#staysafe

HOUSING IS ONE OF THE MOST CRISIS-PROOF ASSET CLASSES

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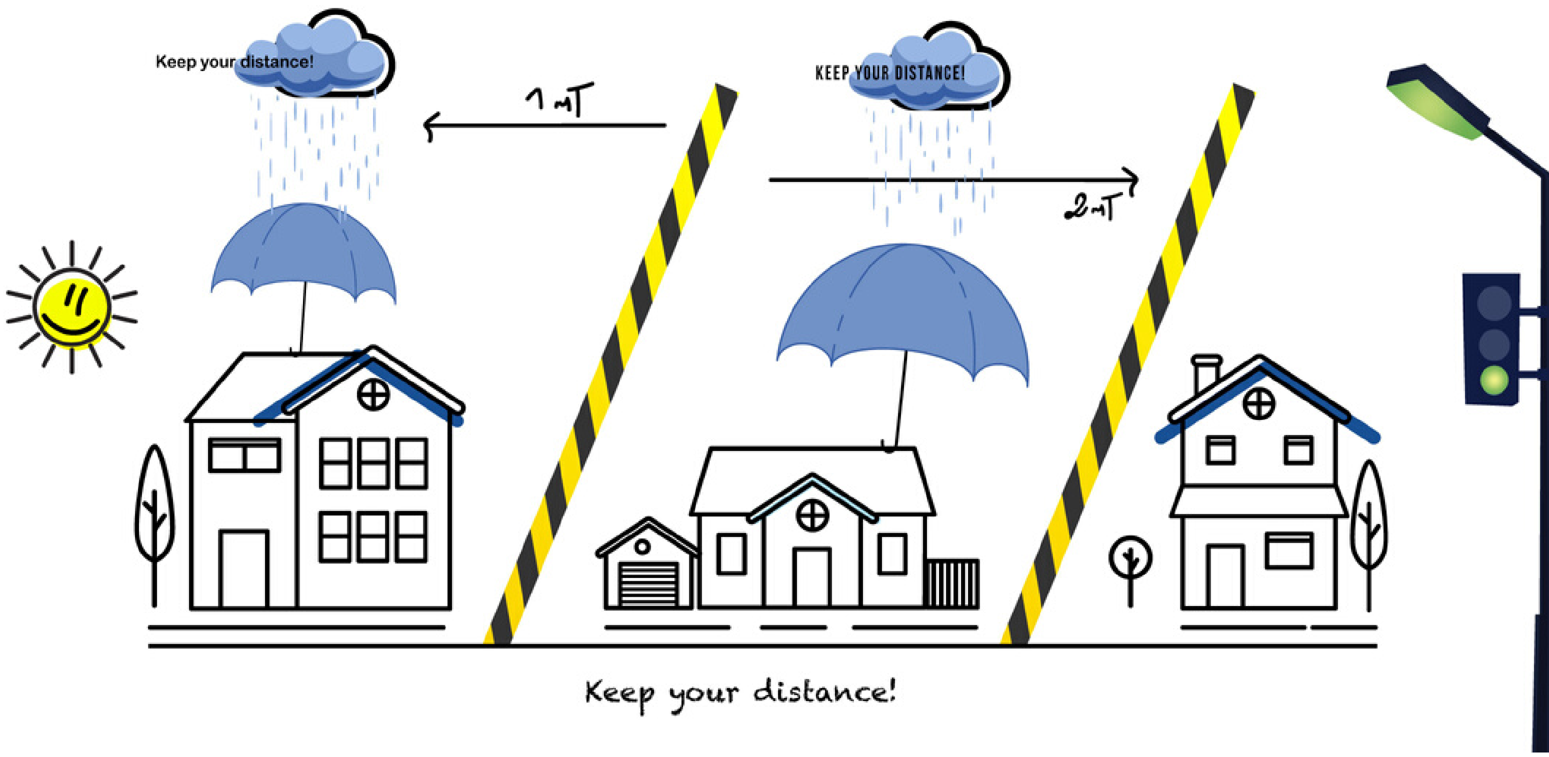

THE EFFECTS OF THE CORONA VIRUS CRISIS

GERMANY

According to RICS Germany, the effects of the corona virus crisis on the residential asset class depends on the length of the crisis. However, this will be comparatively smaller compared to other real estate investments.

Country Manager of RICS Germany, Sabine Georgi advises that residential properties are interesting for institutional investors, especially in crises' due to the turbulence on the stock exchanges and the comparatively safer rental income compared to other asset classes. Furthermore, financing interest rates will remain low. This substantially has fed the price increase in recent years."

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"NO CLASS OF REAL ESTATE IS IMMUNE TO RECESSIONS."

- Richard Green

Director of the USC
Lusk Center for
Real Estate in Los Angeles.

Though the U.S. housing market recovered dramatically in the years since the recession, there are concerns that stock market volatility, rising interest rates, and global trade tensions, could compound the slowdown of the real estate market, and some are bracing for another recession.

However, there's no such thing, even at the high end, as an entirely recession-proof investment, real estate analysts agree.

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"Recession-proof implies that if we're in a recession and someone needs to dispose of a property, they can get all their money back. "That simply does not happen, he added: "No investor should think any investment they make is recession-proof."

"Multi-family homes that bring the owner rental income, properties in high-demand, low-supply locations and houses that have been designed by experts, with great attention to detail, all tend to offer greater protection from losing substantial value during economic slowdowns."

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COVID-19 REAL ESTATE CONCLUSIONS

The reality of COVID-19 is being faced by governments, businesses and communities. It is evident that the short-term impacts on economic growth, individual behaviour and business activity are certain. The current consensus is for a rebound in the global economy in H2 2020, however the exact direction is inconceivable.

LIVING SECTORS

The risk of transmission is possibly heightened through the long-term trend towards higher density living and increased collaboration spaces and thus mitigation agreements will need to be developed. The greatest impact of COVID-19 is certainly human. The living sectors, mainly multifamily, lean on more defensive characteristics, advanced from income streams and the capacity to actively manage rents to limit void periods. Demand is also almost resilient to external shocks.

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REAL ESTATE REMAINS TO OFFER ATTRACTIVE RELATIVE RETURNS IN CONTRAST TO OTHER ASSET CLASSES.

CAPITAL MARKETS

With the retail and hospitality divisions among the most affected, investment activity is expected to slow in H1 2020 as investors react to uncertainty. Though a shift to defensive assets is expected – key considerations as major mediators of risk include operation criticality, occupation density and income stability. During previous crises', real estate investment has shifted, though the overall trend over time has been for an increase in allocations to the sector and we don't expect this to change.

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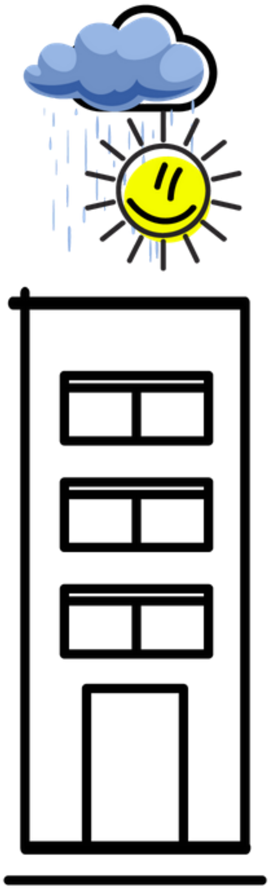
OFFICE MARKETS

More pressure could be received on markets that are already in a later stage of their cycles due to the outbreak, this could potentially delay investment activity and a softer rental growth than previously forecast. A reduction in office utilisation rates can be expected due to an increase in remote working, with landlords exposed to short term leases the most vulnerable. In the long term we can expect the outbreak to fast-track the acceptance of remote working and investment into collaborative technologies.



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HOTELS & HOSPITALITY

Within the hospitality sector, the impact of travel restrictions, event cancellations and individuals' hesitation to travel have been immediately perceived. Occupancy rates will fall in the short term. Whilst locations accessible to a domestic audience by car or public transport may benefit; locations with a high proportion of international visitors are most exposed. If the virus is contained in short order, there is a possibility for a fairly swift rebound.

Credits: Orania Berlin Hotel
website: www.orania.berlin

RETAIL MARKETS

Due to a slump in consumer demand and disruption to supply chains, global retailers must prepare to handle a period of inflated risks to cash flow and increased operational costs. The protection of cash flows for all retailers in particularly those operators with thin profit margins remains crucial and those suffering the most may seek temporary rent reliefs from landlords. Retailers with vigorous infrastructure to achieve online orders could be longer term recipients, thereby placing a larger significance on the shift towards a flexible omnichannel retail model. By rethinking supply chains this ensures stability of operations, which is key to reducing the risk of future shocks.

Credits: KaDeWe
website: www.kadewe.de