increase) | **Core assets**: Further yield compression was initially expected in 2020. However, although the potential for compression is still there, we are now expecting yields to remain stable for core assets.<br><br>**Average yields**: Increases in average yields could be seen in the coming months. The best located and high quality assets rented to good tenants will be less affected. |

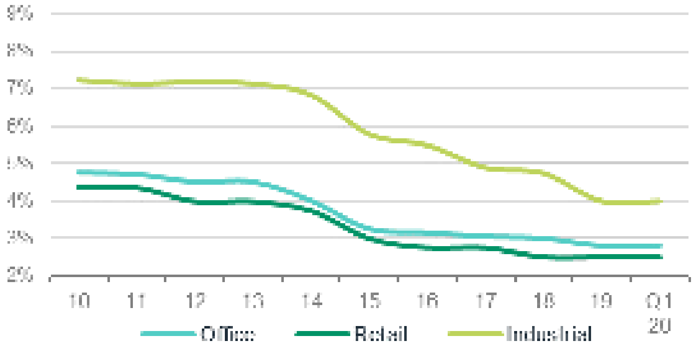
Strong increase   Moderate increase   Stability   Moderate decrease   Strong decrease

# CENTRAL PARIS – KEY FIGURES Q1 2020

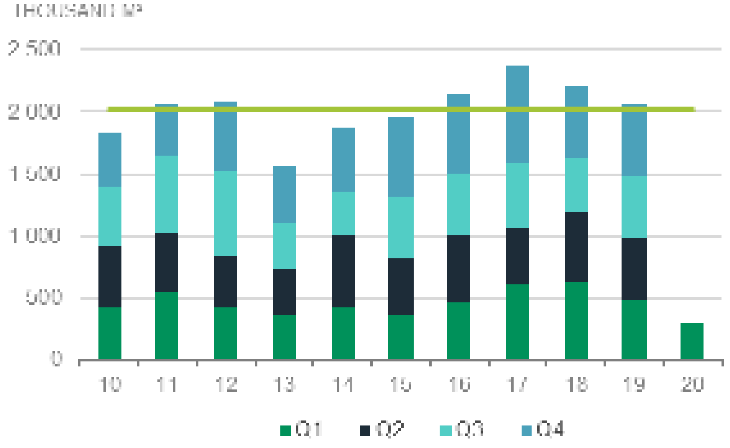
## PRIME RENT & VACANCY



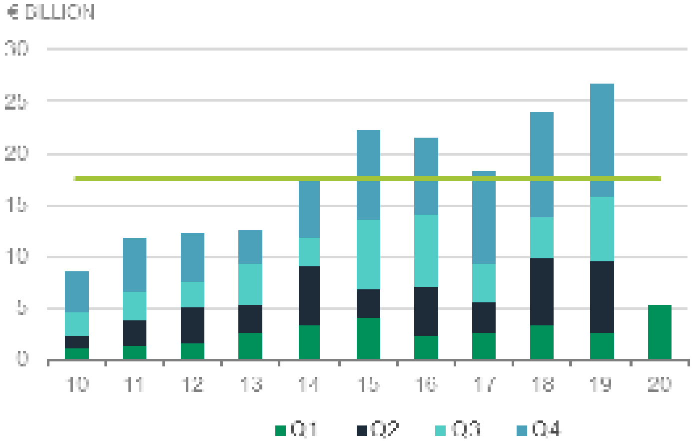

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 477 | 299 |
| **Prime Rent** (€ / m² / year) | 850 | 880 |
| **Vacancy Rate** (%) | 5.3 | 5.3 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 2,572 | 5,248 |
| **Office Inv.** (%) | 79 | 85 |
| **Retail Inv.** (%) | 3 | 8 |
| **Foreign Inv.** (%) | 28 | 40 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 3.00 | 2.80 |
| **High Street Retail** (%) | 2.50 | 2.50 |
| **Logistics** (%) | 4.50 | 4.00 |

# SPAIN MAIN MARKETS – MARKET SENTIMENT

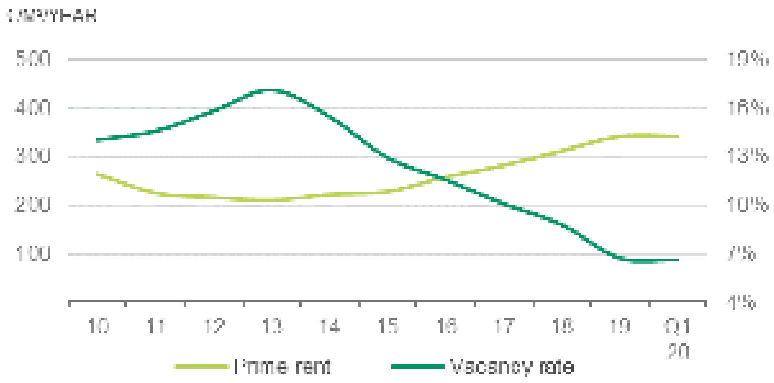
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Strong decrease | At the start of the year we forecast that demand would be lower than 2019 with office space take-up of 550,000m² in Madrid and 350,000m² in Barcelona. The standstill in the market due to coronavirus has led us to take a more conservative approach, with forecast take-up of 350,000m² in Madrid and 250,000 m² in Barcelona. |
| RENTAL VALUES | Stability | The impact on rents in the short term will be to limit rental increases that had been forecast in previous months. Rents will not go down in the short term, but we do expect the incentive packages for users to be increased |
| VACANCY | Stability / Moderate increase | Considering that the take-up is going to be lower and some secondary space may be released from failed businesses, we anticipate a slight uptick in the vacancy rate of both Madrid and Barcelona. |
| YIELDS | Stability | In an environment such as this, where short-term risk has increased in the weeks following the sudden drop-off in demand, we could see slight increases in yields, particularly in areas where occupancy is not particularly high or in newly-developed areas.<br>In PRIME markets, we expect less effect on the office and logistics markets compared to other more exposed sectors such as retail or the hotel segment. |

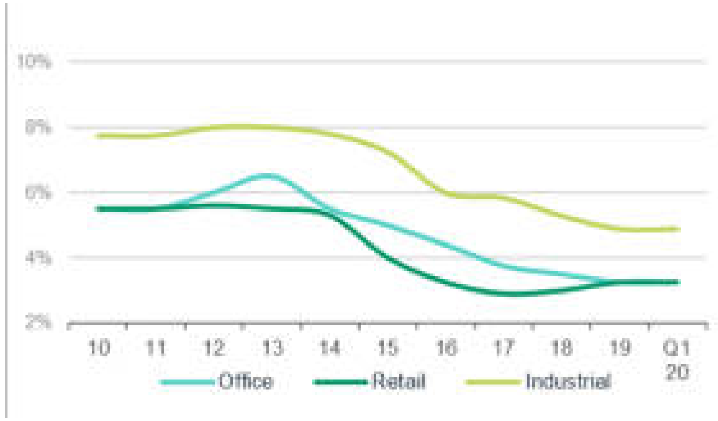
Strong increase | Moderate increase | Stability | Moderate decrease | Strong decrease

# BARCELONA – KEY FIGURES Q1 2020

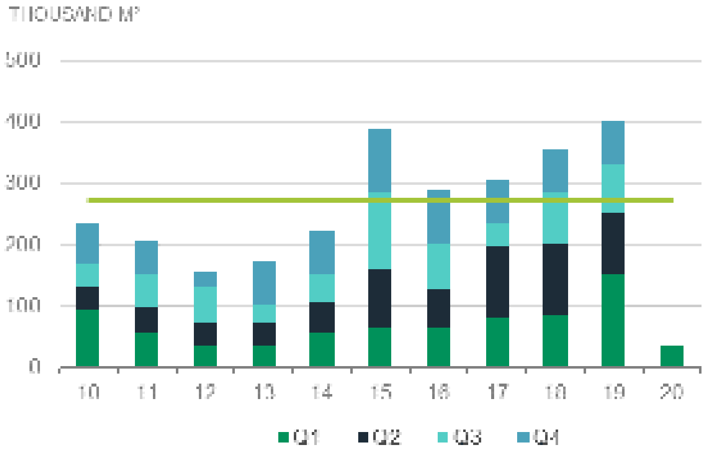
## PRIME RENT & VACANCY



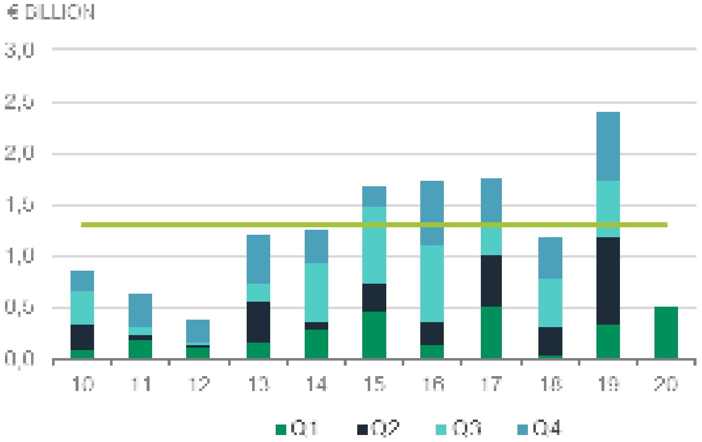

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | **152** | **38** |
| **Prime Rent** (€ / m² / year) | **324** | **342** |
| **Vacancy Rate** (%) | **7.9** | **6.6** |

### INVESTMENT MARKET INDICATORS

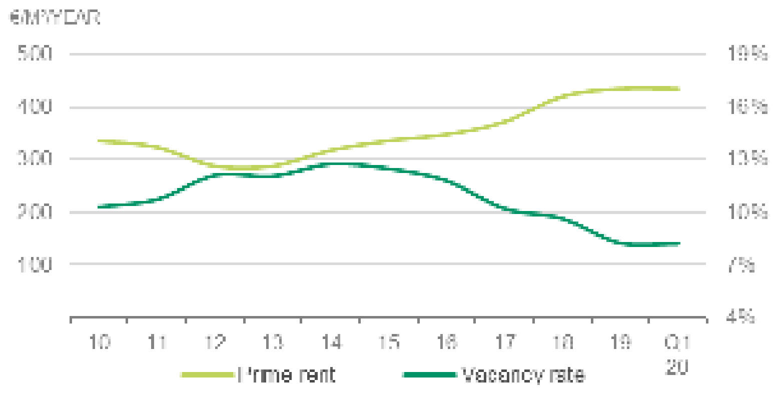
| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | **340** | **513** |
| **Office Inv.** (%) | **30** | **49** |
| **Retail Inv.** (%) | **17** | **14** |
| **Foreign Inv.** (%) | **63** | **100** |

### PRIME YIELDS

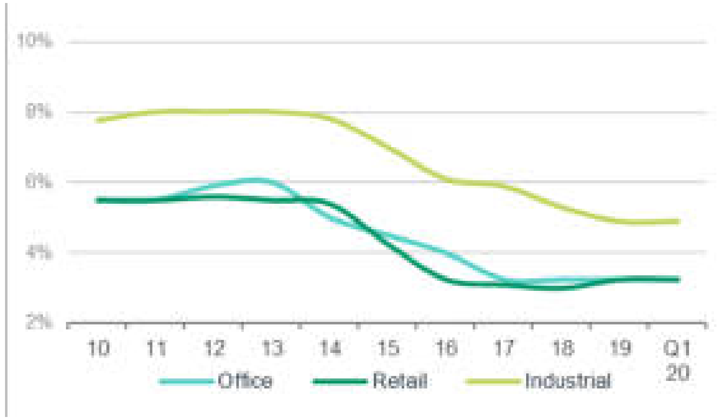
| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | **3.50** | **3.25** |
| **High Street Retail** (%) | **3.00** | **3.25** |
| **Logistics** (%) | **5.25** | **4.90** |

# MADRID – KEY FIGURES Q1 2020

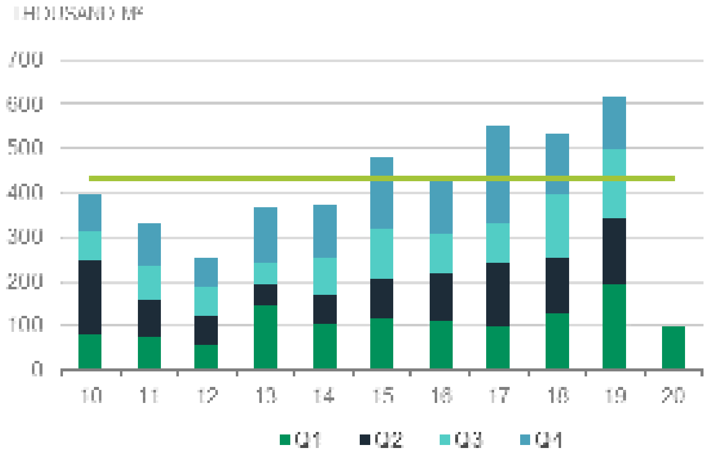
## PRIME RENT & VACANCY



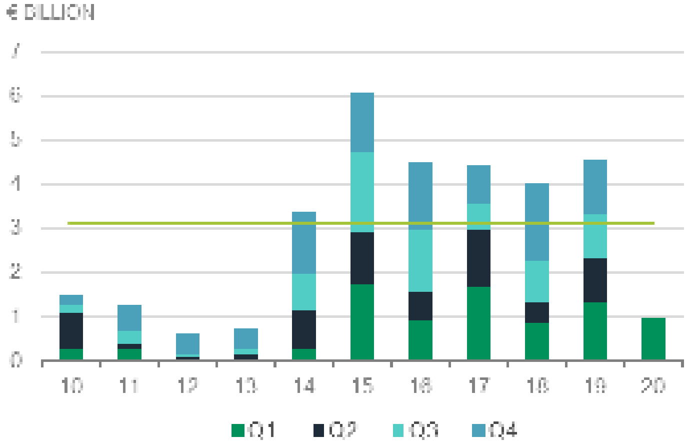

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 197 | 101 |
| **Prime Rent** (€ / m² / year) | 420 | 435 |
| **Vacancy Rate** (%) | 9.5 | 8.2 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 1,035 | 943 |
| **Office Inv.** (%) | 76 | 83 |
| **Retail Inv.** (%) | 13 | 1 |
| **Foreign Inv.** (%) | 40 | 65 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 3.25 | 3.25 |
| **High Street Retail** (%) | 3.00 | 3.25 |
| **Logistics** (%) | 5.25 | 4.90 |

# BRUSSELS – MARKET SENTIMENT

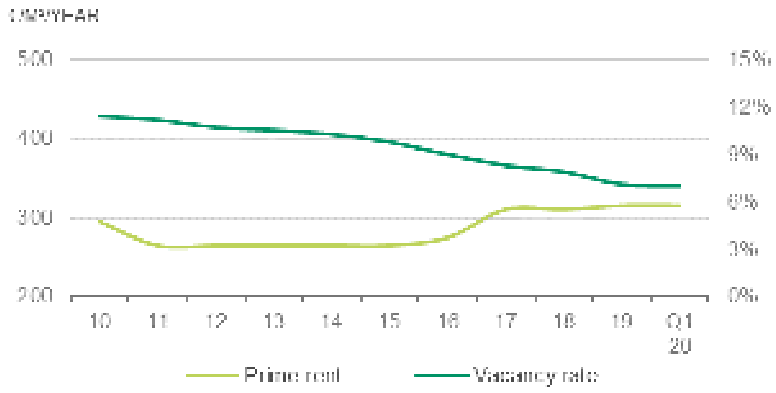
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Strong decrease | After two years marked by a large volume of office take-up, the level expected in 2020 was already anticipated to decline. The current crisis will amplify the phenomenon and more evident decrease will appear in the demand emanating from corporates. |
| RENTAL VALUES | Stability | In a market where the main feature is its acyclic aspect (thanks to the structure of tenant basis), the rental values in the Brussels office market should not decrease strongly. However, rental incentives should increase and buffer the expected decrease in demand |
| VACANCY | Moderate increase | At the end of Q1, the vacancy rate in Brussels stood at 7.0% and the market was characterized by an extremely low level of prime supply. The deliveries of speculative schemes will be limited in the coming months and in addition, we anticipate a slight decline in completions in 2021. This effect will result in vacancy increasing in the short term. |
| YIELDS | Stability | Benefiting from flight-to-quality investing, the prime yield for Core products (offering a secured cash flow of minimum 9 years) should be stable. In contrast, a slight upward movement is expected for core + and value-add assets. |

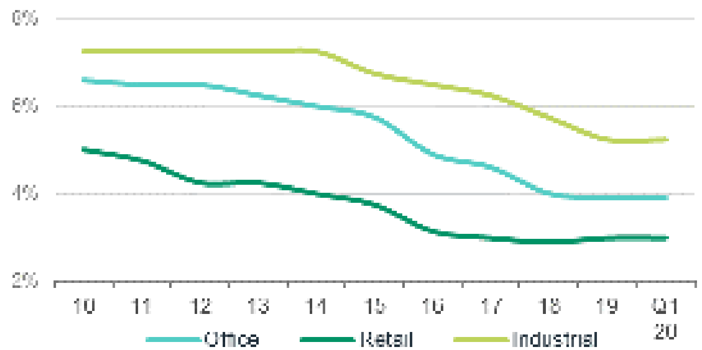
Strong increase Moderate increase Stability Moderate decrease Strong decrease

# BRUSSELS – KEY FIGURES Q1 2020

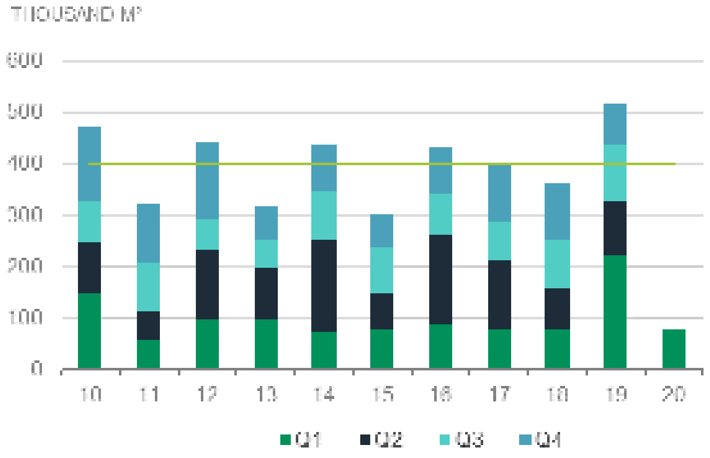
### PRIME RENT & VACANCY



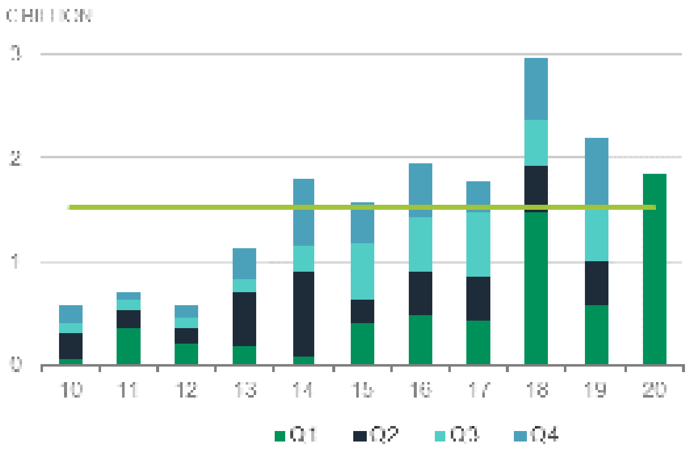

### NET PRIME YIELDS




### OFFICE TAKE-UP




### INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

### KEY FIGURES

#### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 222 | 80 |
| **Prime Rent** (€ / m² / year) | 310 | 315 |
| **Vacancy Rate** (%) | 7.7 | 7.0 |

#### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 584 | 1,859 |
| **Office Inv.** (%) | 74 | 95 |
| **Retail Inv.** (%) | 20 | 1 |
| **Foreign Inv.** (%) | 64 | 81 |

#### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 4.00 | 3.90 |
| **High Street Retail** (%) | 2.90 | 3.00 |
| **Logistics** (%) | 5.75 | 5.25 |

# ITALY MAIN MARKETS – MARKET SENTIMENT

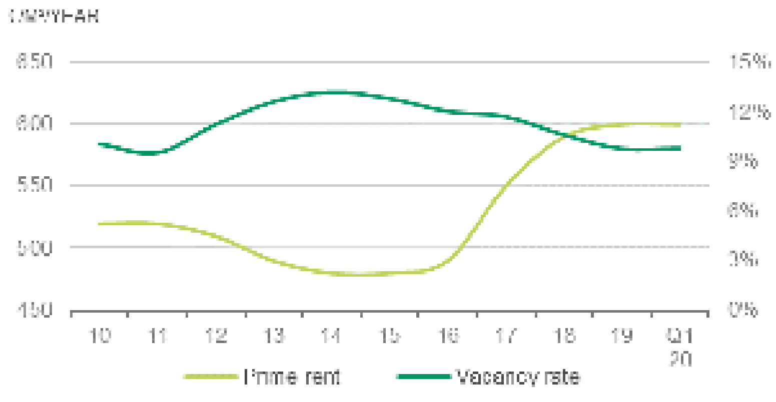
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | | The uncertainty linked to COVID 19 means a slowdown in activity will be seen and may persist over the rest of 2020. Additionally it may create a new balance in occupier demand for workspace split between remote work, co-working and traditional office space. The sectors most likely to be affected by this are mainly law, banks, insurance and consultancy firms.<br>In general, contraction is expected and take-up in Milan of around 250,000/300,000 sqm is forecast; a figure largely in line with the 10-year average. |
| RENTAL VALUES | | We expect relative stability in rental levels for 2020 in Milan. Nonetheless, considering that asking rents in prime areas have reached historic peaks, the possibility of decreases in rental values especially in the less attractive submarkets could happen. Rental reduction may also occur due to lease renegotiation from Covid-19 negative impacts on company balance sheets. |
| VACANCY | | The overall vacant stock (approx. 1.2 million sq. m) reflected an aggregate vacancy rate of 9.8% for Milan as at Q1 2020. We are expecting this value to decrease as the vacant spaces database is currently under review regarding the changes of use and obsolete stock figures.<br><br>A slight vacancy decrease in Milan Peripheral and Milan Hinterland locations might be seen due to lower rents compared to prime locations. More particularly, these locations have availability of the wide space that may be requested by tenants to meet social distance requirements needed in lockdown release from the Covid-19 pandemic. |
| YIELDS | | The transactions currently in an advanced stage are likely to be completed, but delays are occurring for the remainder. A more cautious approach is seen from opportunistic players due to pricing uncertainty. Quality of product continues as the driver for investment, thus we see core products with robust tenants in prime locations as main targets. Yields are consequently likely to show stability. On the other hand, a moderate yield increase might be registered for non-core products in secondary locations. Assuming the COVID 19 outbreak stabilises in a reasonable timeframe, investment activity will recover in H2 2020. |

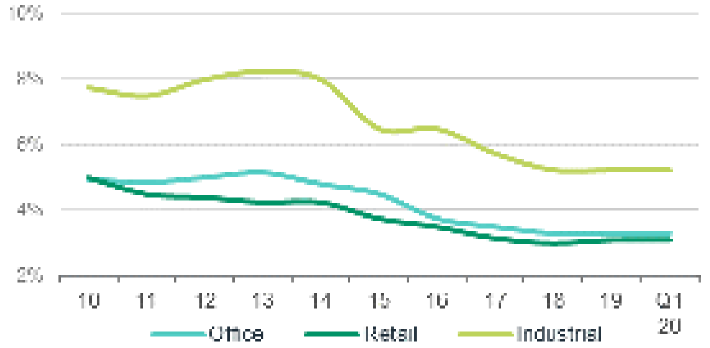
Strong increase · Moderate increase · Stability · Moderate decrease · Strong decrease

# MILAN – KEY FIGURES Q1 2020

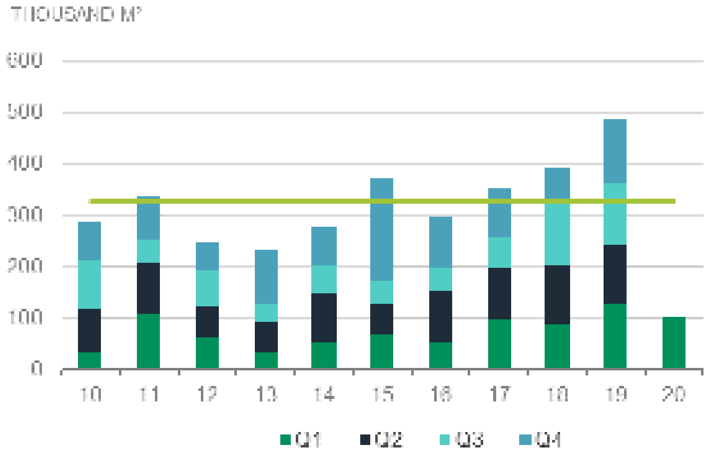
## PRIME RENT & VACANCY



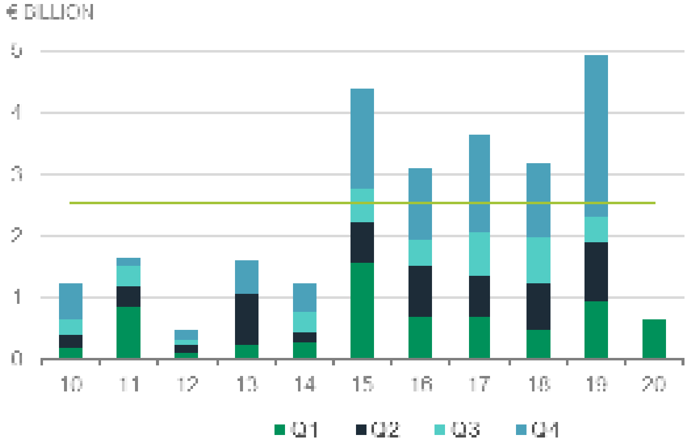

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 127 | 104 |
| **Prime Rent** (€ / m² / year) | 590 | 600 |
| **Vacancy Rate** (%) | 10.5 | 9.8 |

### INVESTMENT MARKET INDICATORS

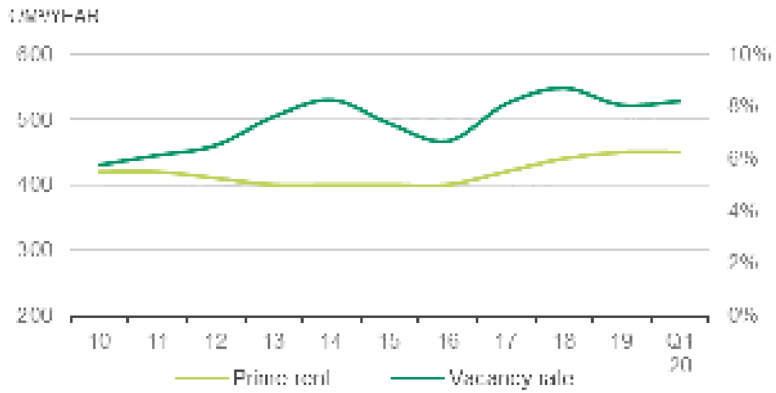
| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 3,180 | 4,965 |
| **Office Inv.** (%) | 82 | 66 |
| **Retail Inv.** (%) | 11 | 0 |
| **Foreign Inv.** (%) | 82 | 62 |

### PRIME YIELDS

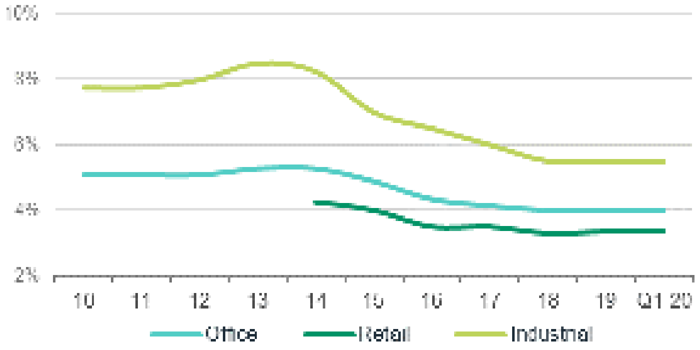
| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 3.30 | 3.30 |
| **High Street Retail** (%) | 3.00 | 3.10 |
| **Logistics** (%) | 5.25 | 5.25 |

# ROME – KEY FIGURES Q1 2020

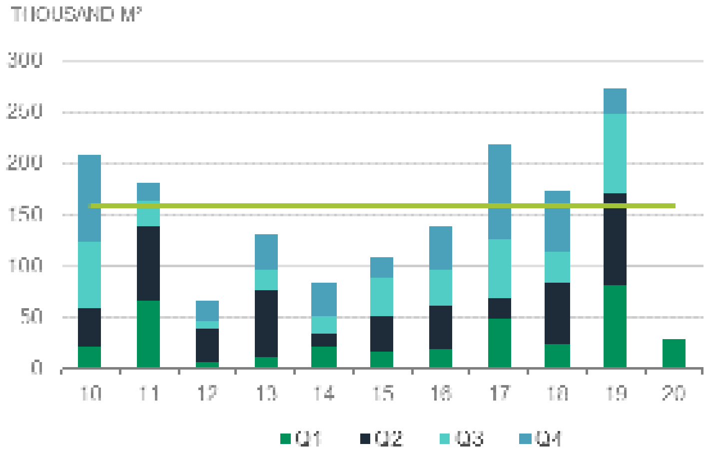
### PRIME RENT & VACANCY



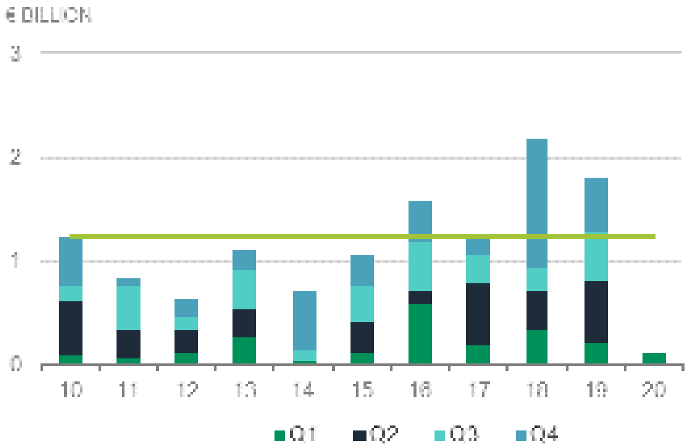

### NET PRIME YIELDS




### OFFICE TAKE-UP




### INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 81 | 29 |
| **Prime Rent** (€ / m² / year) | 440 | 450 |
| **Vacancy Rate** (%) | 8.9 | 8.2 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 224 | 109 |
| **Office Inv.** (%) | 100 | 70 |
| **Retail Inv.** (%) | - | - |
| **Foreign Inv.** (%) | 50 | 27 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 4.00 | 4.00 |
| **High Street Retail** (%) | 3.30 | 3.35 |
| **Logistics** (%) | 5.50 | 5.50 |

# AMSTERDAM – MARKET SENTIMENT

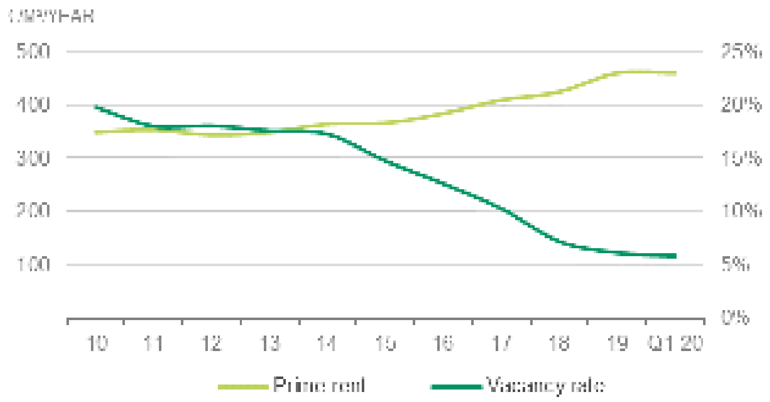
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Stability / Moderate increase | At year start we expected to see a slight take-up decline in 2020 due to low availability. However, several large contracts were already signed in Q1 and Q2. Therefore, we expect to see stable or slighly increased take-up. |
| RENTAL VALUES | Stability / Moderate increase | Rents are expected to be stable or to experience a moderate increase. Due to low availability and high demand, rents remain on the upward trend. |
| VACANCY | Stability | No immediate effect on vacancy is expected. |
| YIELDS | Moderate increase | Slight increase expected. The yield for prime products seems relatively stable. In general, the market is taking a price reduction of approximately 10% into account. |

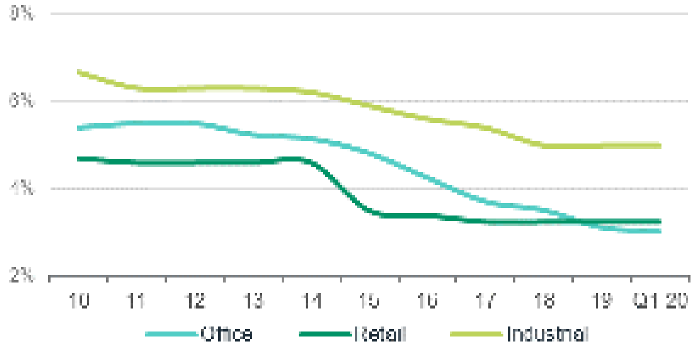
Strong increase Moderate increase Stability Moderate decrease Strong decrease

# AMSTERDAM – KEY FIGURES Q1 2020

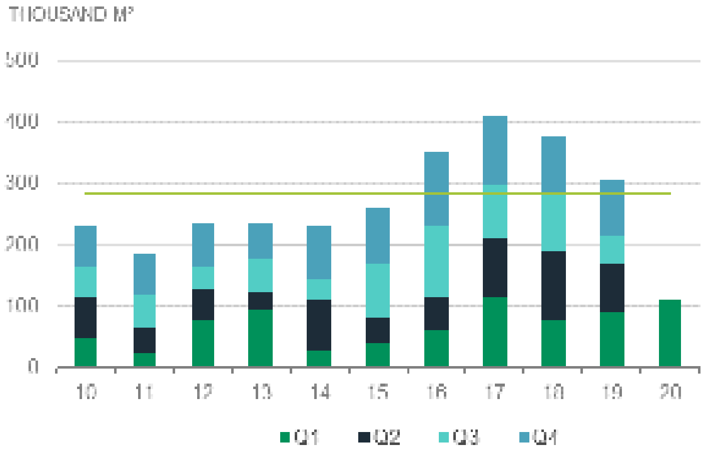
## PRIME RENT & VACANCY



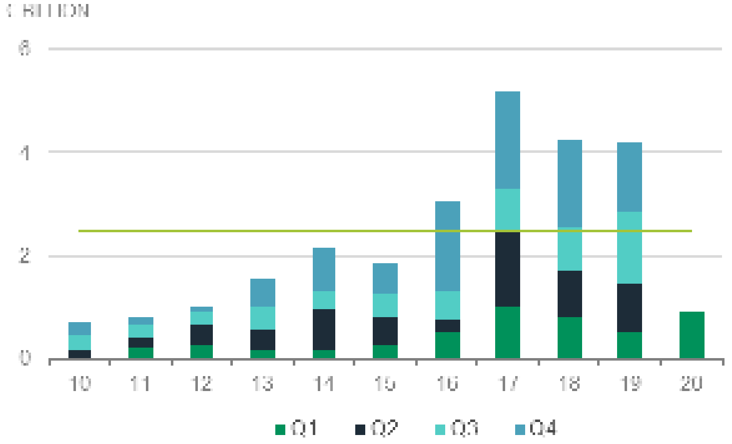

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 92 | 111 |
| **Prime Rent** (€ / m² / year) | 425 | 460 |
| **Vacancy Rate** (%) | 6.9 | 5.9 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 510 | 894 |
| **Office Inv.** (%) | 68 | 90 |
| **Retail Inv.** (%) | 3 | 2 |
| **Foreign Inv.** (%) | 63 | 75 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 3.50 | 3.00 |
| **High Street Retail** (%) | 3.25 | 3.25 |
| **Logistics** (%) | 5.00 | 5.00 |

# DUBLIN – MARKET SENTIMENT

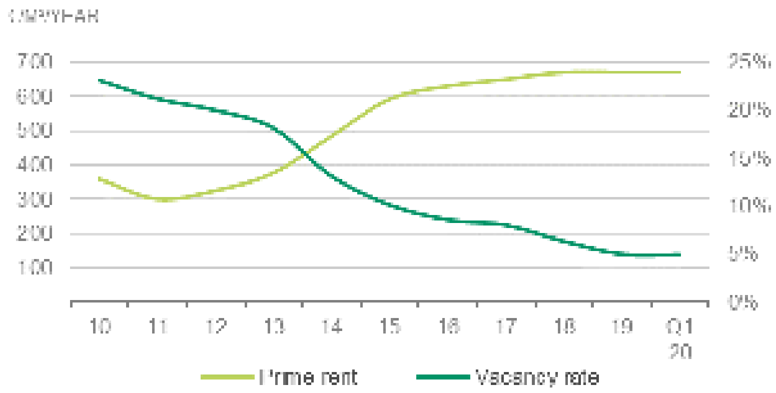
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Strong decrease | Take-up for Q1 2020 was strong at more than 106,000 sq.m. However, take-up is likely to decrease significantly in Q2 and potentially into Q3 as the full impact of the restrictions takes effect. We are unlikely to see any more office mega-deals for the foreseeable future and demand from multinationals may falter somewhat in the middle of the year as the US recovers from COVID-19. Nevertheless, some US TMT companies (e.g. Zoom) are benefitting from the current situation and may seek to expand in Europe with Dublin potentially benefitting in the near term. |
| RENTAL VALUES | Moderate decrease | We expect rents to fall marginally by 2-4% as a result of the situation. Incentives such as rent-free periods are likely to be more significantly impacted. |
| VACANCY | Moderate increase | Vacancy is expected to increase marginally due to decreased demand. However, almost half of all office stock due for delivery in 2020 is likely to be pushed back to 2021 as all construction work has now stopped. This will offset the impact of decreased demand on projected vacancy levels. |
| YIELDS | Stability | We expect office prime yields to remain stable at 4%, with market volatility in other sectors increasing already strong levels of demand for defensive office assets in the medium term. There will be limited transactional activity in Q2. However, a number of prime office asset transactions were already close to completion before the onset of this crisis and will likely complete during the quarter at this level. |

Strong increase | Moderate increase | Stability | Moderate decrease | Strong decrease

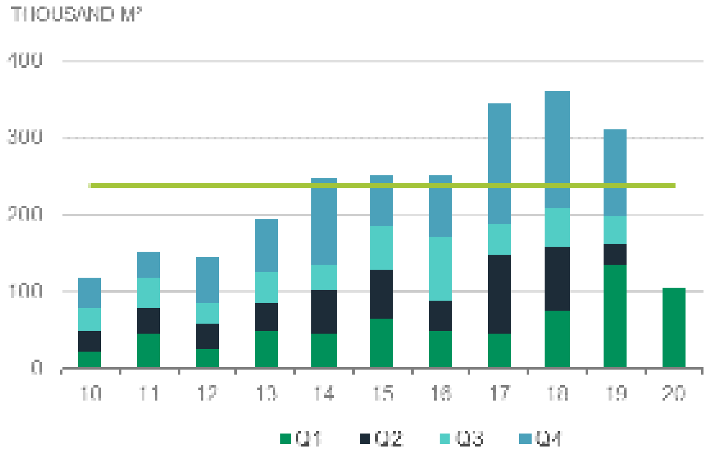
# DUBLIN – KEY FIGURES Q1 2020

## PRIME RENT & VACANCY

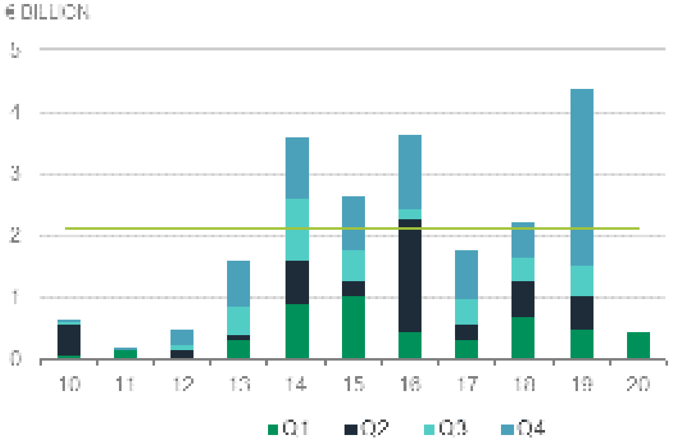



## NET PRIME YIELDS


## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 134 | 106 |
| **Prime Rent** (€ / m² / year) | 670 | 670 |
| **Vacancy Rate** (%) | 5.4 | 5.0 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 477 | 417 |
| **Office Inv.** (%) | 57 | 87 |
| **Retail Inv.** (%) | 37 | 1 |
| **Foreign Inv.** (%) | 72 | 91 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 4.00 | 4.00 |
| **High Street Retail** (%) | 3.25 | 3.25 |
| **Logistics** (%) | 5.25 | 5.10 |

# LUXEMBOURG – MARKET SENTIMENT

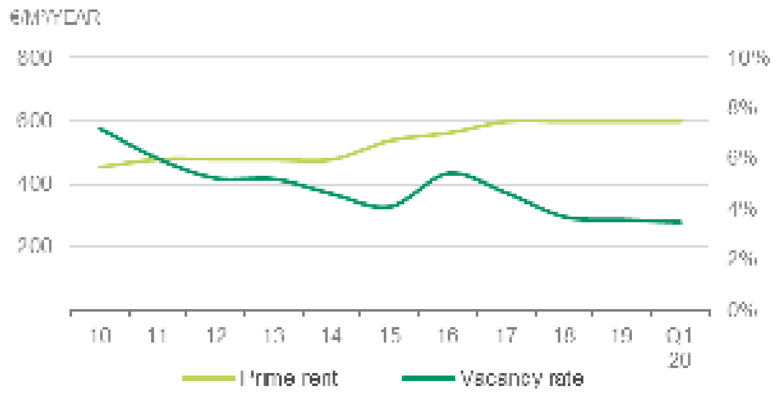
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Strong decrease | As observed in all countries, the office demand in Luxembourg is expected to shrink sharply in 2020. |
| RENTAL VALUES | Stability | Thanks to its excellent fundamentals of extremely low immediate supply combined with a limited speculative pipeline, no decrease in rental levels is forecast for the coming months. Instead, a slight increase in commercial incentives may be observed. |
| VACANCY | Moderate increase | The vacancy rate in Luxembourg should remain relatively stable as there are few office development schemes at risk, which are planned for delivery in the next 9 months. |
| YIELDS | Stability | The prime yield is expected to be stable in the main office submarkets and in core offering from outside these areas. In contrast, a slight upper movement is expected for the core + and value-add assets depending on the depth of the crisis. |

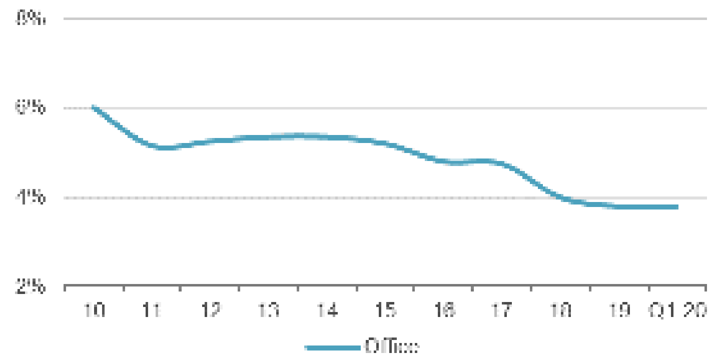
Strong increase    Moderate increase    Stability    Moderate decrease    Strong decrease

# LUXEMBOURG – KEY FIGURES Q1 2020

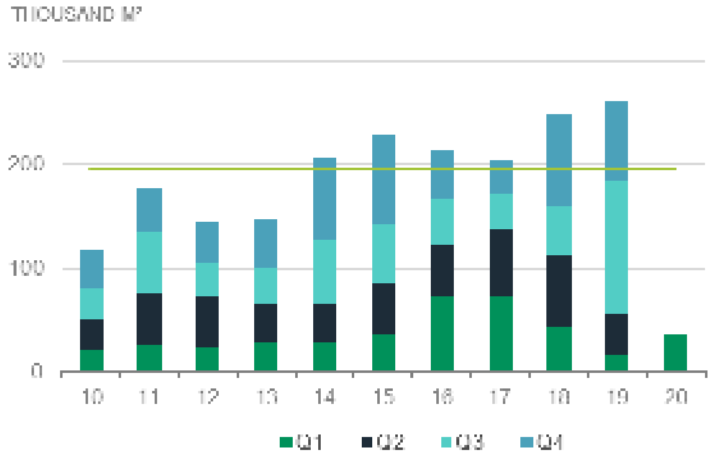
## PRIME RENT & VACANCY



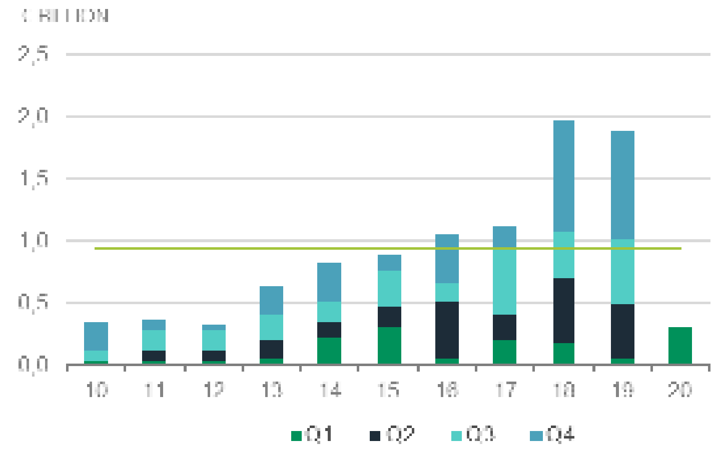

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 16 | 35 |
| **Prime Rent** (€ / m² / year) | 600 | 600 |
| **Vacancy Rate** (%) | 4.3 | 3.5 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 58 | 303 |
| **Office Inv.** (%) | 100 | 57 |
| **Retail Inv.** (%) | - | - |
| **Foreign Inv.** (%) | 70 | 37 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 4.00 | 3.80 |
| **High Street Retail** (%) | - | - |
| **Logistics** (%) | - | - |

# WARSAW – MARKET SENTIMENT

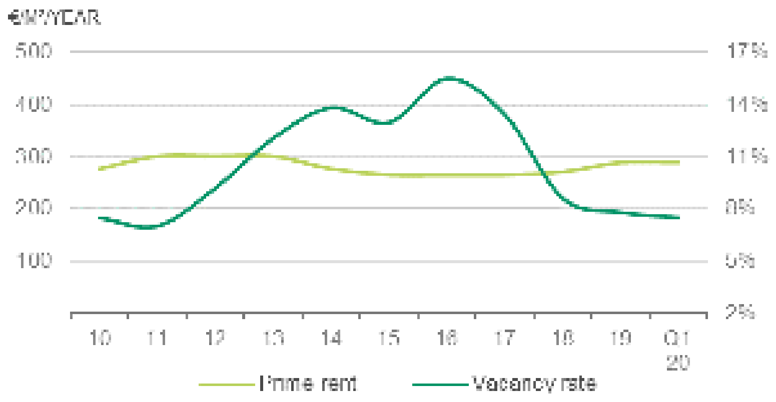
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Strong decrease | After very solid results in the last three years, take-up in 2020 is expected to be impacted by Covid-19 and the uncertainty in the market. A number of ongoing negotiations of lease agreements are suspended and upcoming ones postponed, and it is most probable the size of leasing transactions when concluded will be smaller than before. An increase of the share of renewals in total take-up is expected, while new leases and expansion may decrease. The volume of subleased space may increase, creating a better availability of space in the central area, particularly in prime buildings.<br>The next 2-3 years may bring a significant gap in demand for new space, as a wave of extension of current lease contracts is expected (landlords are keen to offer additional incentives – e.g. rent free, but instead require the current contracts to be prolonged). |
| RENTAL VALUES | Moderate decrease | Minor decreases in prime headline rents are likely, particularly in the markets with a high volume of new supply under construction and low level of pre-let in the buildings scheduled for delivery in the next 6-12 months. Rental levels for secondary buildings or those located in non-central areas may see stronger falls, as potential tenants have alternatives to choose from in central areas and buildings offering better technical conditions. |
| VACANCY | Moderate increase | With an average vacancy rate of approximately 7.5% (and below 5% in the Central Zone), the market in Warsaw is expected to remain fairly stable. However, a slight increase in the vacancy rate has been expected for a long time due to the delivery of new supply in 2020 – 2021. The current turmoil is expected to push the volume of subleases, which will fill any gaps in the availability of office space in CBD. The gap in the vacancy rates between central and non-central areas is expected to widen. In particular older buildings may significantly suffer which could trigger landlord decisions about changing the function of the property. |
| YIELDS | Stability / Moderate increase | In Q1 2020 the investment office sector kept the momentum, but activity is likely to slow down in Q2 and Q3 as investors react to uncertainty, therefore execution of selected transactions would be postponed.<br>In the long term prime yields are expected to remain stable (or even compress slightly) while pricing and yields for lower class assets will worsen. The yield gap between prime and lower class product is likely to widen. |

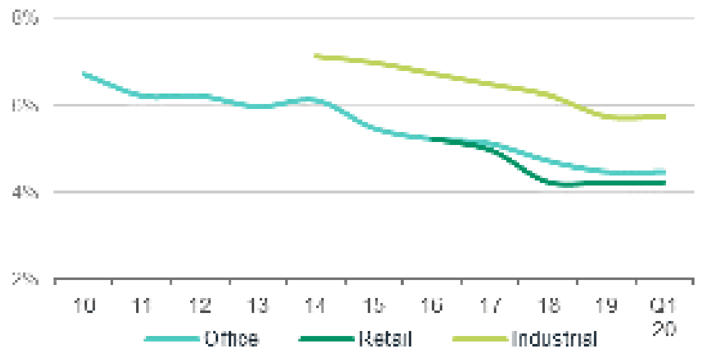
Strong increase · Moderate increase · Stability · Moderate decrease · Strong decrease

# WARSAW – KEY FIGURES Q1 2020

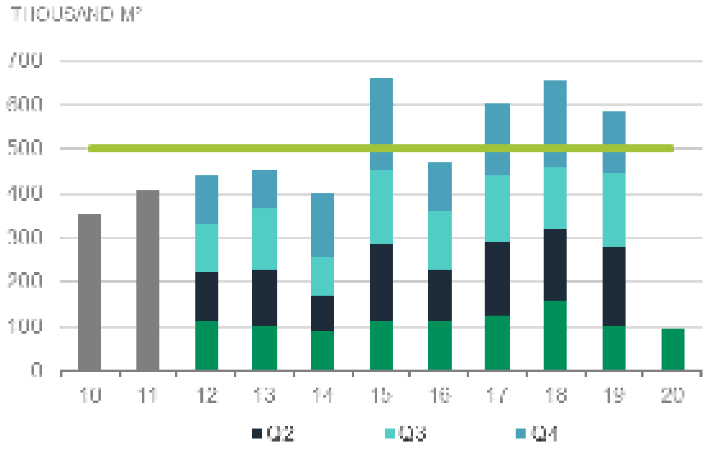
## PRIME RENT & VACANCY



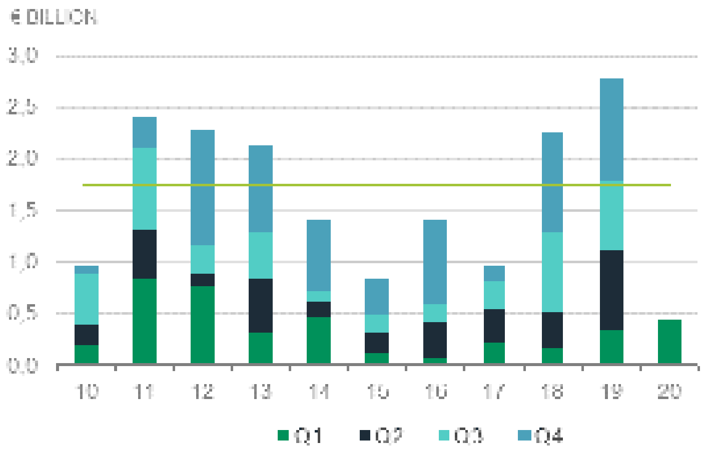

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 100 | 95 |
| **Prime Rent** (€ / m² / year) | 270 | 288 |
| **Vacancy Rate** (%) | 9.1 | 7.5 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 350 | 446 |
| **Office Inv.** (%) | 69 | 98 |
| **Retail Inv.** (%) | - | 2 |
| **Foreign Inv.** (%) | 96 | 97 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 4.75 | 4.50 |
| **High Street Retail** (%) | 4.25 | 4.25 |
| **Logistics** (%) | 6.25 | 5.75 |

# PRAGUE – MARKET SENTIMENT

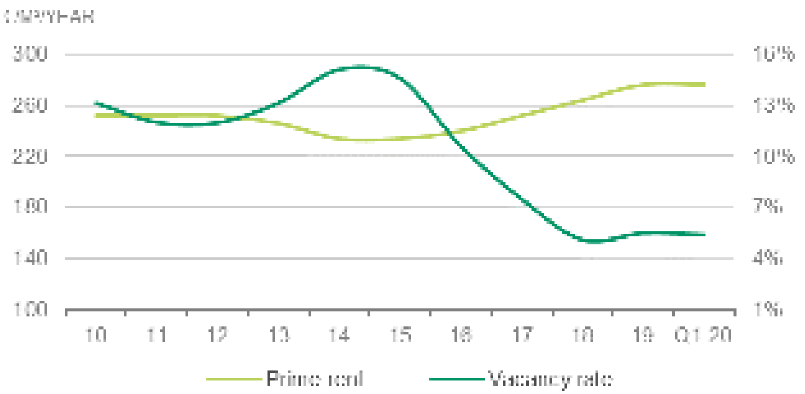
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | ↘ | In the short term, demand for office space may decline. Tenants will re-evaluate their real estate strategies and postpone leases already planned. Increased demand may occur at the end of the year, all depending on the length of restrictive measures and the economic situation of tenants. |
| RENTAL VALUES | → | In the short term, growth in rents, which we have seen in previous quarters, is not expected. The level of rent is expected to remain stable, and it will certainly not increase this year. |
| VACANCY | ↗ | The decision to expand / rent new premises may be postponed for larger companies. For small and medium-sized companies, insolvency may occur and thus the lease of office space may be terminated. However, the impact on total vacant space should not be significant in the short term. |
| YIELDS | → | In the short term, it is likely that the yields will remain at the same level as now. Many investment transactions have been postponed or canceled. It is assumed that the transactions that eventually go forward will be for prime office buildings, where the price should be stable in the short term. |

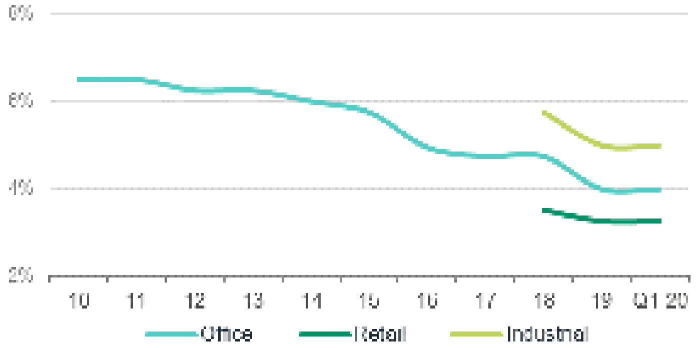
Strong increase | Moderate increase | Stability | Moderate decrease | Strong decrease

# PRAGUE – KEY FIGURES Q1 2020

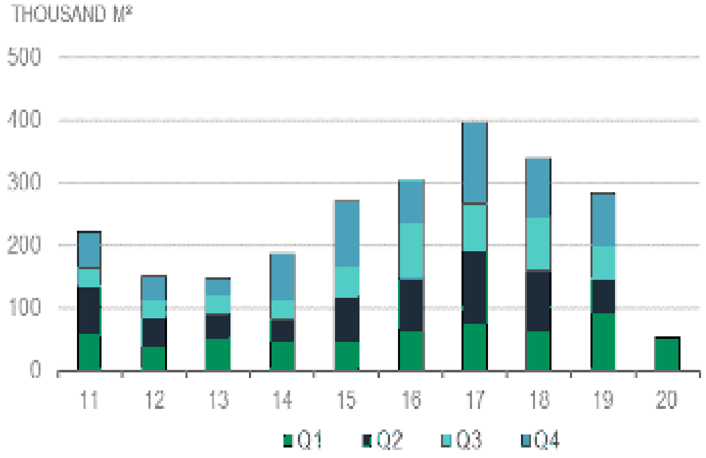
## PRIME RENT & VACANCY



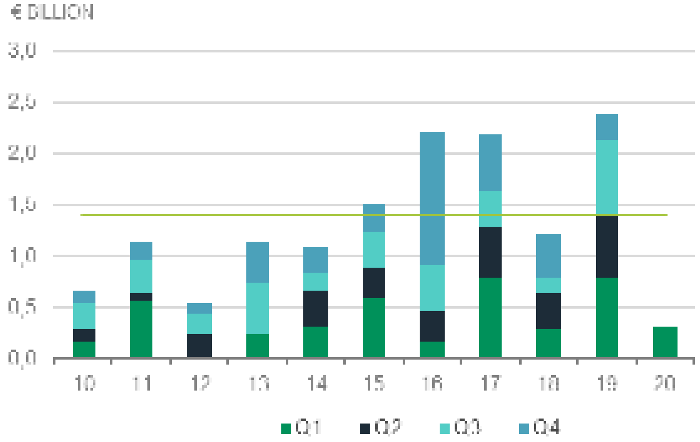

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 89 | 54 |
| **Prime Rent** (€ / m² / year) | 276 | 276 |
| **Vacancy Rate** (%) | 4.3 | 5.4 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 796 | 321 |
| **Office Inv.** (%) | 39 | 55 |
| **Retail Inv.** (%) | 5 | 45 |
| **Foreign Inv.** (%) | 63 | 45 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 4.50 | 4.00 |
| **High Street Retail** (%) | 3.50 | 3.25 |
| **Logistics** (%) | 5.50 | 5.00 |

# LISBON – MARKET SENTIMENT

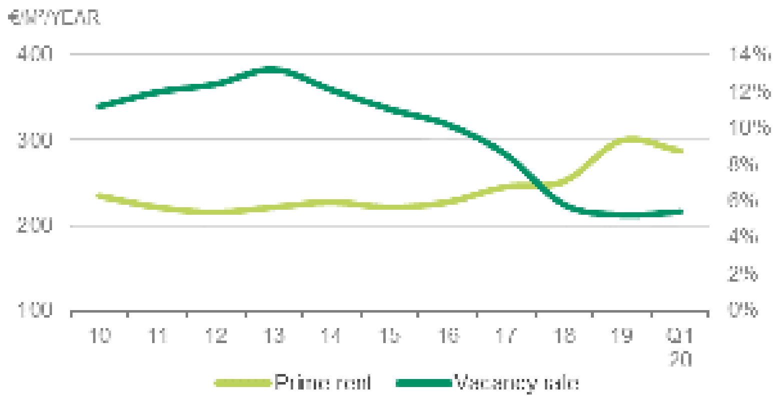
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | Moderate decrease | Take-up during Q1 2020 amounted to 44,671 sqm, a 7% increase relative to the same period last year. The uncertainty for the coming months is still high, but companies are actively looking for space although the current situation does not allow the closure of deals at the moment. Lockdown is the main restriction and will stay this way as long as the virus spreads. However, Portugal has been relatively succesful in containing the epidemic, and this may spark some interest from foreign companies later in 2020. |
| RENTAL VALUES | Moderate decrease | We expect a slight decrease in rents due to the current market situation and ongoing lease re-negotiations may result in further reductions.. |
| VACANCY | Stability | Global vacancy rose from 5.3% to 5.4% during the first quarter.. Although some construction work is still carrying-on it will not alter vacancy.  Developments and office deliveries will get back on track as soon as the state of emergency is lifted.. |
| YIELDS | Stability | Prime yields are expected to remain stable at 4.25%. Investment in the office market was solid during the first quarter, but delays in negotiations for the second quarter.are highly likely |

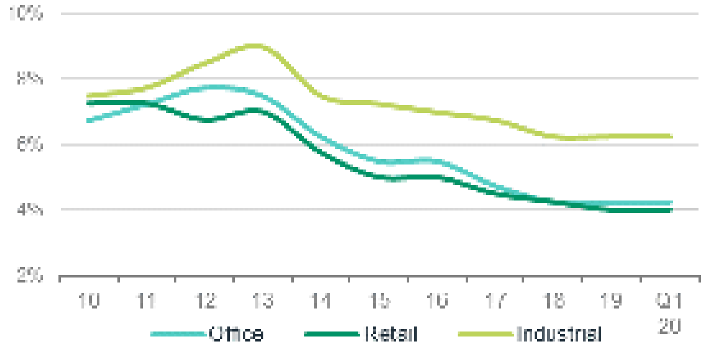
Strong increase · Moderate increase · Stability · Moderate decrease · Strong decrease

# LISBON – KEY FIGURES Q1 2020

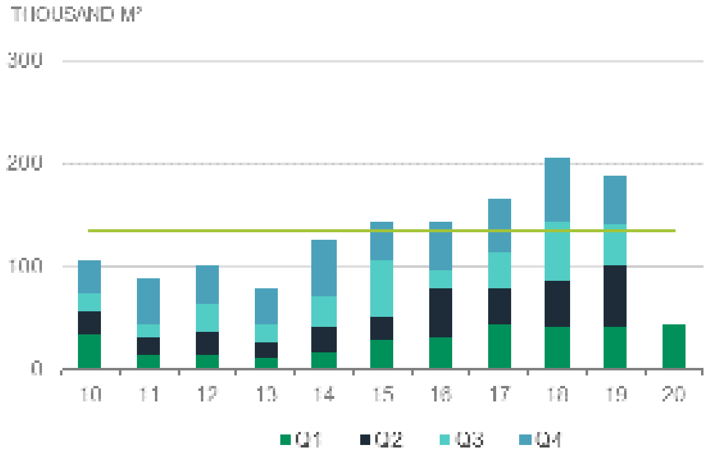
## PRIME RENT & VACANCY



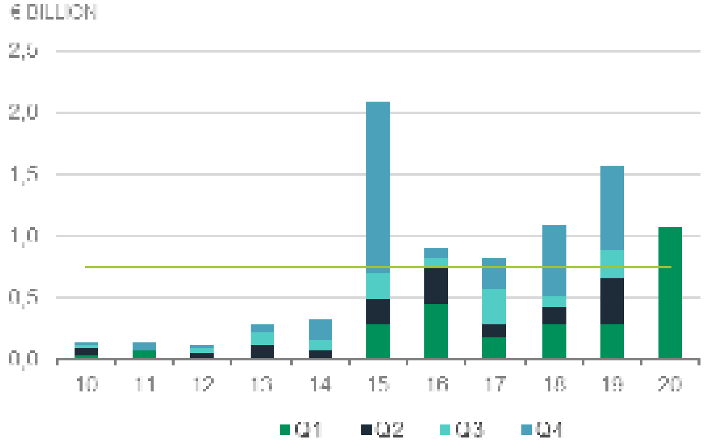

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 42 | 45 |
| **Prime Rent** (€ / m² / year) | 252 | 288 |
| **Vacancy Rate** (%) | 6.0 | 5.4 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 283 | 1,064 |
| **Office Inv.** (%) | 66 | 22 |
| **Retail Inv.** (%) | 23 | 58 |
| **Foreign Inv.** (%) | 96 | 100 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 4.25 | 4.25 |
| **High Street Retail** (%) | 4.25 | 4.00 |
| **Logistics** (%) | 6.25 | 6.25 |

# BUCHAREST – MARKET SENTIMENT

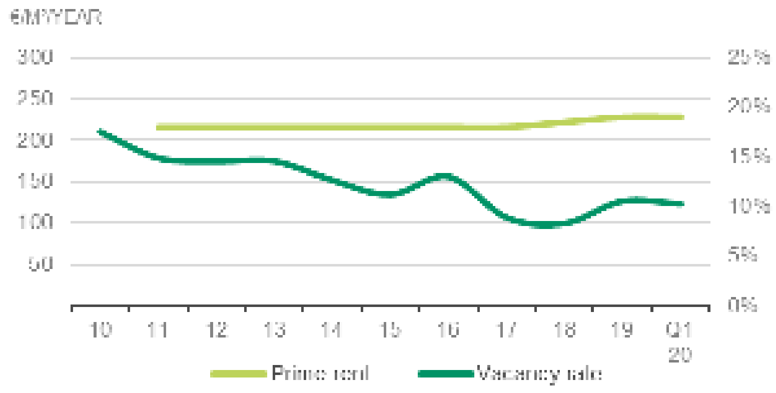
## EXPECTED EVOLUTION OF THE OFFICE MARKET

| MARKET INDICATOR | EXPECTED EVOLUTION | COMMENTS |
|---|---|---|
| TAKE-UP | ↘ | Take-up for Q1 2020 was in the region of 42,000 sqm. However, take-up is likely to decrease significantly in Q2 and potentially in Q3 as the full impact of the restrictions takes effect. We might see increased lease renewals and renegotiations for the remaining 2020, with pre-leases to resume in the first half of 2021. In addition we expect very few new companies to enter Romanian market in the upcoming months of 2020. |
| RENTAL VALUES | ↘ | We expect the prime office rent to fall marginally by 2-3% as a result of the situation. Incentives such as rent-free periods or LL's fit-out contribution are likely to increase in value and put downward pressure on average office rent.. |
| VACANCY | ↗ | Vacancy is expected to increase due to decreased demand. However, 20-30% of all office stock due for delivery in 2020 is likely to be pushed back to 2021 and construction work will move forward in slow motion. This might offset the impact of decreased demand on projected vacancy levels. |
| YIELDS | → | We expect the prime office prime yield to remain stable at 7%. We forecast the investment volume to decrease significantly in the remaining 2020, but attractive institutional grade products will remain available on the market. We believe the availability of such investment grade products will elevate 2021 investment volume to a a level higher than forecast prior to the lockdown, mirroring 2019 investment volume. |

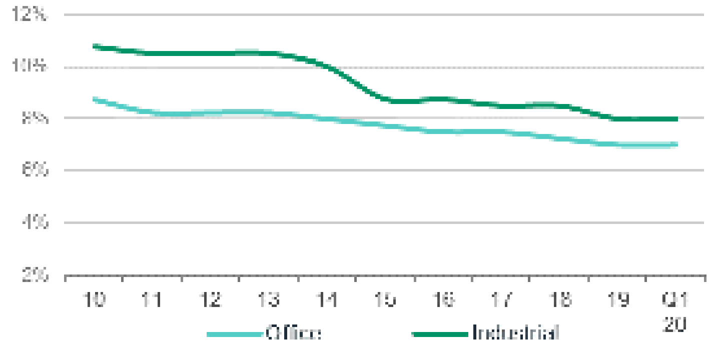
↗ Strong increase ↗ Moderate increase → Stability ↘ Moderate decrease ↘ Strong decrease

# BUCHAREST – KEY FIGURES Q1 2020

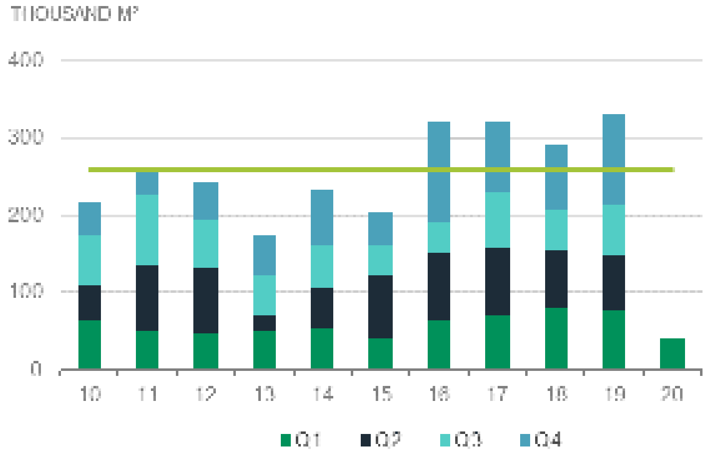
## PRIME RENT & VACANCY



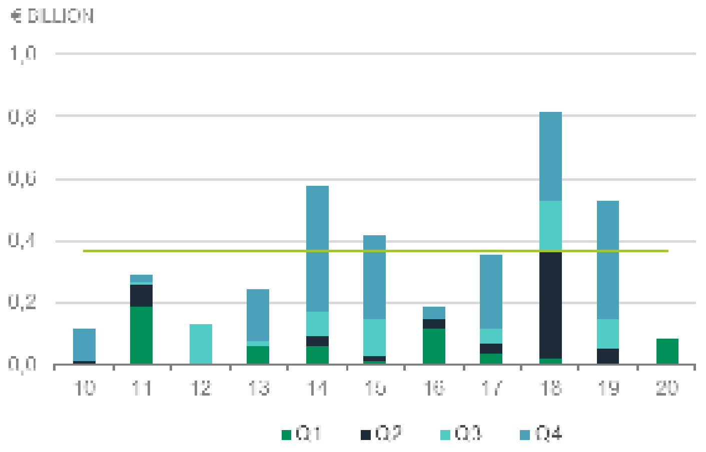

## NET PRIME YIELDS




## OFFICE TAKE-UP




## INVESTMENT VOLUME




Source: BNP Paribas Real Estate.

## KEY FIGURES

### OFFICE OCCUPIER INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Take-up** (thousand sqm) | 76 | 42 |
| **Prime Rent** (€ / m² / year) | 228 | 228 |
| **Vacancy Rate** (%) | 8.9 | 10.3 |

### INVESTMENT MARKET INDICATORS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Investment** (€M) | 5 | 82 |
| **Office Inv.** (%) | 100 | 88 |
| **Retail Inv.** (%) | - | - |
| **Foreign Inv.** (%) | 100 | 93 |

### PRIME YIELDS

| | Q1 2019 | Q1 2020 |
|---|---|---|
| **Office** (%) | 7.25 | 7.00 |
| **High Street Retail** (%) | - | - |
| **Logistics** (%) | 8.25 | 8.00 |

# 6 BUSINESS LINES in Europe

# A 360° vision

## Main locations*

### EUROPE

**FRANCE**
Headquarters
167, Quai de la Bataille
de Stalingrad
92867 Issy-les-Moulineaux
Tel.: +33 1 55 65 20 04

**BELGIUM**
Avenue Louise 235
1050 Brussels
Tel.: +32 2 290 59 59

**CZECH REPUBLIC**
Ovocný trh 8
110 00 Prague 1
Tel.: +420 224 835 000

**GERMANY**
Goetheplatz 4
60311 Frankfurt
Tel.: +49 69 298 99 0

**HUNGARY**
Váci út 117 - 119 A Building
H - 1138 Budapest
Tel.: + 36 1 688 4400

**IRELAND**
20 Merrion Road,
Ballsbridge, Dublin 4
Tel.: +353 1 66 11 233

**ITALY**
Piazza Lina Bo Bardi, 3
20124 Milano
Tel.: +39 02 58 33 141

**LUXEMBOURG**
Kronos Building
10 rue Edward Steichen
L-2540 Luxembourg
Tel.: +352 34 94 84

**NETHERLANDS**
Antonio Vivaldistraat 54
1083 HP Amsterdam
Tel.: +31 20 305 97 20

**POLAND**
Al. Jana Pawła II 25
Atrium Tower
00-854 Warsaw
Tel.: +48 22 653 44 00

**PORTUGAL**
Avenida da República, 90
Piso 1, Fracção 1
1600-206 Lisboa
Tel.: +351 939 911 125

**ROMANIA**
4-8 Nicolae Titulescu Blvd
America House
Bucharest 011141
Tel: +40 21 312 7000

**SPAIN**
C/ Emilio Vargas, 4
28043 Madrid
Tel.: +34 91 454 96 00

**UNITED KINGDOM**
5 Aldermanbury Square
London EC2V 7BP
Tel.: +44 20 7338 4000

### MIDDLE EAST / ASIA

**DUBAI**
Emaar Square
Building n° 1, 7th Floor
P.O. Box 7233, Dubai
Tel.: +971 44 248 277

**HONG KONG**
63rd/F, Two International
Finance Centre,
8 Finance Street, Central,
Hong Kong
Tel.: +852 2909 8888

**SINGAPORE**
Pte Ltd 20 Collyer
Quay, #17-04
Singapore 049319
Tel.: +65 8189 2762

## Alliances*

AUSTRIA
CYPRUS
DENMARK
ESTONIA
FINLAND
GREECE
HUNGARY **
JERSEY
LATVIA
LITHUANIA
NORTHERN IRELAND
NORWAY
PORTUGAL **
SERBIA
SWEDEN
SWITZERLAND
USA

* March 2019
** Coverage in Transaction, Valuation & Consulting

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