EUROPE
COVID-19 REPORT

SITUATION AFTER LOCKDOWN
ECONOMIC OUTLOOK
REAL ESTATE PERSPECTIVES
CITY FOCUS

GLOBAL RESEARCH
10TH JUNE 2020

BNP PARIBAS
REAL ESTATE

Real Estate for a changing world

CONTENTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

EXECUTIVE SUMMARY

IN A NUTSHELL

KEY MESSAGES

SEEKING TO END LOCKDOWN

The initial total lockdown is largely over. Many European countries have relaxed some of the most extreme curbs on activity. We expect further albeit gradual normalisation over the next few weeks, thanks to an improvement of the pandemic.

EUROPE IS GRADUALLY MOVING AGAIN

As most countries begin to relax restrictions, early signs indicate a pick-up in visits to parks, residential, grocery stores and pharmacies, while the use of public transport; visits to retail and workplaces remain well below normal levels.

TOWARDS A QUIET RECOVERY

We have lowered our growth forecasts and now expect a shallower recovery. Our base case is for 3.3% contraction in global GDP in 2020 to be followed by a bounceback to 5.4% growth in 2021. Risks remain skewed to the downside.

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 office 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.

SITUATION AFTER LOCKDOWN

BNP PARIBAS REAL ESTATE

POPULATION LOCKDOWN ACROSS EUROPE

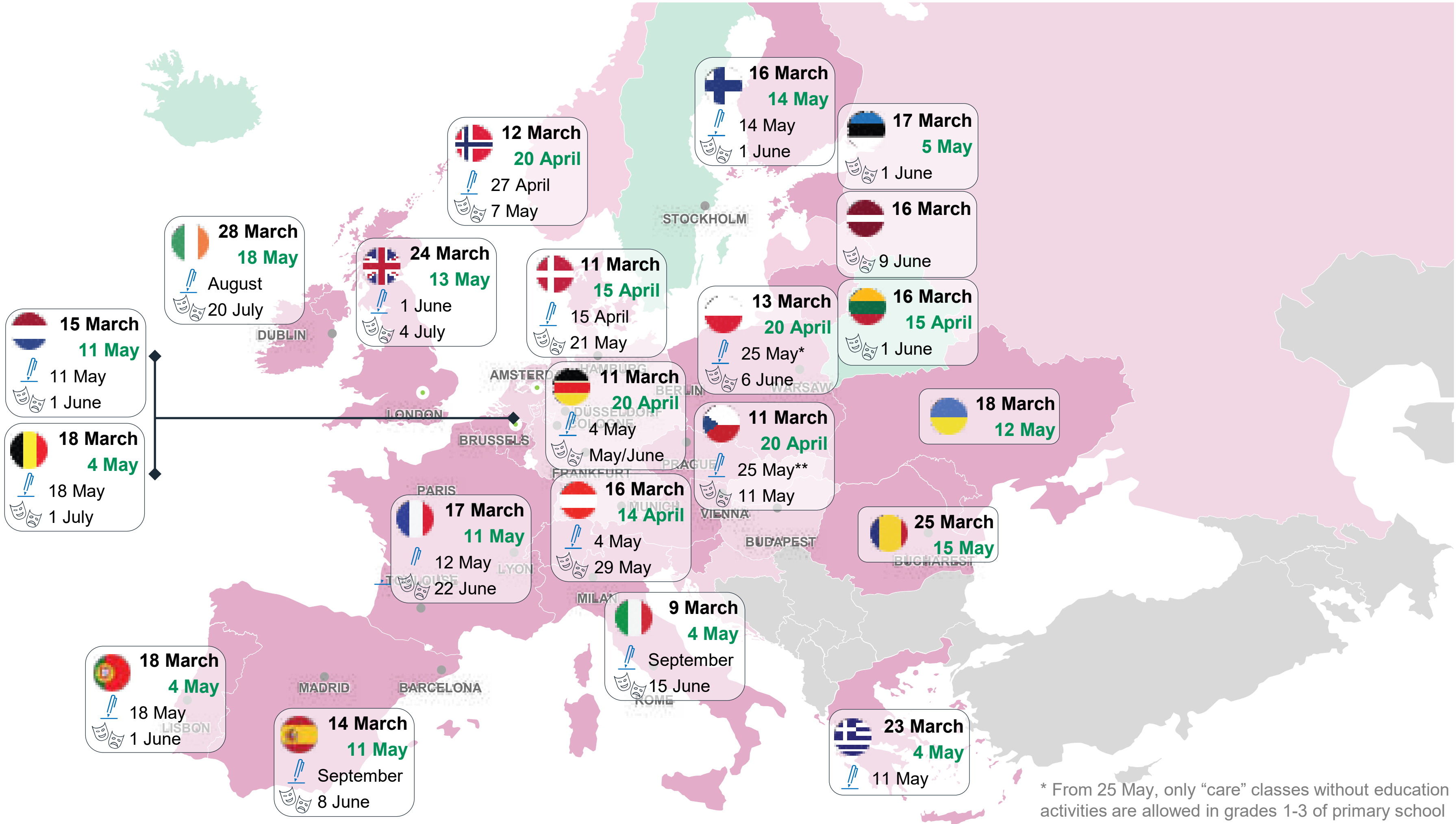
EUROPEAN COUNTRIES COME BACK TO A CERTAIN NORMAL LIFE

Total lockdown

Partial lockdown

No lockdown

18 March	Lockdown ordered
4 May	Easing lockdown (first stage)
18 May	School reopening
1 June	Cinema reopening



* From 25 May, only "care" classes without education activities are allowed in grades 1-3 of primary school
**Full – mandatory for every student/pupil school opening will be 1 September 2020

Source: Government announcements.

MOBILITY TRENDS ACROSS EUROPE

EUROPE BEGINS A PHASED RETURN TO NORMALITY

LATEST DATAPOINT: 29 MAY 2020

% change from baseline	Retail & Recreation	Grocery & Pharmacy	Park	Transit Stations	Workplaces	Residential
Belgium	-37	3	33	-37	-38	16
Denmark	2	9	200	-18	-18	3
Finland	-26	2	91	-36	-28	7
France	-37	0	14	-43	-38	15
Germany	-15	6	84	-25	-25	7
Hungary	-15	1	21	-32	-33	10
Ireland	-58	3	-24	-42	-52	22
Italy	-35	-11	-6	-45	-34	13
Netherlands	-22	4	122	-44	-32	10
Norway	0	18	142	-17	-23	2
Poland	-16	-1	34	-36	-23	8
Portugal	-39	-11	23	-51	-38	18
Spain	-47	-13	2	-46	-41	16
Sweden	-2	2	144	-23	-23	5
UK	-62	-12	67	-53	-56	22

Source: Google.

The baseline refers to the median value for each corresponding day of the week during the 5-week period of 3 Jan – 6 Feb 2020.

- In response to the COVID-19 pandemic, Google have released data on measures of mobility. The data uses mobile phone locations to provide insights on where people are travelling (e.g. parks, workplaces or transit stations). The dataset highlights the percent change in visits to places compared to 'normal' levels within a geographic area.

- One thing the dataset is able to confirm is that the lockdown has worked across Europe, with public mobility across most countries drastically reduced. The data also clearly shows some differences between countries which is a reflection of the differences in when and how each country implemented lockdown measures.

- Analysing the latest data point (29 May 2020) across Europe shows the use of public transport is still relatively low, approximately 35% on average below pre-lockdown levels. It is clear from the data the visits to transit stations which include bus and train stations is closely aligned with visits to workplaces. Most people across Europe are dependent on public transport to get to and from their workplaces. Visits to workplaces remain well below the benchmark period. This is not surprising as many continue to adjust and adapt to working from home.

- Visits to residential places are showing some signs of a bounce back. Parks have seen a noticeable surge in visits, which can be partly explained by the good weather and advice given by many governments where people can go to the park to exercise whilst maintaining a social distance.

MOBILITY TRENDS ACROSS EUROPE

VISITS TO WORKPLACES & RETAIL REMAIN NOTICEABLE LOWER

LATEST DATAPOINT: 29 MAY 2020

% change from baseline	Retail & Recreation	Grocery & Pharmacy	Park	Transit Stations	Workplaces	Residential
Brussels	-52	-9	68	-48	-51	19
Copenhagen	-10	4	150	-31	-25	6
Helsinki	-31	-2	64	-43	-36	10
Paris	-48	2	-27	-47	-51	21
Berlin	-30	-1	21	-33	-30	8
Budapest	-38	-14	-16	-47	-45	13
Dublin	-62	2	-16	-55	-61	26
Rome	-46	-18	-49	-58	-41	17
Amsterdam	-32	2	80	-57	-37	11
Oslo	-15	10	177	-31	-39	7
Warsaw	-20	-4	37	-46	-36	11
Lisbon	-48	-18	6	-56	-47	21
Madrid	-59	-16	5	-52	-55	23
Stockholm	-13	-2	90	-32	-33	10
London	-71	-16	61	-66	-64	27

Source: Google.

The baseline refers to the median value for each corresponding day of the week during the 5-week period of 3 Jan – 6 Feb 2020.

- Rome and Madrid, which have been the hardest hit and the first to impose strict lockdowns, seem to be slow in returning to pre-lockdown levels. Retail visits are still down 46% and 59% in Rome and Madrid respectively. Similarly, visits to workplaces remain 50% below normal levels. Rome residents appear to still be abiding to strict lockdown rules despite some relaxation in lockdown measures by not venturing out to Parks, as visits remain 49% below pre-lockdown levels.

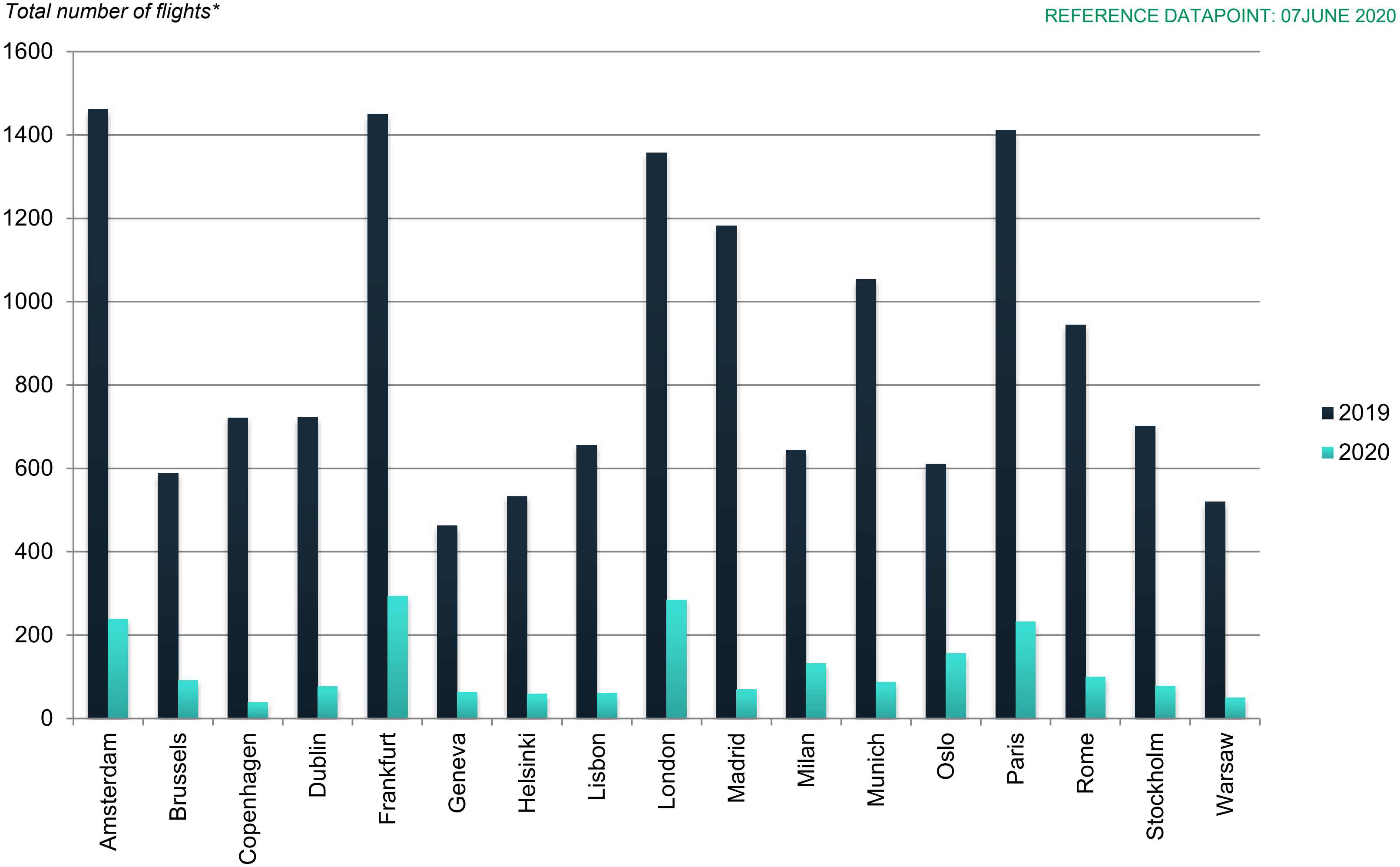
- Despite Sweden not imposing an official lockdown, Stockholm residents' visits to workplaces were down by a third from normal levels. The Nordic cities appear to be returning to pre-lockdown levels quicker than others as does Berlin which has been commended for the way it has handled COVID-19.

- Mobility data for London and Dublin reveals recovery to pre-lockdown levels for both cities is further behind, in particular for retail and workplaces. Londoners' visits to workplaces are down by 66% while visits to retail locations has considerably reduced by 71% from baseline. A similar story for Dublin with visits to workplaces down 61% from normal levels.

- Retail and recreational includes visits to restaurants, cafes, shopping centers, theme parks, museums, libraries and movie theatres. With lockdown measures slow to lift across these areas, visits have taken a hit. It will be interesting to see whether residents return to retail and recreational places as they slowly begin to open their doors across Europe and resume activity.

DAILY AIRPORT TRAFFIC ACROSS MAIN EUROPEAN AIRPORTS

AIR TRAFFIC ACROSS EUROPEAN SKIES IS DOWN BY 85%



Source: Eurocontrol.

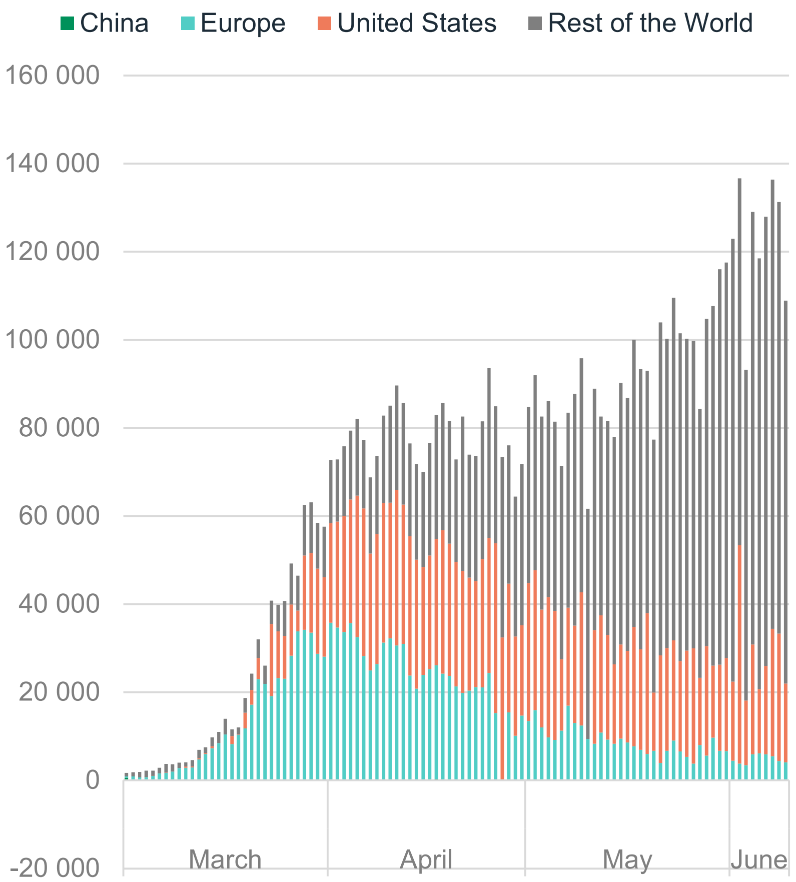
Total Departing and Arriving Flights to/from the main airport hub in each city. The comparison with previous year is made using the closest similar day.

- Eurocontrol – an organisation that manages 90% of Europe's air traffic have published data on the daily airport traffic across Europe, comparing data to the same period in 2019. The latest data point is 7th June 2020.
- Although the number of flights across Europe have exceeded 6000 on 2 June, the first time since lockdowns were imposed, the number of flights remain well below normal levels (on average down by 85%). It is worth noting this is the start of the peak summer months.
- Across the first week of June the number of flights were up by 675 on average per day compared to the previous week, representing growth of 13%, with the busiest airports at the moment being Frankfurt (258 flights a day) Heathrow (229 flights), Schiphol (220) and Paris CDG (216).
- Despite a number of European countries making announcements recently regarding the opening of their borders by mid-June, we do not expect close to normal levels of air traffic to return by at least the end of the year.
- This pandemic is likely to leave its mark on the aviation sector. Air travel is unlikely to be the same. Airports and airlines will need to adapt to restore faith and confidence and ensure all measures are in place in order to maintain the health and safety of passengers.

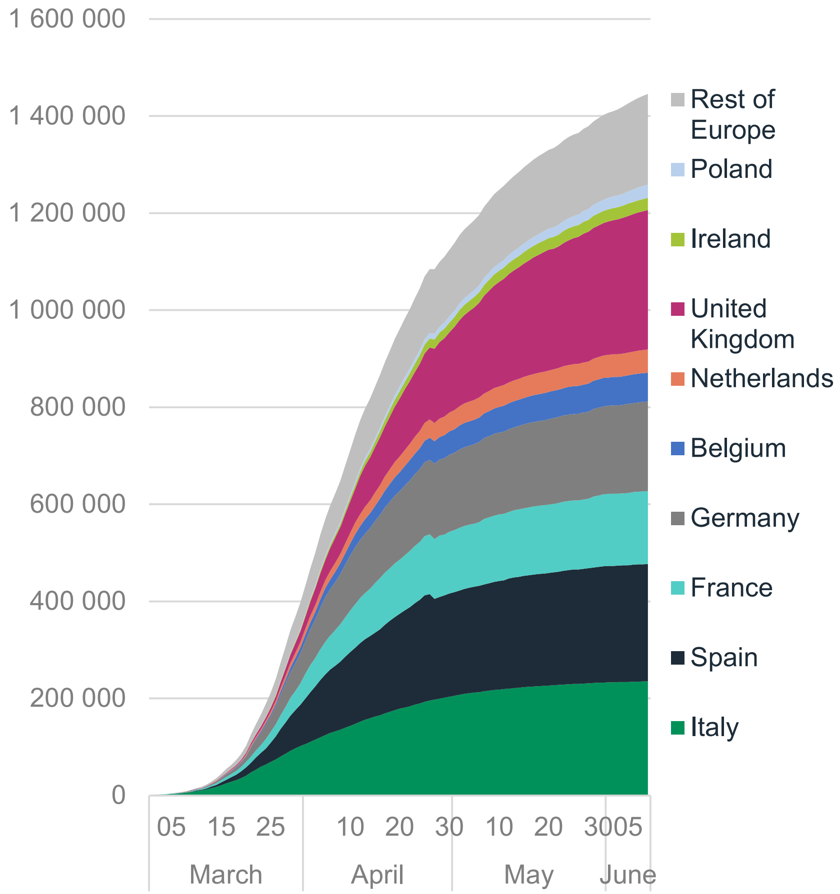
CONFIRMED CASES OF COVID-19

VIRUS WIDELY SPREAD OUTSIDE CHINA

CONFIRMED DAILY CASES IN THE WORLD



CUMULATIVE CONFIRMED CASES IN EUROPE

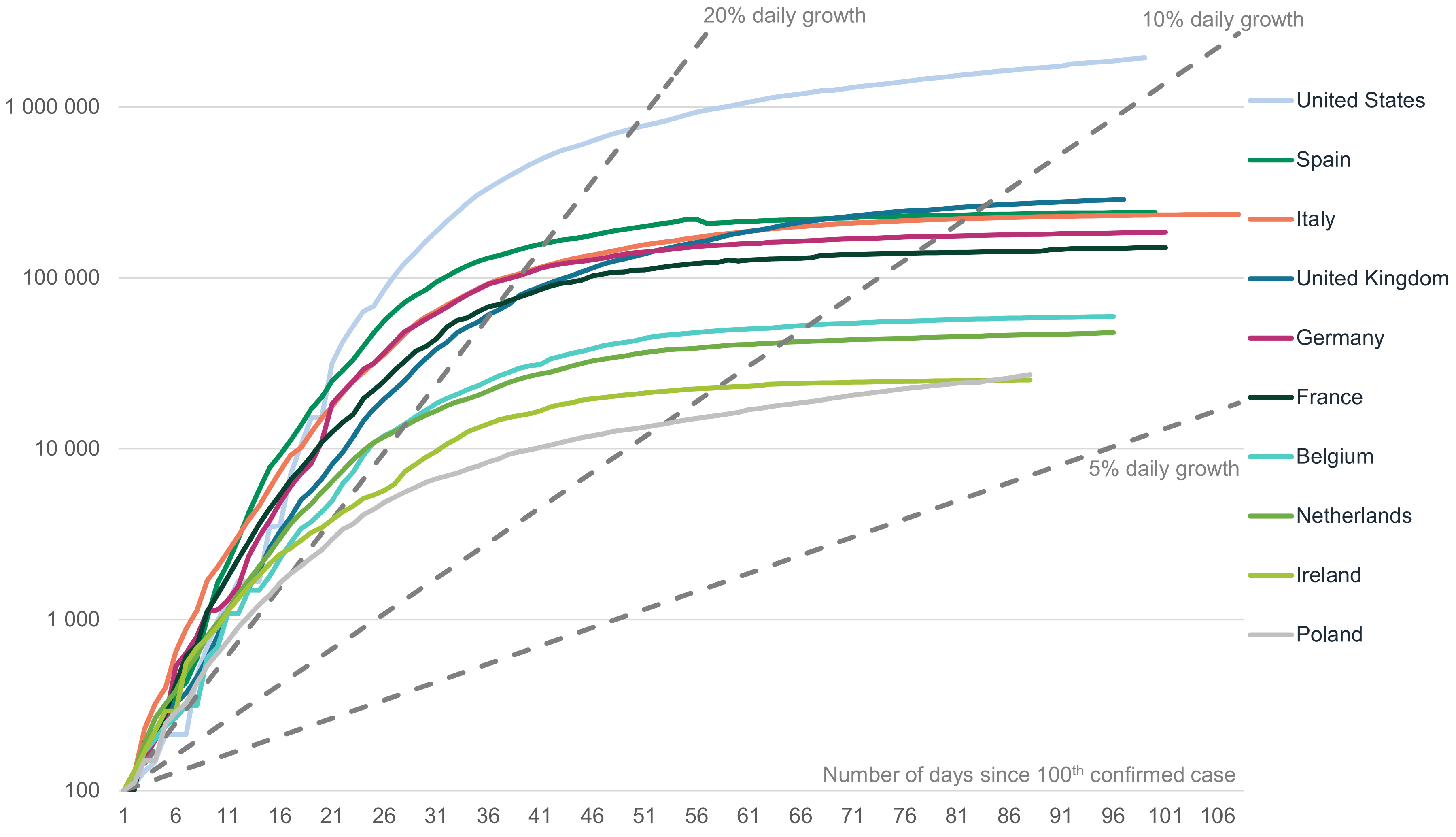


- **The Covid -19 emergency at the beginning of 2020 took the world by surprise.** It delivered an economic shock just as the global economy had begun to stabilise from trade wars in the preceding years. **Its implications for the global economy remain uncertain**, but it is clear that the effect is 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 **5,000 new cases** are being **reported each day in Europe.**
- **Italy and Spain were the epicentre**, with around 432,000 confirmed cases in cumulative terms (**33% of the total in Europe**).
- The UK is also hit strongly by the virus, with around 290 000 cumulative cases.
- **Confirmed cases in European countries are now decreasing, but the situation will continue to be monitored.**
- **The number of cases in the US is also showing some decline**

Source: World Health Organisation.

INFECTION TRAJECTORIES

GROWTH OF OUTBREAKS

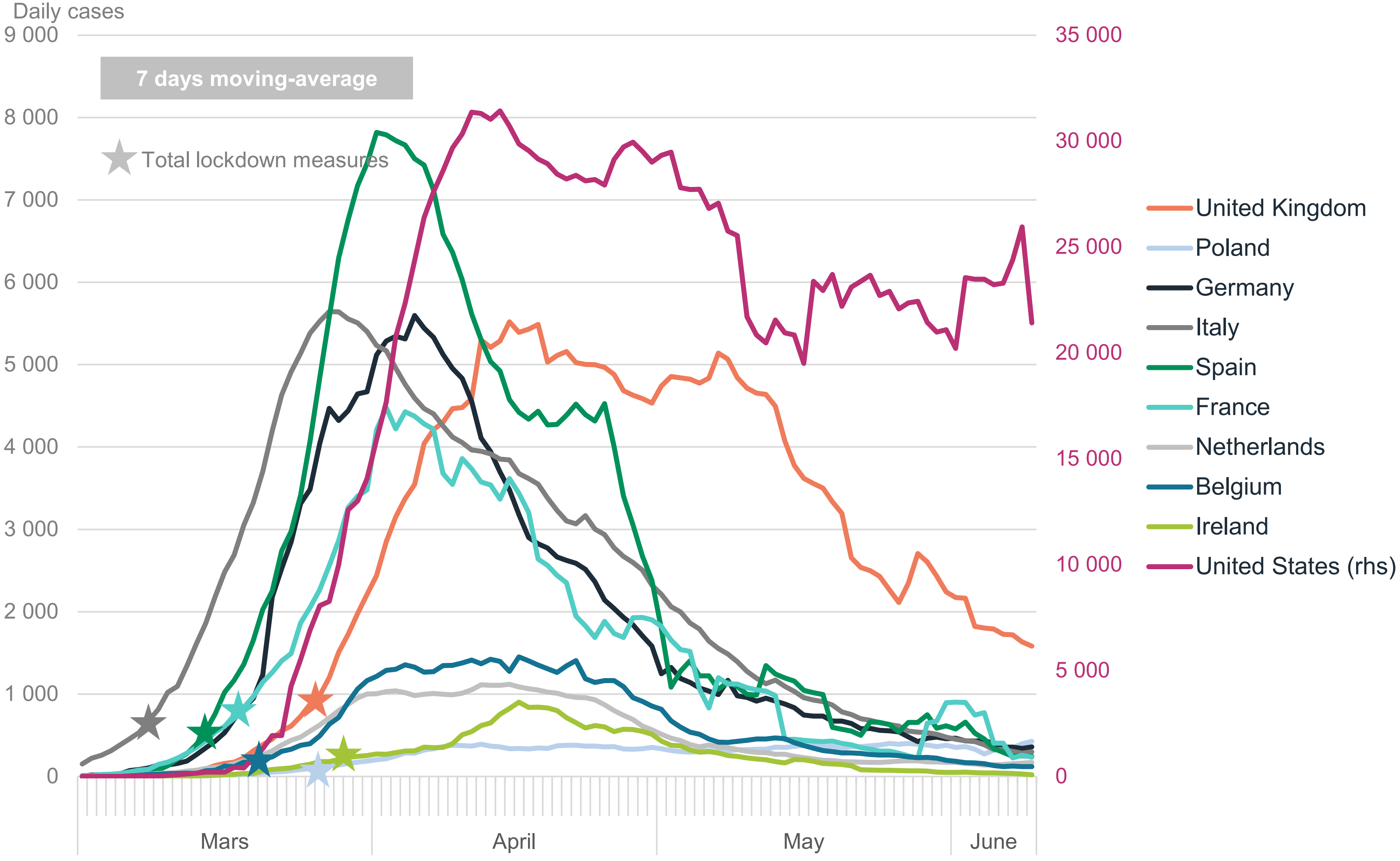


- **All the main economies in Europe currently have a growth rate for new cases of less than 10% per day.**
- As the majority of countries are below **10% of daily growth, it means that the government's containment measures had a positive effect.**
- **The latest figures showed are encouraging, but the exit strategy looks challenging.**
- **Now, all the countries have eased their lockdown measures.** Some countries such as Austria, or Germany are ahead.
- **Borders should also reopen in Europe from the 15th of June.** We should note that the since the 8th of June, the UK introduced a two-week quarantine for most people arriving from abroad.

Source: World Health Organisation.

NUMBER OF DAILY CONFIRMED CASES

HAS EUROPE REACHED THE PEAK?



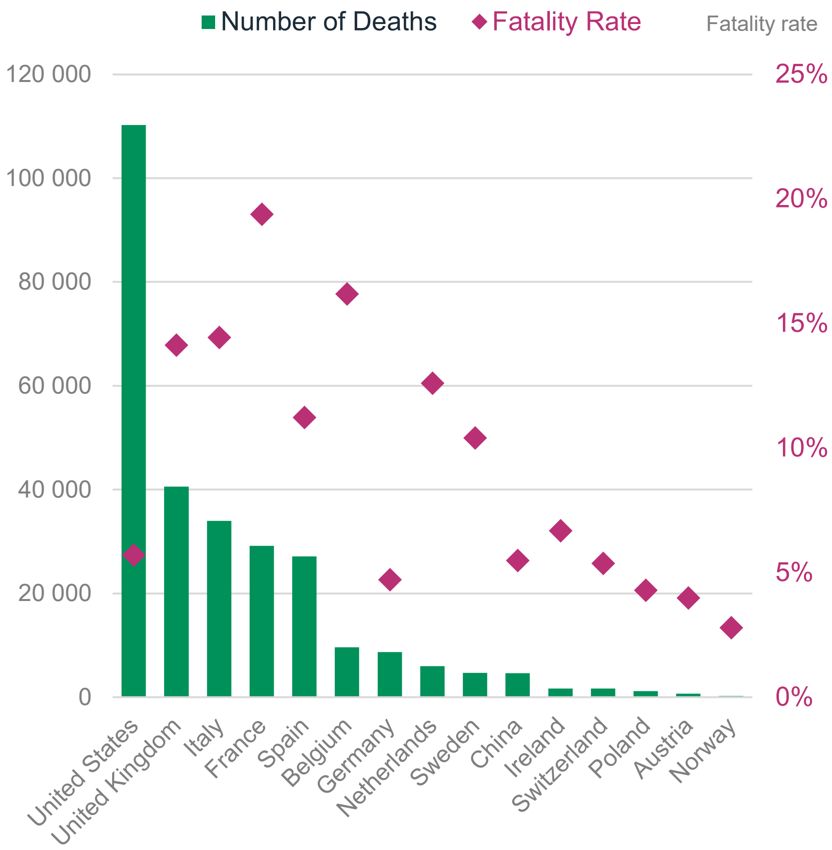
Source: World Health Organisation.

- **Most of the European countries now have a low number of daily cases.**
- **The lockdown measures (either total or partial) have shown positive results for each countries.**
- **Some countries are now** re-opening small shops and higher risk businesses. Social distances measures may still last for a couple of months.
- 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.
- **The UK and the US are the most challenged countries** and have two different trends. The US seems to have reached a plateau, while the UK is on a positive decreasing trend since the beginning of May.
- As borders are reopening for the summer, the situation should be monitored closely as risks will be higher. However, all the European countries are in a good position compared to the past trends.

THE FATALITY RATE OF COVID-19

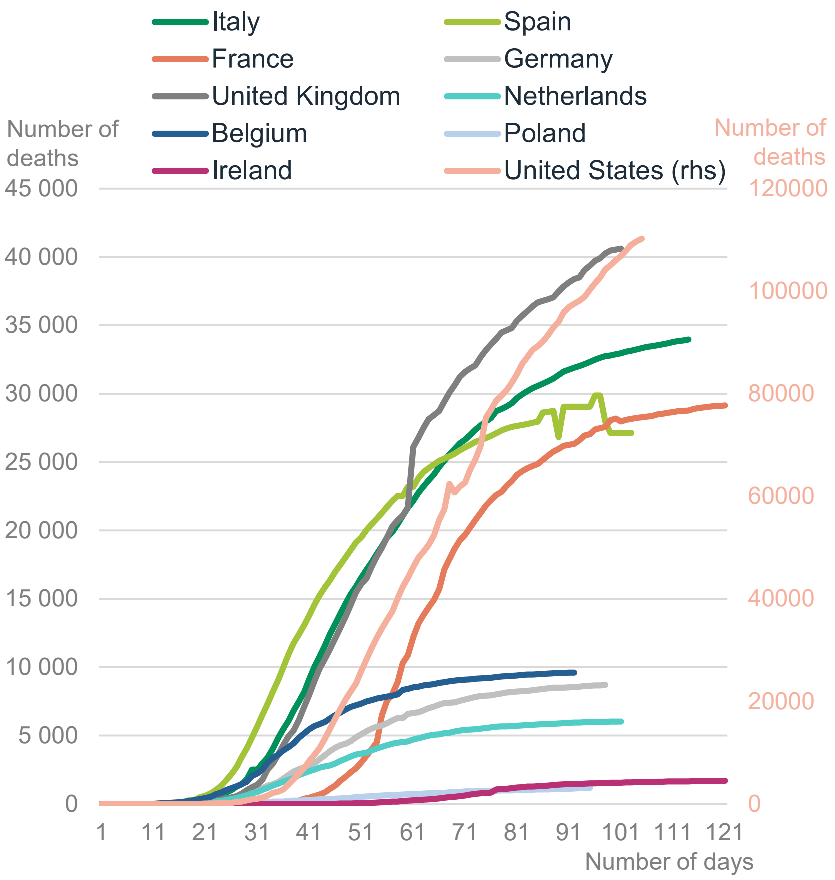
FATALITY RATE DEPENDS ON QUALITY OF HEALTHCARE AND POPULATION AGE

FATALITY RATE IN THE WORLD



Source: World Health Organisation.

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.**
- **Now, the UK outpace Italy and has the highest number of dead in Europe.** Indeed, as in France, the virus widely spread in care homes.
- **Population age and living arrangements are also an important factor for the number of deaths.** Risks are higher for countries where several generations may live in the same place (Italy or Spain for example). Care home exposure seems to be the other factor (UK). 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.**

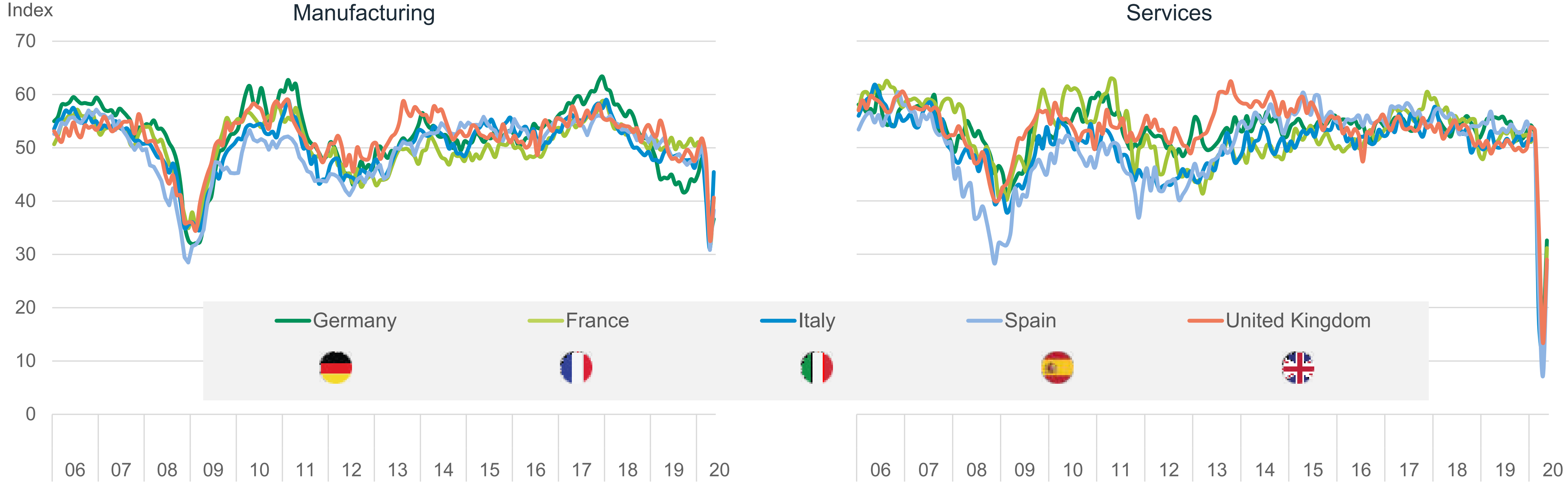
ECONOMIC OUTLOOK

BNP PARIBAS REAL ESTATE

PURCHASING MANAGER'S INDEX SURVEYS

BUSINESS CONFIDENCE BOUNCED BACK IN MAY

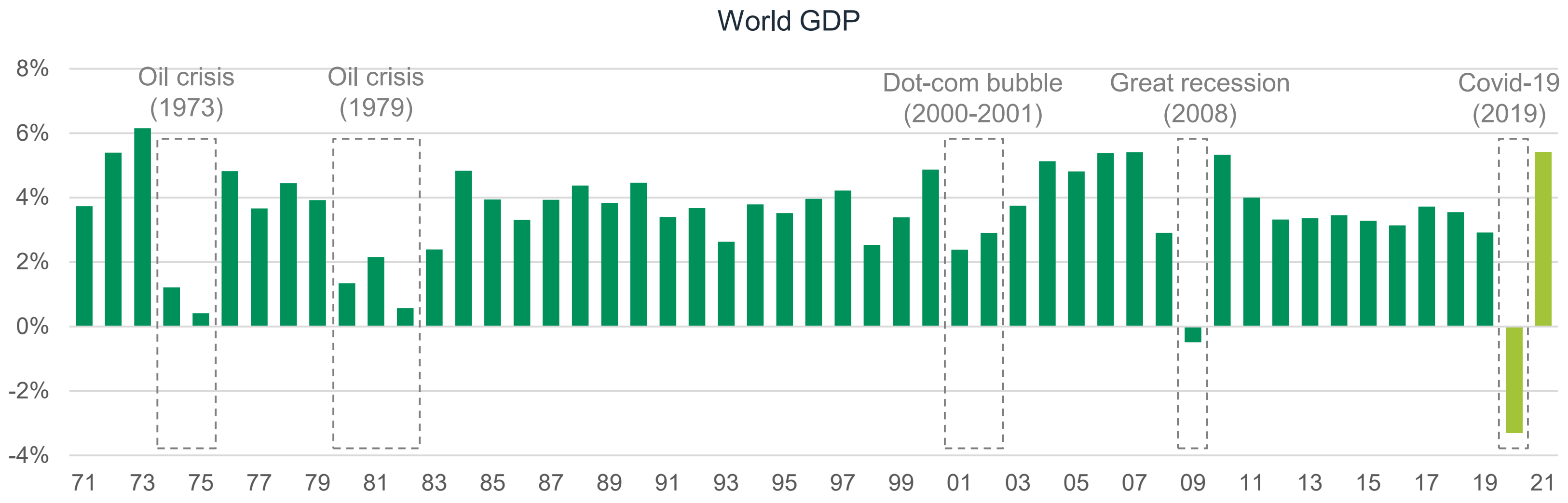
- The huge impact of the coronavirus epidemic is becoming increasingly visible in activity and demand data, following lockdowns, but also in confidence data and business expectations. The first half year will be significantly affected although the extent depends on when the epidemic will be brought under control.
- The gradual easing of lockdown measures has for the month of May, as expected, led to an improvement in the manufacturing PMIs in a majority countries of European countries. The extent of the rebound however varies greatly between countries. All in all, the levels remain low to very low, although the coming months should see an improvement. The picture for new export orders remains very bleak.
- The services PMIs, after a huge drop in March and April, have rebounded strongly in May.

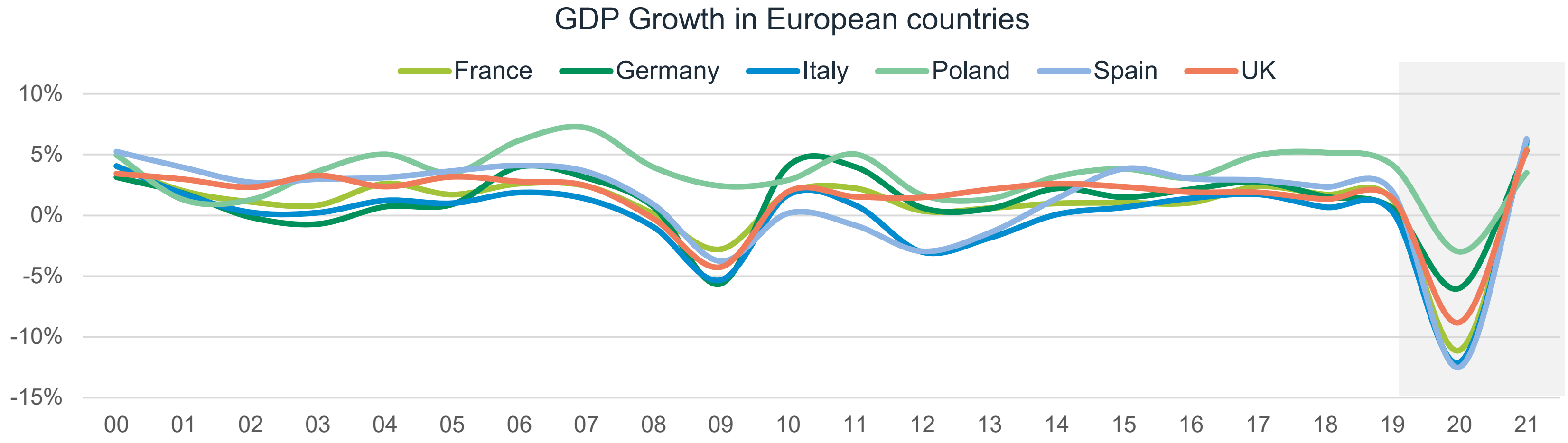


Sources: Markit, BNP Paribas Economic Research.

ECONOMIC OUTLOOK

WHAT OUTLOOK FOR THE MAIN ECONOMIES?



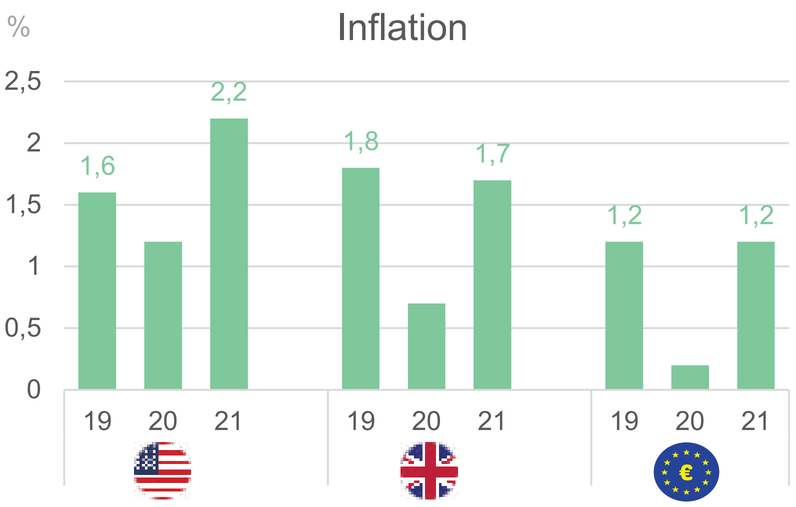


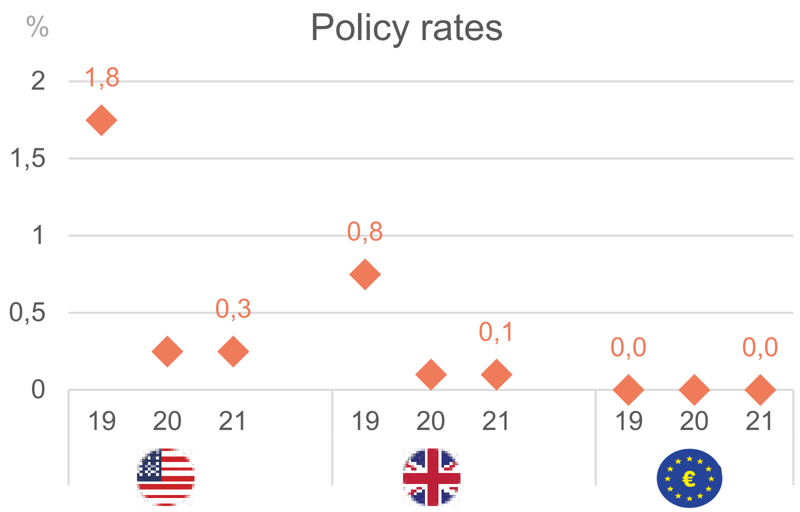
Sources: BNP Paribas, Oxford Economics, OECD.

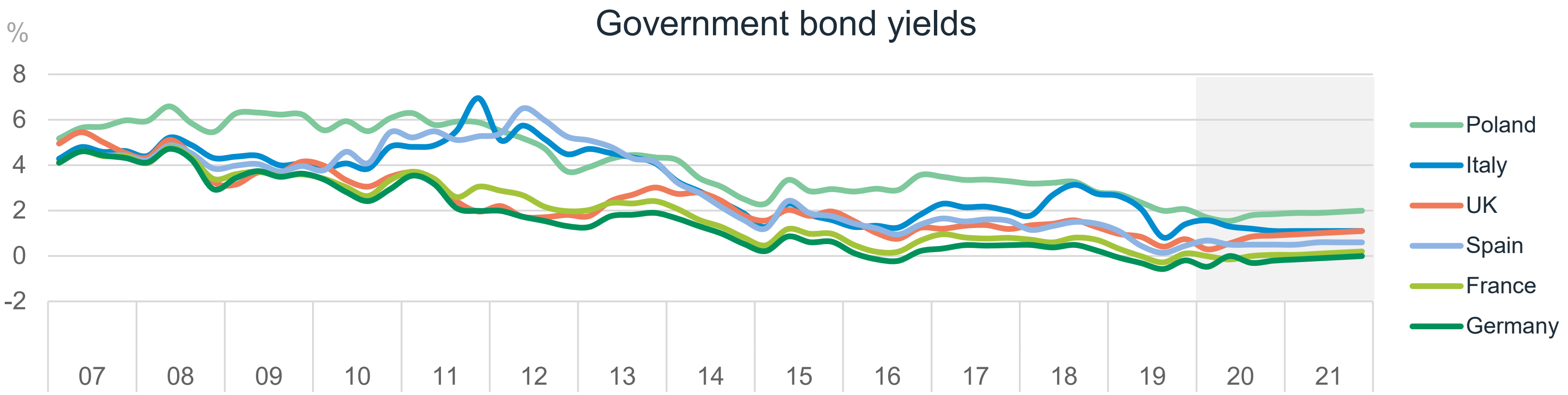
- We have lowered our growth forecasts from our already sober assessment in early April and now expect a somewhat shallower recovery. Our base case is for a 3.3% contraction in global GDP this year to be followed by a bounceback to 5.4% growth next year, compared with our previous forecasts of −2.5% and 5.6%, respectively.
- GDP data in Q1 have been broadly in line with our expectations. Where imposed, lockdown measures have resulted in a drag on activity of 0.5–1pp of GDP a week, with the precise figure varying across countries on account of the stringency of the measures and the structural features of different economies. For Q2, we continue to expect an unprecedented contraction in GDP. In most economies, we think GDP falls will be in double-digit figures.
- Taking guidance from the experience in China, the second half year should see an improvement in activity, which should be helped by the huge support measures which are being taken.
- The Covid-19 pandemic has not only caused a huge drop in demand and activity, it has also caused a jump in forecast uncertainty. As a result, risks remain predominantly skewed to the downside.

ECONOMIC OUTLOOK

ECONOMIC AND FINANCIAL INDICATORS





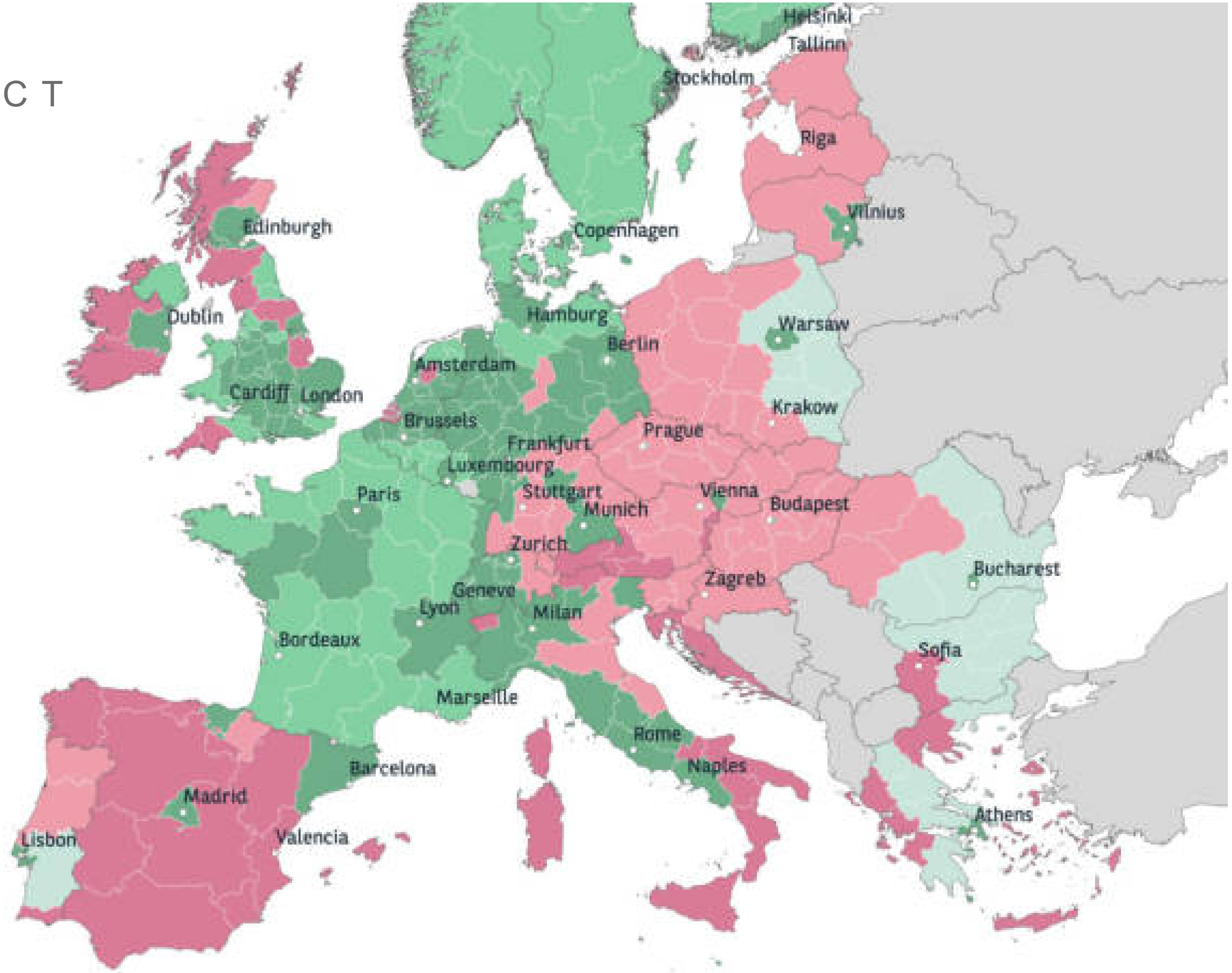


Sources: BNP Paribas Economic Research, Oxford Economics, OECD.

- 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 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 the Eurozone, the ECB has taken considerable measures to inject liquidity by starting and subsequently extending a temporary Pandemic Emergency Purchase Programme, expanding the range of eligible assets under the corporate sector purchase programme (CSPP) to non-financial commercial paper and by easing the collateral standards by adjusting the main risk parameters of the collateral framework. More is to be expected should circumstances require. These measures should also keep a lid on sovereign bond spreads.

COVID-19: EMPLOYMENT CLUSTERING ACROSS EUROPE

RISK CLASSIFICATION BASED ON COVID-19 IMPACT



Sources: BNP Paribas Real Estate Research, Eurostat.

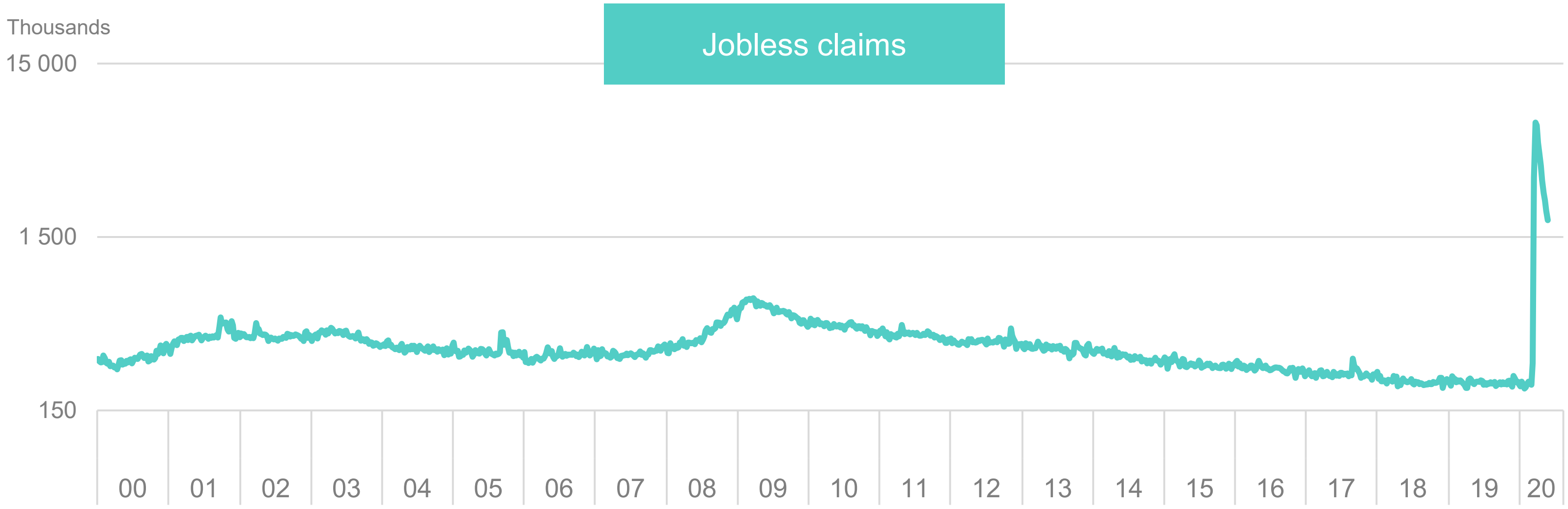
EMPLOYMENT OUTLOOK

THE IMPACT OF COVID-19 ON EMPLOYMENT

Sources: BNP Paribas Real Estate Research, Eurostat.

- Persistently high uncertainty will likely lead to higher household savings and discourage investment. Some sectors, such as tourism and other recreational activities, will be particularly penalised, as consumers will probably remain wary of crowded public places.
- Finally, while bold, the policy measures undertaken to 'freeze' the economy by reducing the impact of the shock on the cash flows of households and businesses are likely to limit but not fully prevent an adjustment in supply. The staggered nature of policy creates potential 'cliff edge' effects on activity and employment, and uncertain future support amid lower revenues might also weigh on sentiment. Despite the support, some corporates will probably go out of business and the unemployment rate rise sharply.
- However, as the economic shock should be short lived, we expect unemployment to decrease again in 2021 as confidence will bounce back.
- Some risks remain and we may see potentially persistent behavioural changes and structural shifts, impacting the global value supply chain and employment.

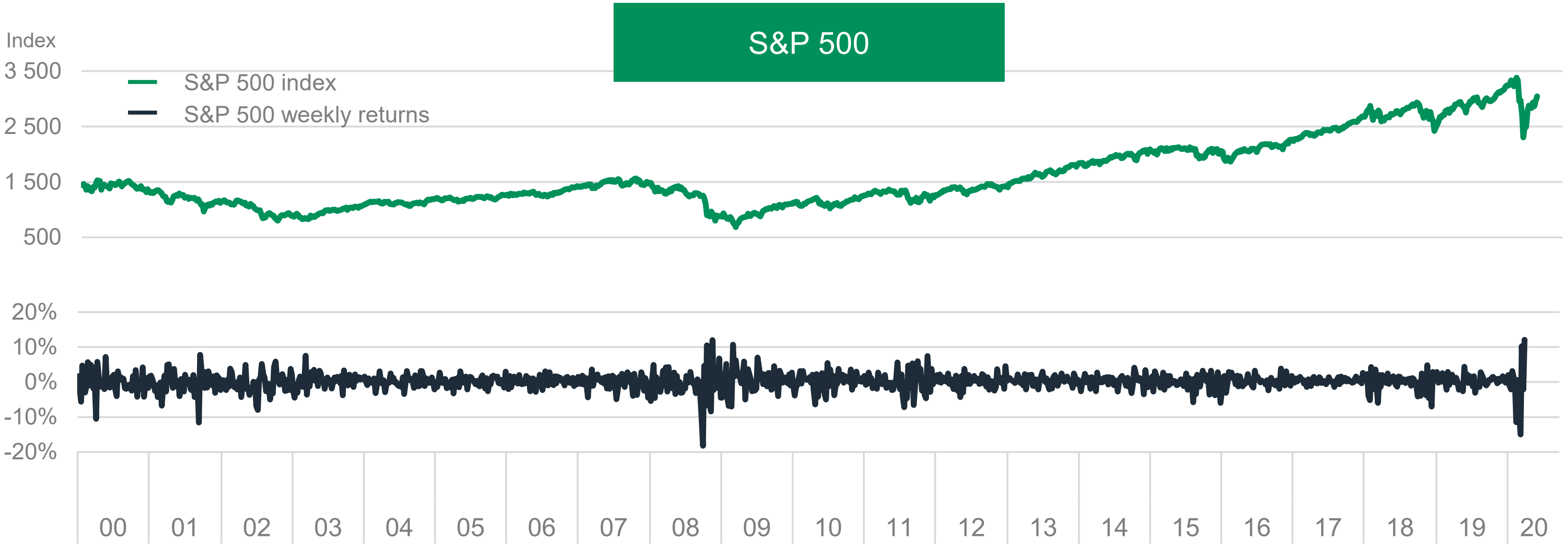
A REBOUND OF THE US ECONOMY?

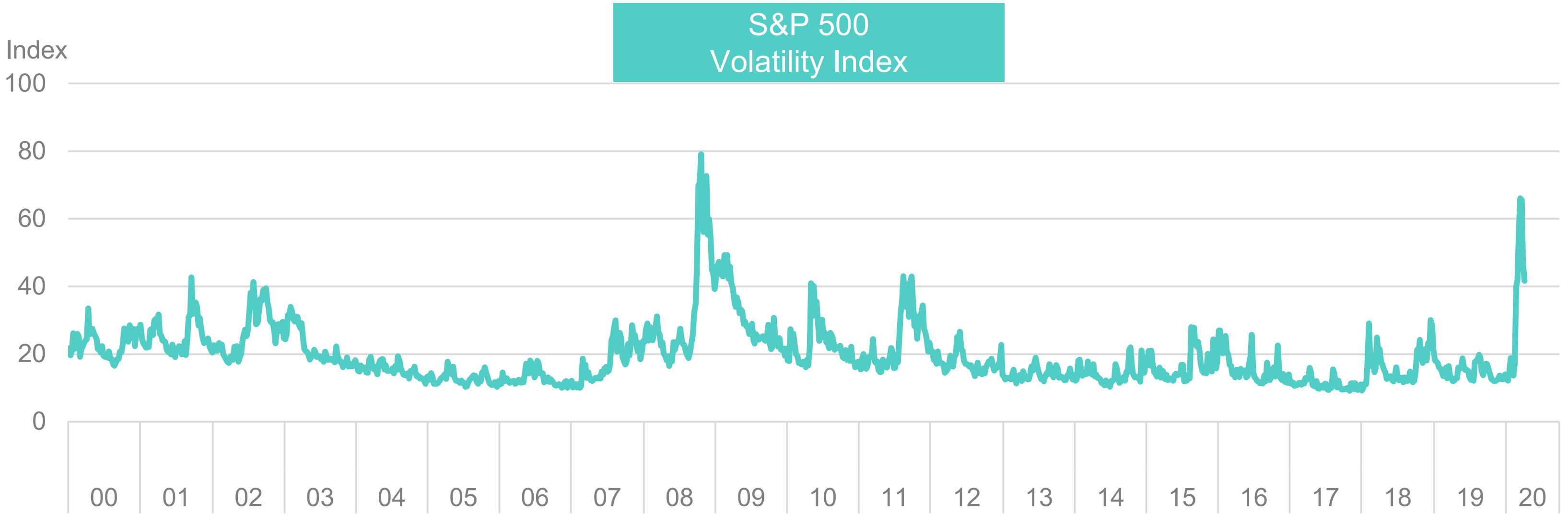


- Employment growth has been positive since the 2008 economic crisis for all sectors. Although on a positive trend, the manufacturing sector has never recovered from the slowdown and its level is still way below 2008.
- During the 2008 crisis, around 9 million people lost their jobs. 50% of the job cuts 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.
- In the US, the unemployment rate has been allowed to increase in response to the shock but the unemployed compensated, for a time, by the government.
- Jobless claims have then been rocketing for the past eleven weeks as more than 42 million people filed claims over the period. This is a record high and shows what happened in the country.
- However, the most recent data available are already showing a decrease of the unemployment rate in May. This dynamic is very positive for the American economy and the trend will mainly depend on the evolution of the epidemics and of consumer confidence.

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

LESS UNCERTAINTIES IN FINANCIAL MARKETS





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

- 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. The Covid-19 shock has lasted 5 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 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. Volatility in the financial market seems now to decrease.

ECONOMIC BASELINE SCENARIO

SLOWER FOR LONGER

GDP Growth & Inflation	GDP Growth			Inflation		
	2019	2020 e	2021 e	2019	2020 e	2021 e
United States	2.3	-6.6	5.8	1.6	1.2	2.2
Japan	0.7	-5.0	2.1	0.5	-0.2	-0.2
United Kingdom	1.4	-8.8	5.4	1.8	0.7	1.7
Euro Area	1.2	-9.2	5.8	1.2	0.2	1.2
Germany	0.6	-6.0	5.3	1.4	0.5	1.4
France	1.2	-11.1	5.9	1.3	0.3	1.3
Italy	0.2	-12.1	6.1	0.6	*	*
Spain	2.0	-12.5	6.3	0.7	-0.2	1.3
China	6.1	2.5	8.1	2.9	3.1	2.0
India	6.1	2.7	5.2	3.0	3.8	3.5
Brazil	1.1	-7.0	4.0	3.7	2.5	3.0
Russia	1.3	-6.5	3.5	4.3	3.3	3.5

Source: BNP Paribas Economic Research.

- While our central case is underpinned by a similar story across all the main economies, the extent of the downward correction and the speed of the subsequent recovery vary.
- In the United States, the economy is increasingly impacted by the spreading of the coronavirus. However, the most recent data already showed a strong improvement regarding employment. Now, the near term prospects depend on how the epidemic evolves.
- In China, activity has been recovering gradually since March, though more rapidly on the supply side and in the industry than on the demand side and in services. Risks are still significant and are due to the vulnerability of the Chinese manufacturing sector to global trade weakening and US protectionism.
- In Europe, we are expecting a significant divergence across countries. Recent data suggest the German economy is weathering the shock somewhat better than other economies. In Italy and Spain, not only is the initial impact deeper than the average, but the recovery is also somewhat slower in our estimates. This partly reflects some structural features of the two economies. In both economies, for example, activity linked to tourism represents a considerable proportion of overall GDP.
- We expect the extent and effectiveness of the policy response to be greater in the US and the UK than in the Eurozone, on account of the more coordinated approach between the monetary and fiscal policymakers and constraints on fiscal policy in the Eurozone.
- **Forecasts are entirely dependent on the scenario which is assumed for the epidemic.**

STATE SUPPORT SCHEMES

FISCAL IMPULSE, TAX AND BANKING MEASURES

Fiscal impulse
(Government spendings and loss of revenues)

Tax postponements/cancellation

Liquidity and guarantee measures
(Export guarantees, liquidity assistance, credit lines)

UK
£105 bn
£41 bn
£330 bn

GERMANY
€456.5 bn
€251 bn
€932.5 bn

NETHERLANDS
€29.7 bn
€64 bn
€26.6 bn

FRANCE
€88 bn
€300 bn
€336 bn

PORTUGAL
€5.2 bn
€23.3 bn
€11.7 bn

SPAIN
€28.6 bn
€10.7 bn
€114.4 bn

ITALY
€16 bn
€235.3 bn
€530 bn

BELGIUM
€3.1 bn
€13 bn
€50 bn

Source: Government announcements.

REAL ESTATE PERSPECTIVES

BNP PARIBAS REAL ESTATE

REAL ESTATE PERSPECTIVES

COMMERCIAL REAL ESTATE
INVESTMENT MARKETS

BNP PARIBAS
REAL ESTATE

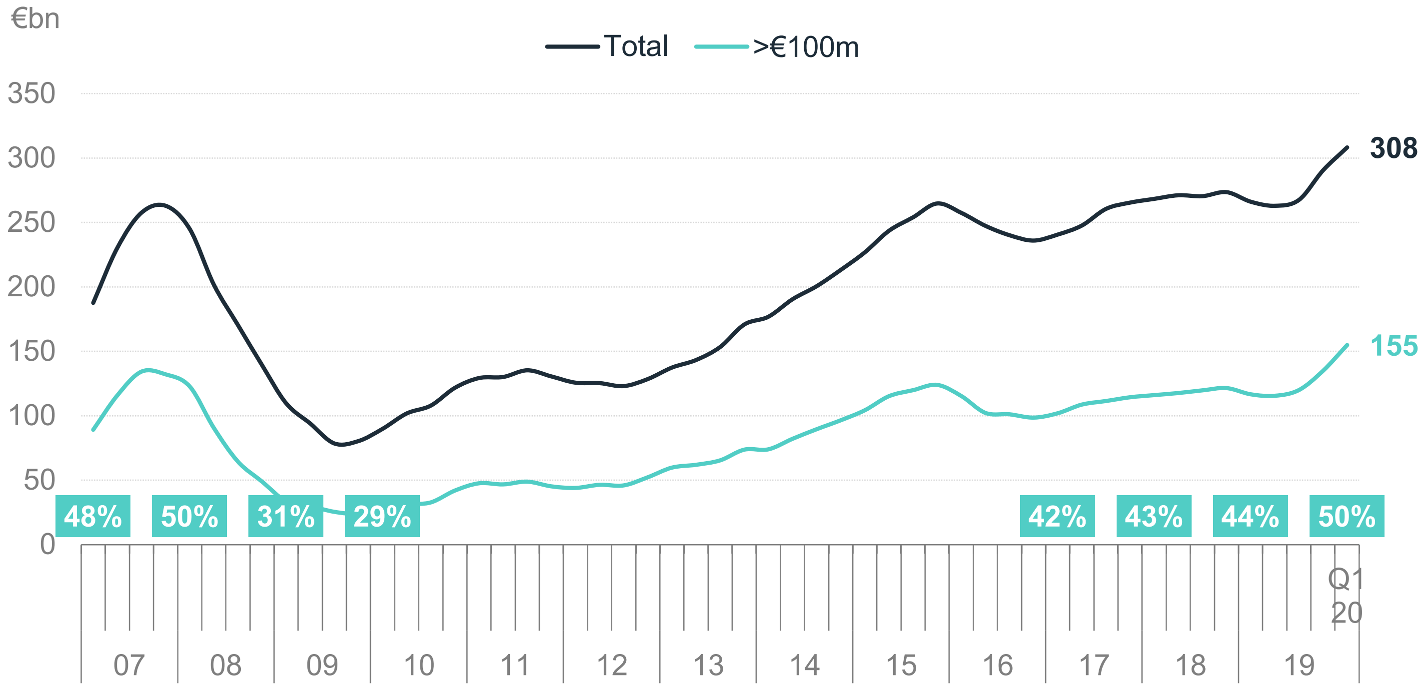
CAPITAL MARKET INSIGHT

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

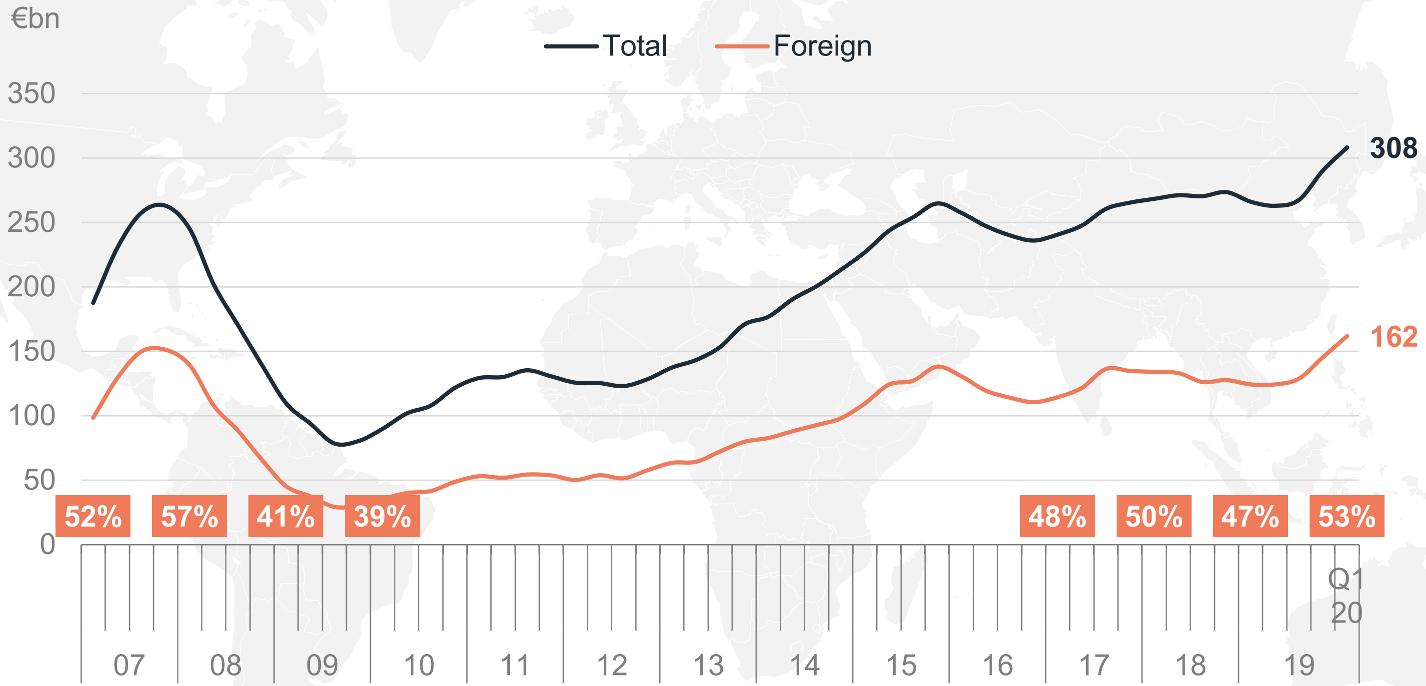


CAPITAL MARKET INSIGHT

CROSS-BORDER INVESTMENT MARKET

- **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, reduction in cross-border deals in 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.

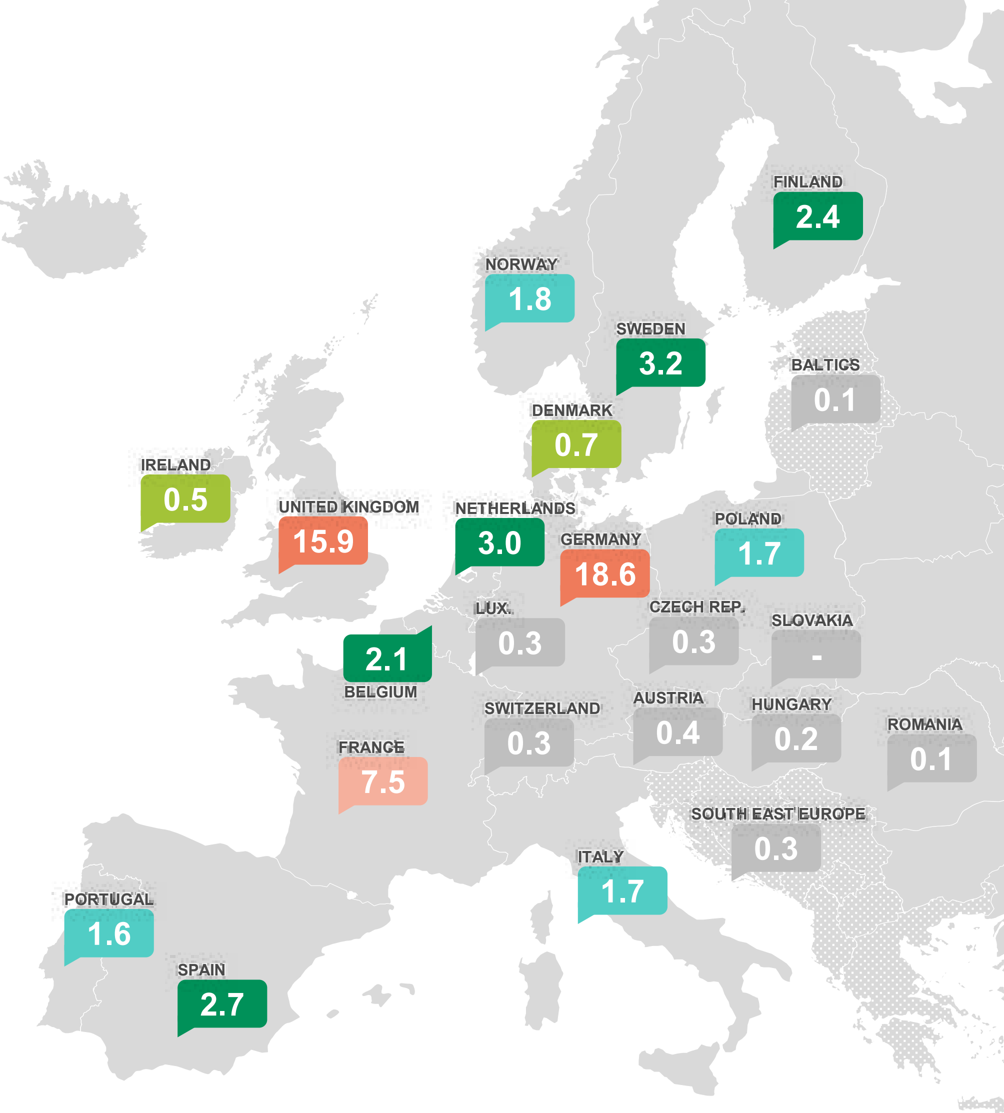
COMMERCIAL REAL ESTATE INVESTMENT IN EUROPE
TOTAL AND FOREIGN INVESTMENT - VOLUME AND SHARE



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.

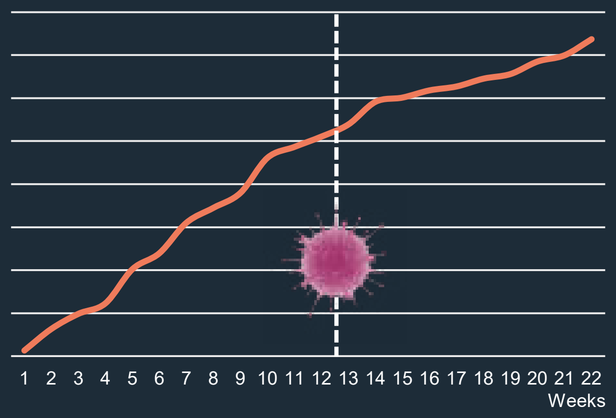
EUROPE – Q1 2020

€66.2bn

+37% vs Q1 2019

- After record year in 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.

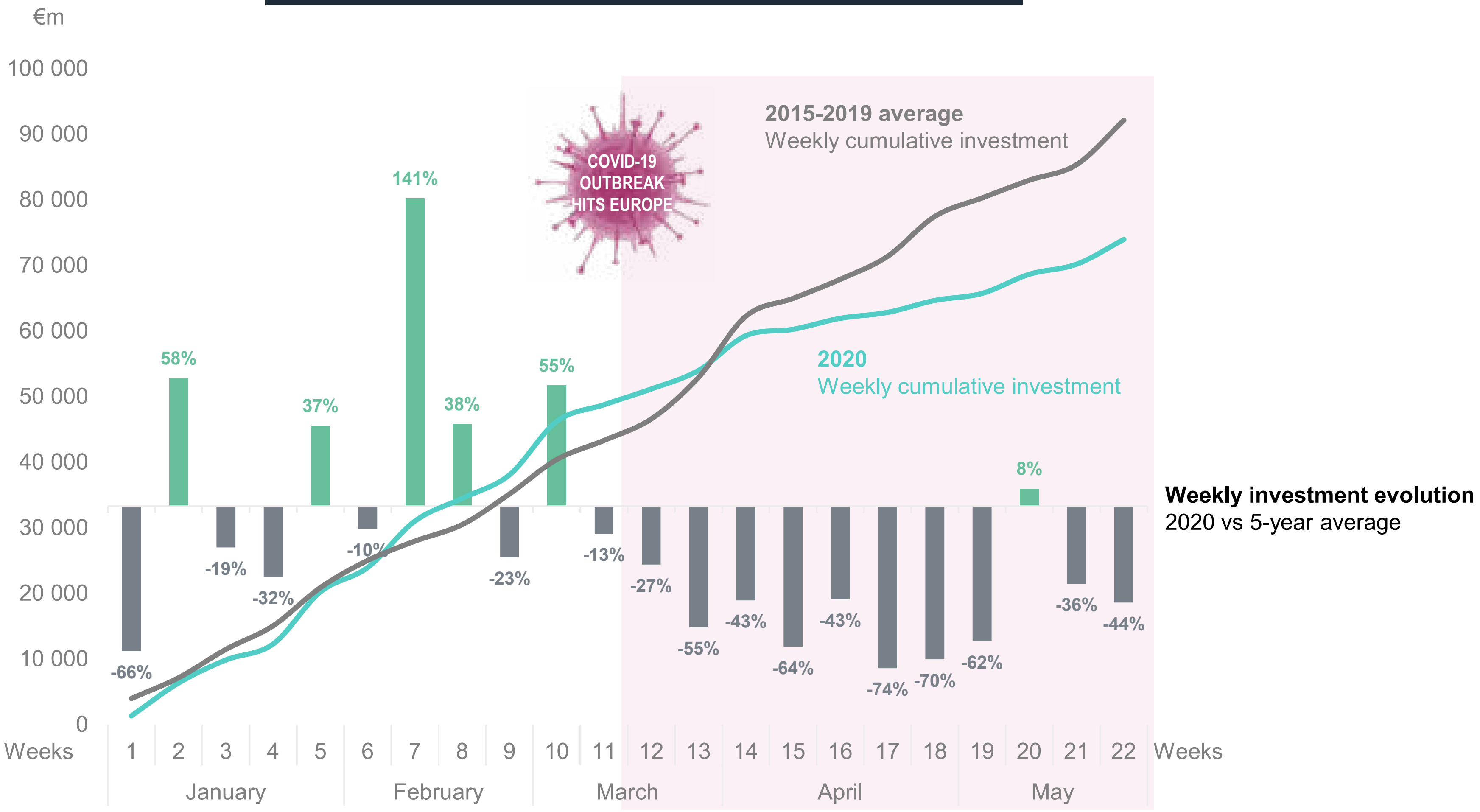
Cumulative CRE investment in Europe in 2020



CAPITAL MARKET OUTLOOK

DOWNTURN IN INVESTMENT ACTIVITY

COMMERCIAL REAL ESTATE INVESTMENT IN EUROPE

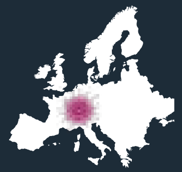


Source: BNP Paribas Real Estate, RCA.

As anticipated, the Covid-19 pandemic has impacted investment strongly

- 2020 got off to a flying start with a record Q1 total, 37% over Q1 2019.
- **The Covid-19 pandemic hit Europe in force over March and broke this dynamic.** By the end of the month, most European countries had taken restrictive measures such as borders closing, business closures, population lockdowns, etc. that reduced dramatically the possibility for investors to close deals.
- The impact on investment was immediate**. From mid-March to end of May, the activity reduced significantly** throughout Europe. **On average the market dropped by 44% vs 2019**, and -48% vs 2015-2019 average.
- **During May, the loss of activity seems to have reduced, perhaps due to the easing of lockdowns in most European countries in late April and May**, except for the United Kingdom. But the consequences of the pandemic are ongoing as travel restrictions are still operational.

COMMERCIAL REAL ESTATE INVESTMENT



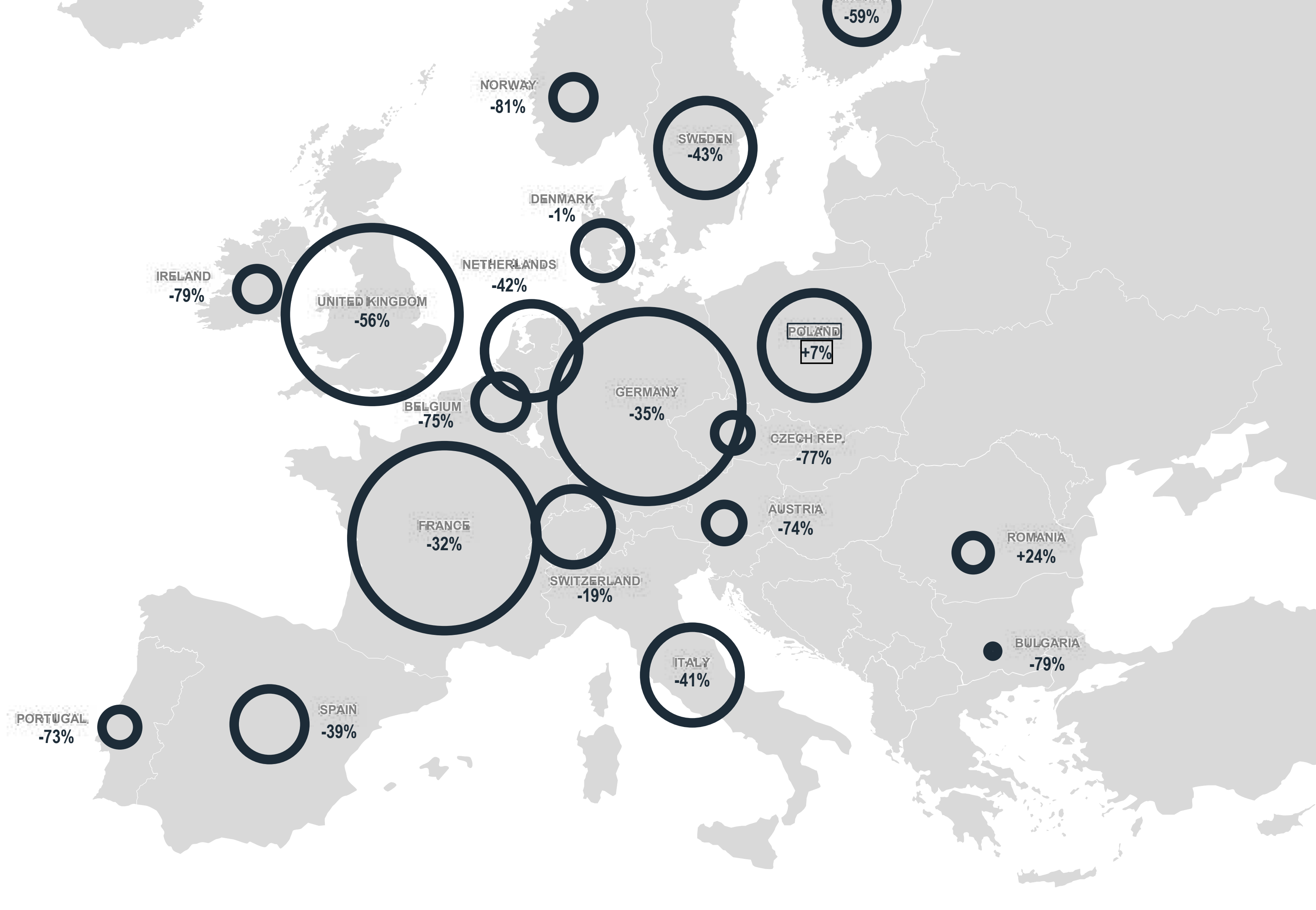
EUROPE – 16/03 to 31/05 2020

-44%

vs 16/03 to 31/05 2019

- Looking at the investment activity from mid March until end of May 2020, it is clear that all European countries suffered the consequences of the outbreak, despite the good start in early 2020.
- All in all, **we foresee the commercial real estate investment volume in Europe reaching €160 bn for 2020 compared to €291bn in 2019, a -45% fall over one year.** Despite this drop, total volumes are likely to remain two times higher than during the 2009 global financial crisis.
- Two factors help explain the why a deeper trough is not expected for 2020. Firstly, although prices are higher in 2020 compared to 10 years ago, the current market is much less deflationary. Secondly, even though credit conditions seem to be tightening, the banking system is more solid.

Source: BNP Paribas Real Estate, RCA.



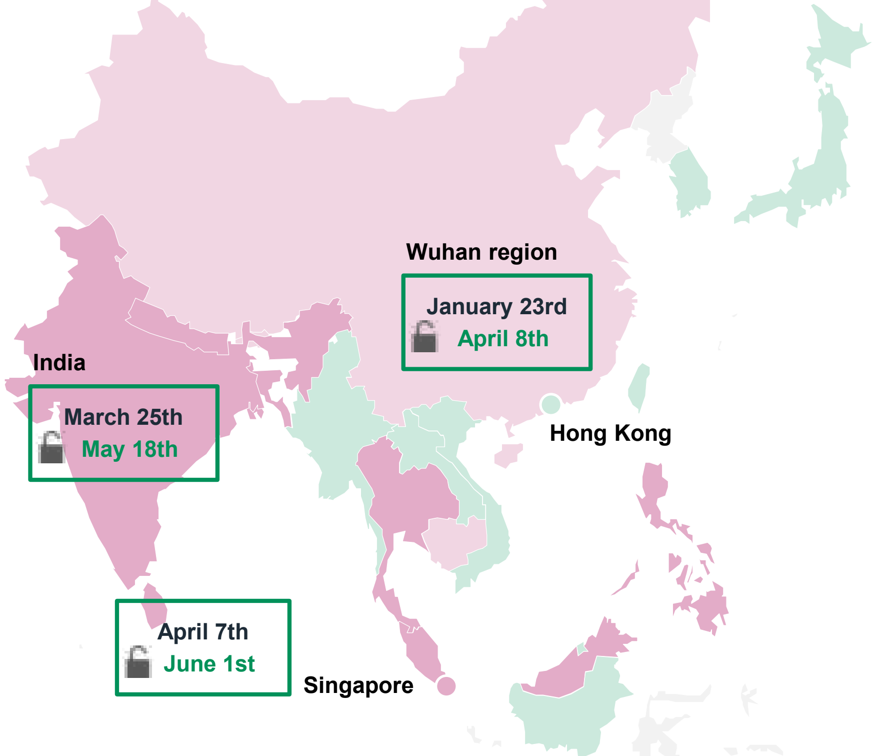
*excludes residential investment.

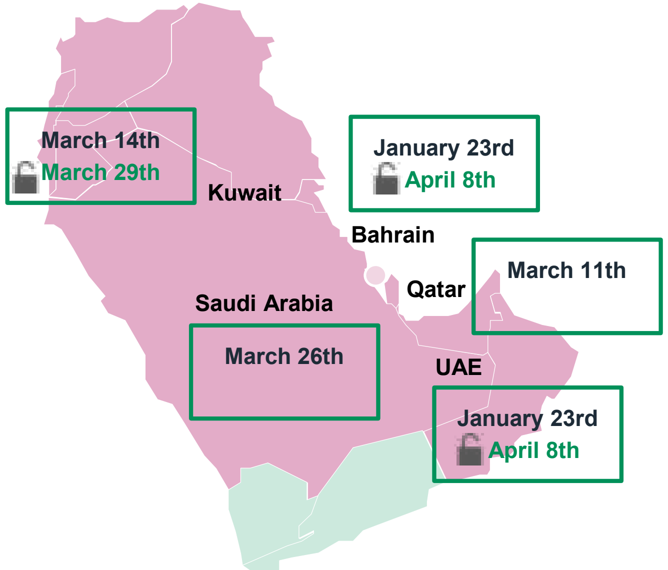
CAPITAL MARKET OUTLOOK

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 stabilising, 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

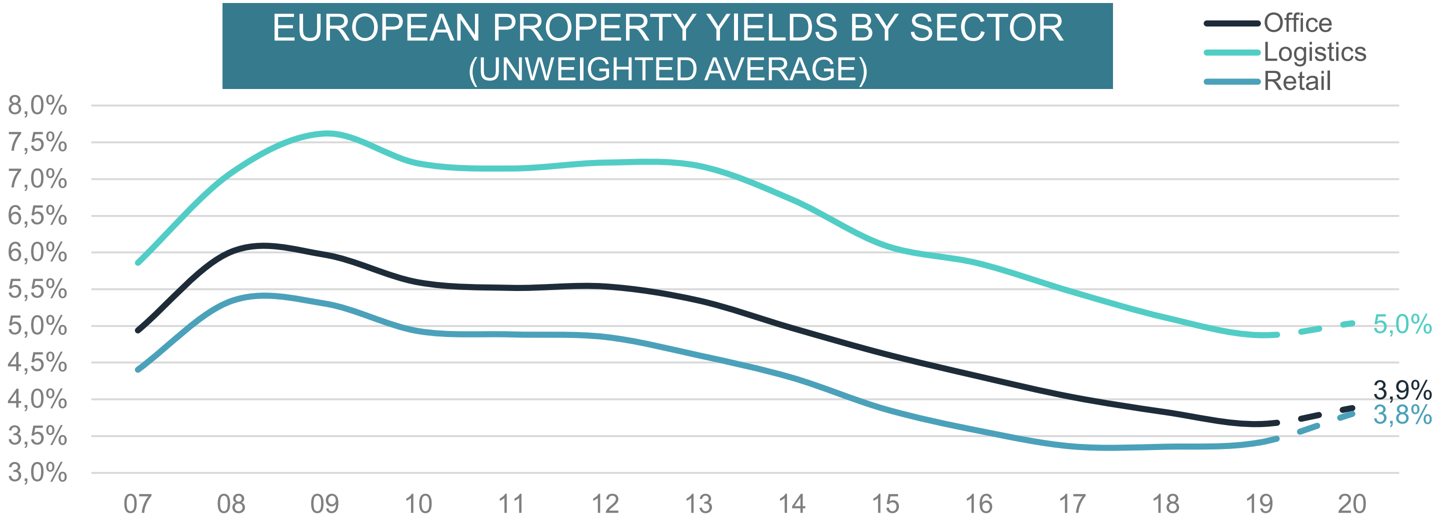
The situation in **Asia** continues to be fluid but with positive signs of improvement in various parts. Most of cities in Asia have reopened.

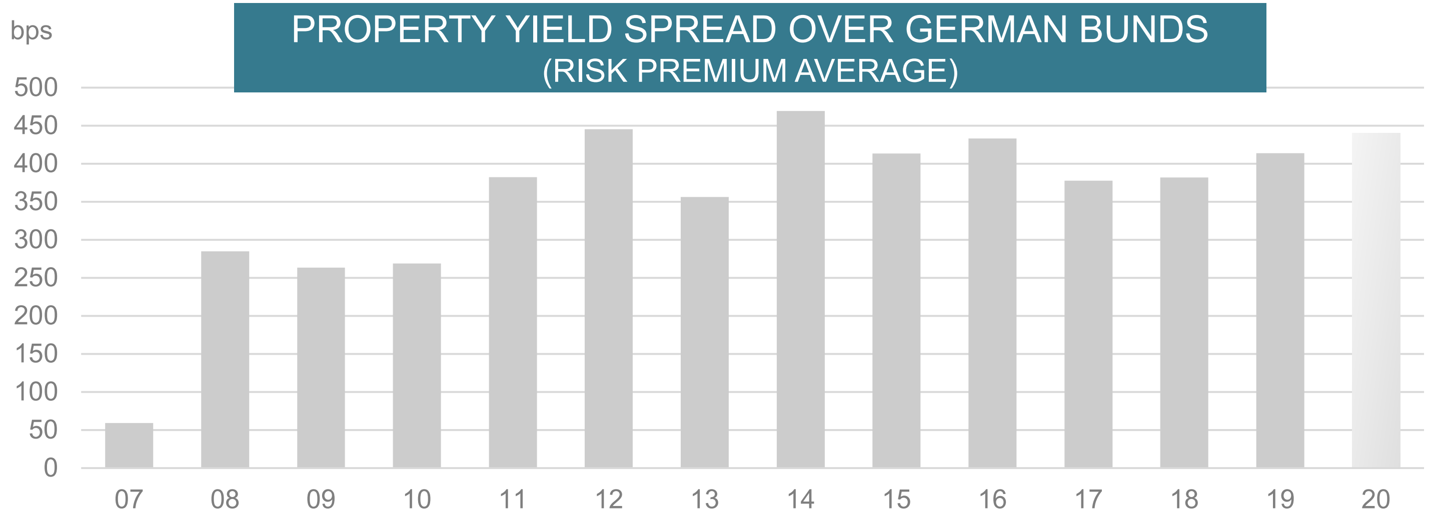
Despite the success of Asian governments of being able to control the impact of the pandemic, the economic impact on Asian business will continue to be felt for the next 12 months at least. Given the massive lay-offs and decrease in consumption, the GDP figures of Asian economies will fall to record lows.

We expect deal momentum to increase hand-in-hand with the easing of travel restrictions in Europe which will allow Asian clients to undertake technical and physical inspections of assets in Europe. This will be a turning point as the ability to inspect is one of the most crucial factors that will facilitate a return to deal making and acquisition by Asian players.

EUROPEAN PROPERTY YIELDS

RISK PREMIUM TO REMAIN ELEVATED





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

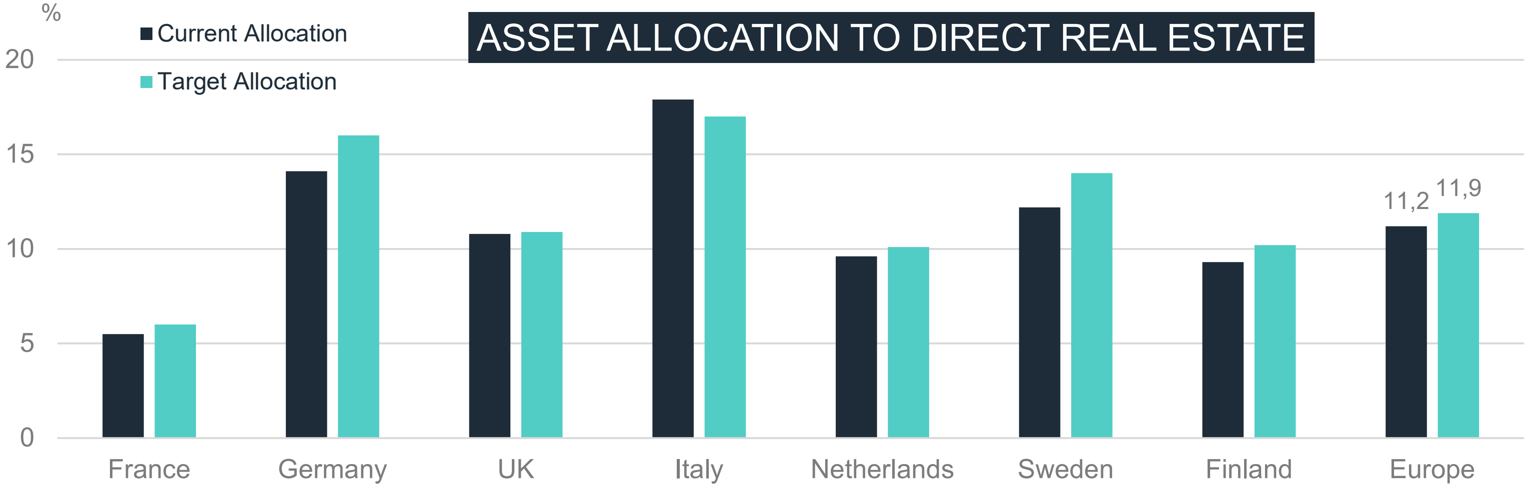
- Prime yields have now reached their lowest level on record across Europe and **before the crisis we were still expecting a further decrease in Prime yields in the core markets.**
- After the outbreak, the deteriorating outlook for the occupational markets and restrictive financing conditions means 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.**

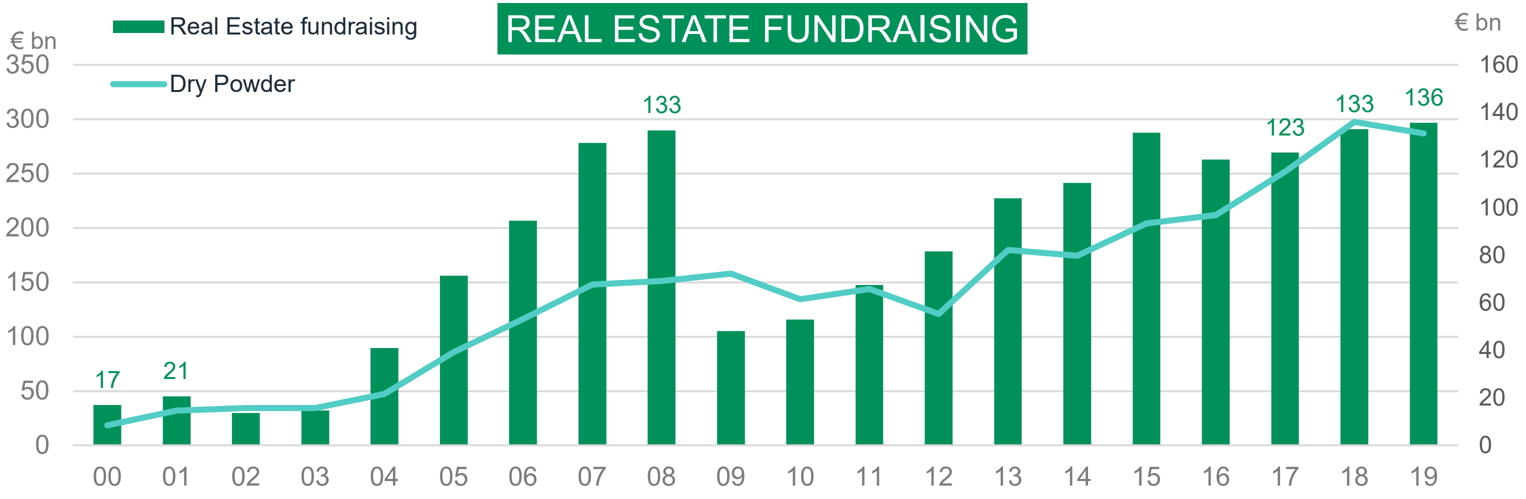
Strong occupier fundamentals to support capital markets

- 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 300bn 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.

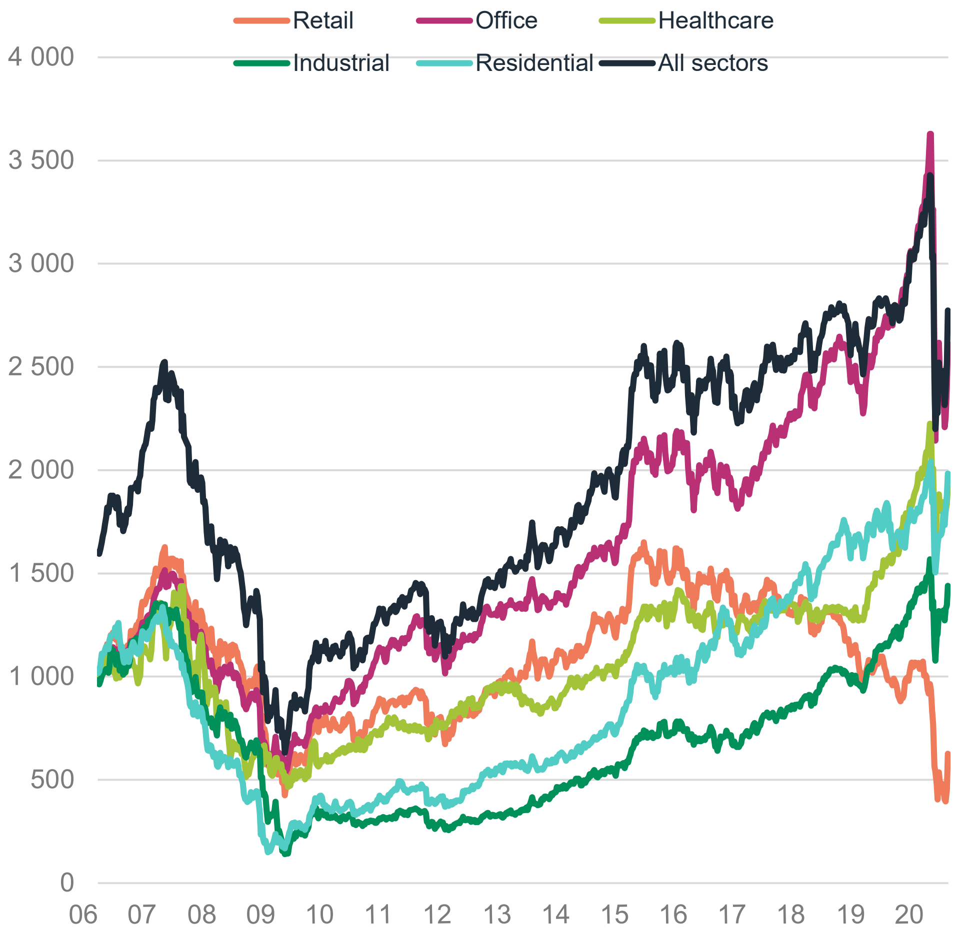
The denominator effect may disrupt the investment market

- 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

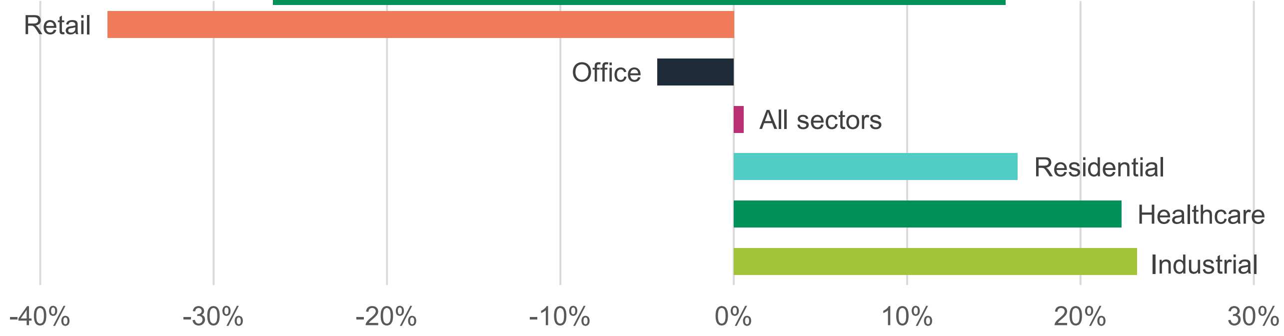
REITS TOTAL RETURN AS AN INDICATOR

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 immune 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.
- **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 are the most performing.** 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**. However, we are seeing an improvement in their total return index since Mid-May as employees come back to offices.
- **Healthcare is the second most performing sector**. This reflects the sectors crucial role in fighting the pandemic, and occupancy level in care homes holding up.

REAL ESTATE PERSPECTIVES

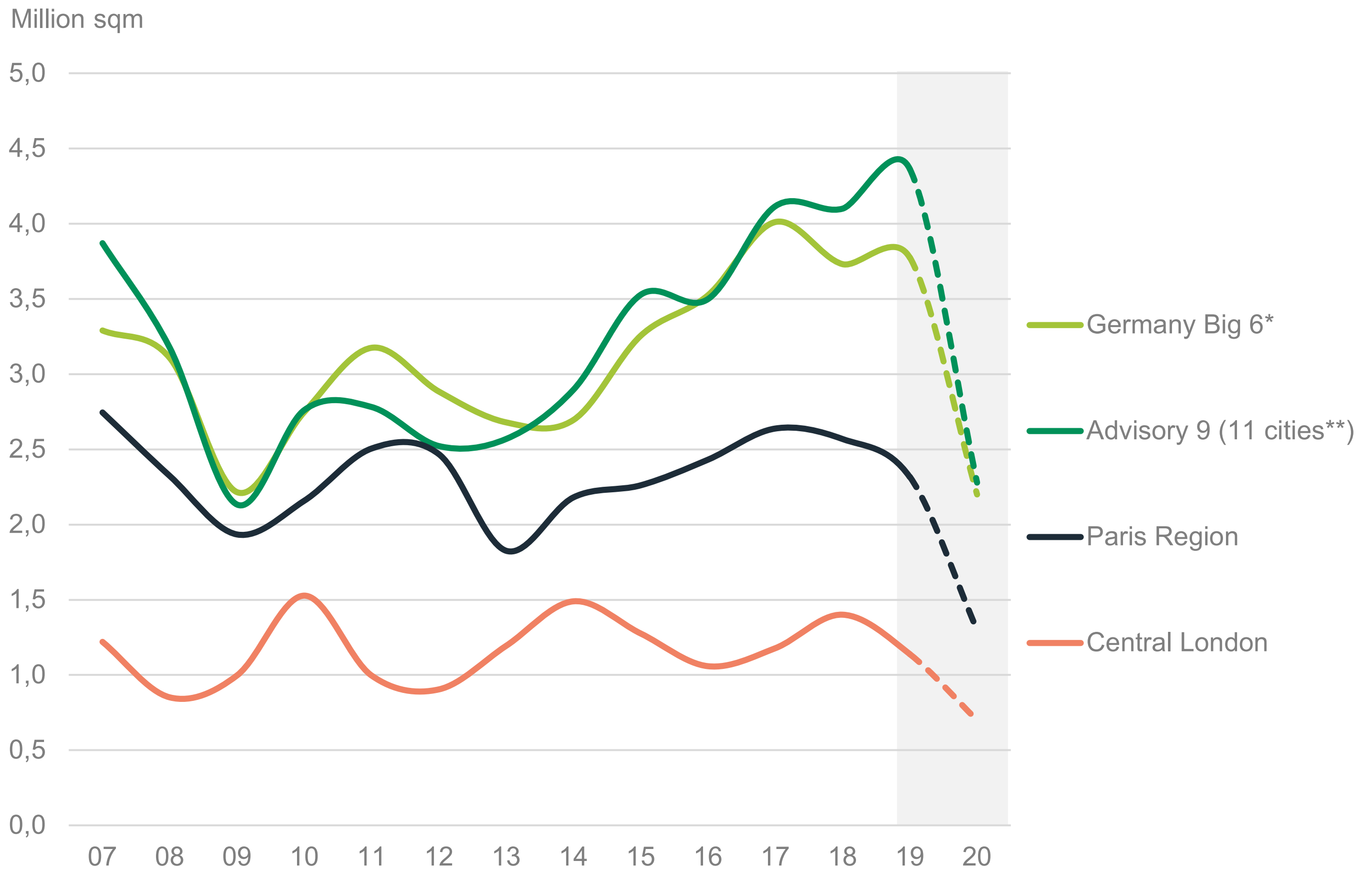
OFFICE
MARKETS

BNP PARIBAS
REAL ESTATE

OFFICE OCCUPIER MARKETS

WE SEE SIGNIFICANT FALL IN DEMAND FOR 2020

OFFICE TAKE-UP



* Berlin, Cologne, Düsseldorf, Francfort, Hambourg, Munich

** Bruxelles, Barcelone, Madrid, Dublin, Milan, Rome, Luxembourg, Amsterdam, Varsovie, Prague, Bucarest

Source: BNP Paribas Real Estate Research.

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%.**

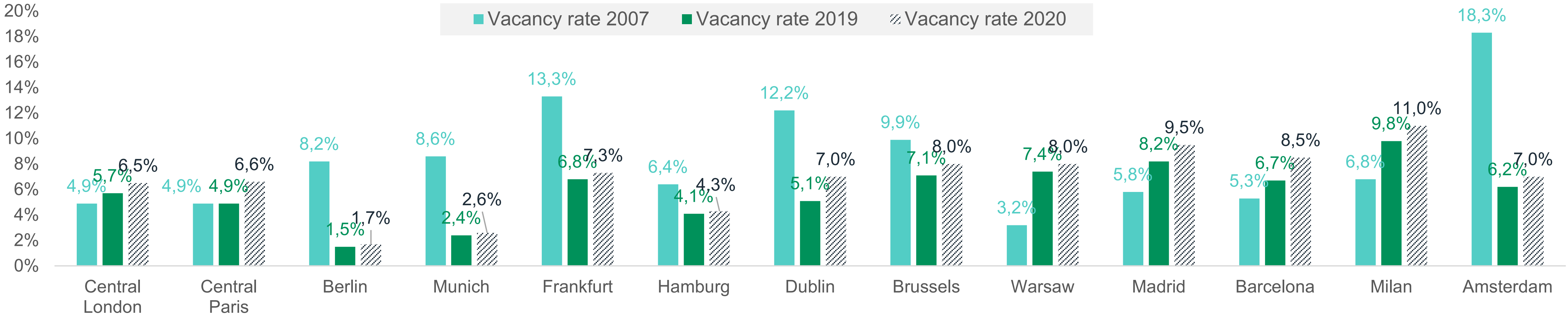
- **The fall in take-up is likely to be more severe than the peak to trough seen during the 2007 – 2009 crisis, because corporate balance sheets will be the epicentre of the current economic downturn.** This will weigh on employment growth and occupier activity. We see unemployment rate rising sharply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

- All major markets are expected to record significant decreases in take-up this year. Companies are likely to review their real estate strategy and to delay their movements. As such, take-up in Europe could decrease by 44% and activity could reach a low point in many markets.

- **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

NO OVER SUPPLY EXPECTED IN EUROPE



Controlled increase of the vacancy in most markets

- **The vacancy rate** fell continuously following the last financial crises in 2009 and **had probably reached its floor at the end of 2019**. In almost all markets, **vacancy rates at the end of 2019 were well below 5-year averages**. 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, however it should remain limited in the main markets.

- As such, we are anticipating a 80 bps increase in vacancy in Central London. Central Paris should see vacancy growing by 170 bps, however the situation differs between submarkets with Paris Inner City likely to stay extremely low. Likewise, the increase in Germany is expected to stay very modest. Indeed, German markets have been at historic lows and can easily absorb the increases in vacancy. Supply increases should remain under control in Madrid and Milan (+130 bps) even though these two cities were among the hardest hit by the pandemic, since speculative construction is not a feature of both markets.

- Moreover, excess construction and higher vacancy were features of the market at the end of 2007; a situation not present at the end of 2019. In contrast to 2007, most city markets today are pre-let led in Europe and fewer pure speculative schemes are in development.

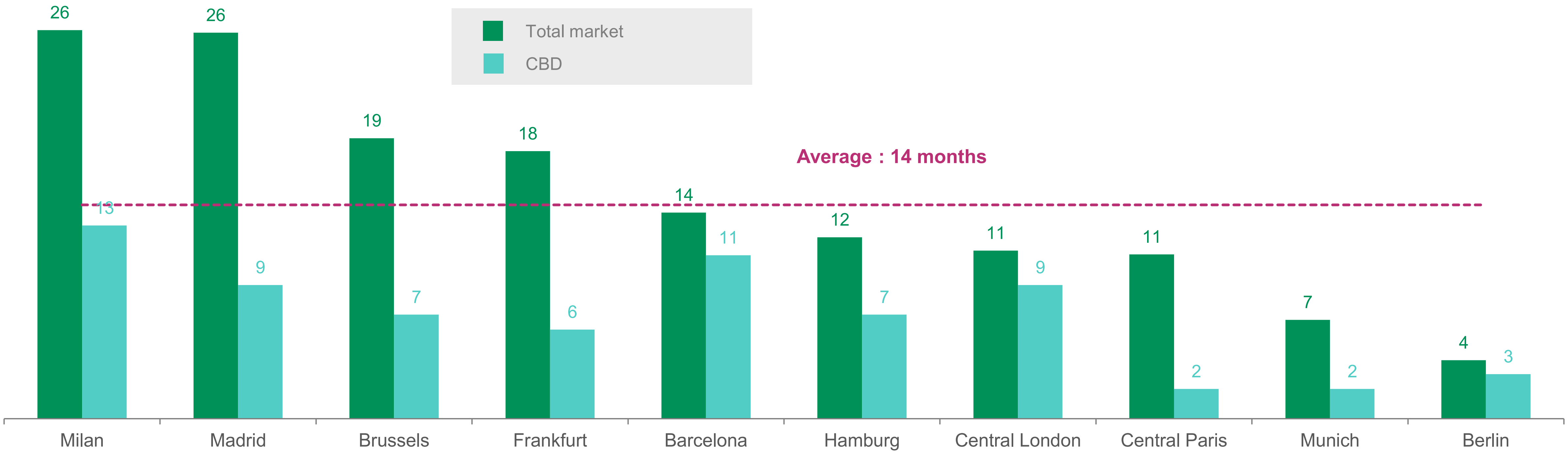
- Additionally, due to the current situation, **those speculative schemes that do exist might be postponed, even cancelled,** until the market gets back to normal.

- Consequently the rise in vacancy should remain limited for years to come although the situation will vary a lot at city level throughout Europe.

Source: BNP Paribas Real Estate Research.

IMMEDIATE SUPPLY VS. OFFICE TAKE-UP

TIME FOR SUPPLY TO BE ABSORBED* (IN MONTHS)



Supply exhaustion rates vary across Europe

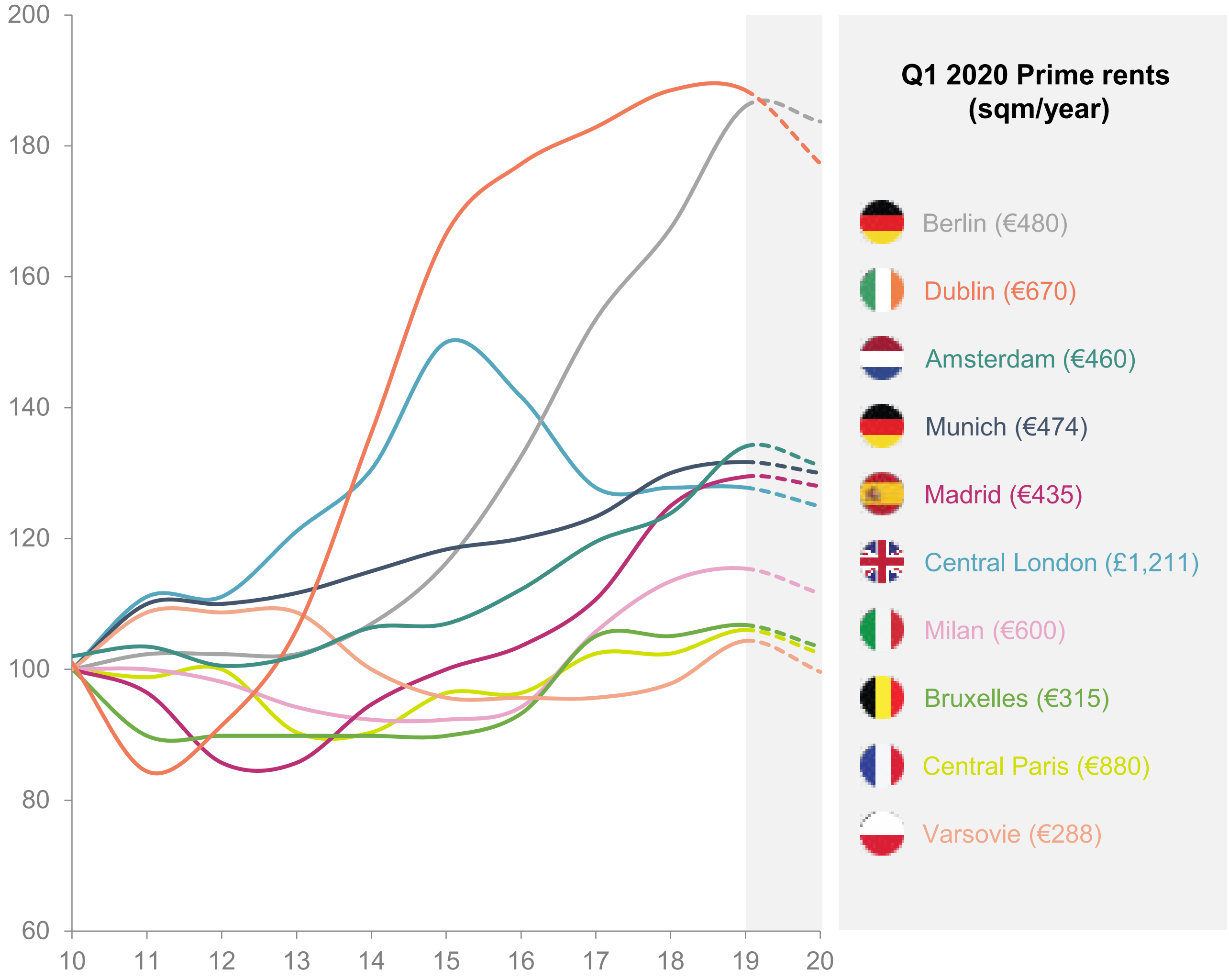
- At the end of Q1 2020, an average of 14-months was necessary for supply to be absorbed in Europe. However, the situation is very different depending on the market and on the submarket.
- All CBDs in Europe are experiencing a shortage of supply. The new projects and the space potentially released in the wake of the current crisis should have no difficulty being let, albeit with slight pricing adjustments.

Source: BNP Paribas Real Estate Research.

* Immediate supply as of April 1st 2020 / average annual take-up Q1 2017 – Q1 2020.

OFFICE OCCUPIER MARKETS

PRIME RENTS SHOULD RESIST



Source: BNP Paribas Real Estate Research.

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.**

Very few changes in rents expected especially in CBDs

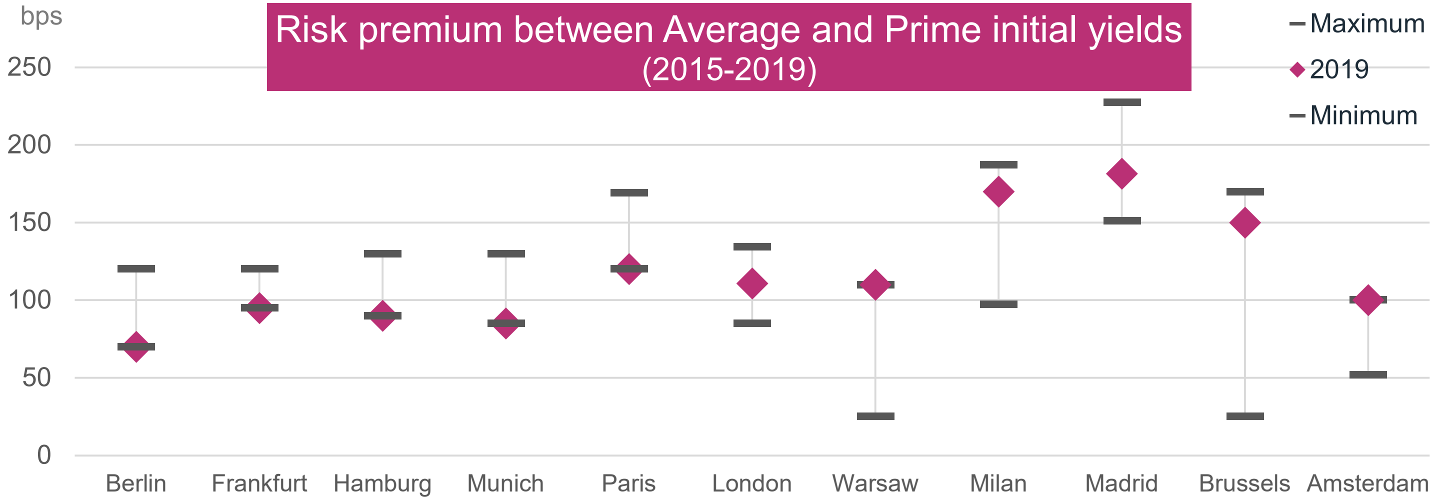
- Prime rental values are unlikely to be greatly affected by the crisis. We are only expecting a 1 to 3% decrease.
- Even though the CBDs should maintain high rental values, **the slowdown in take-up expected in the wake of the epidemic is likely to drive the average rents downward in the districts where 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.

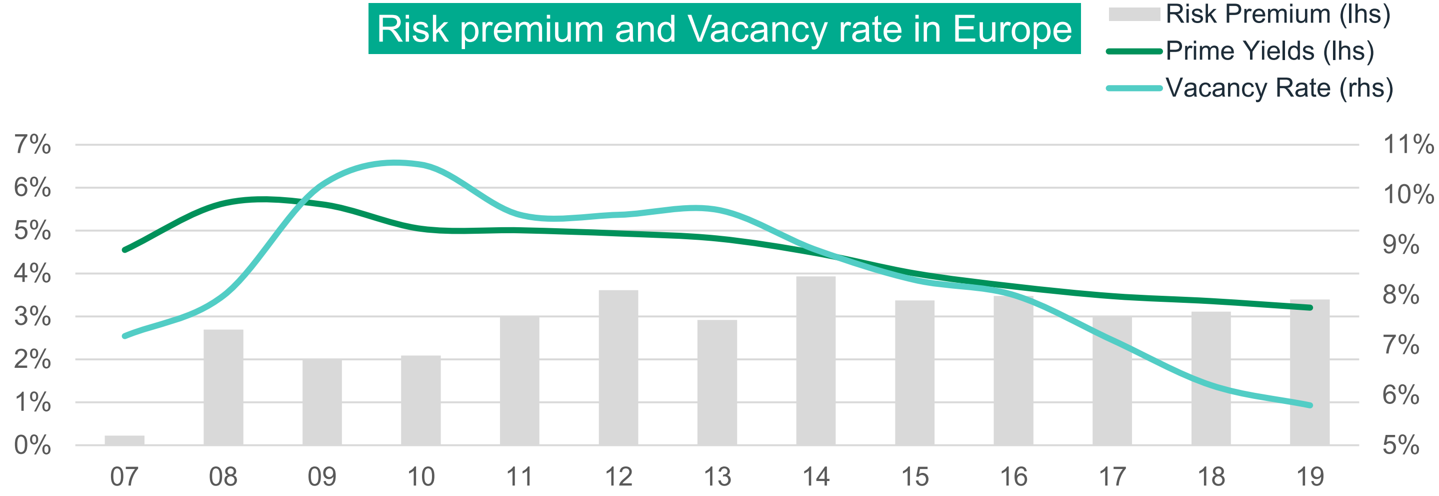
Likely upward pressures on incentives

- 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 Research.

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

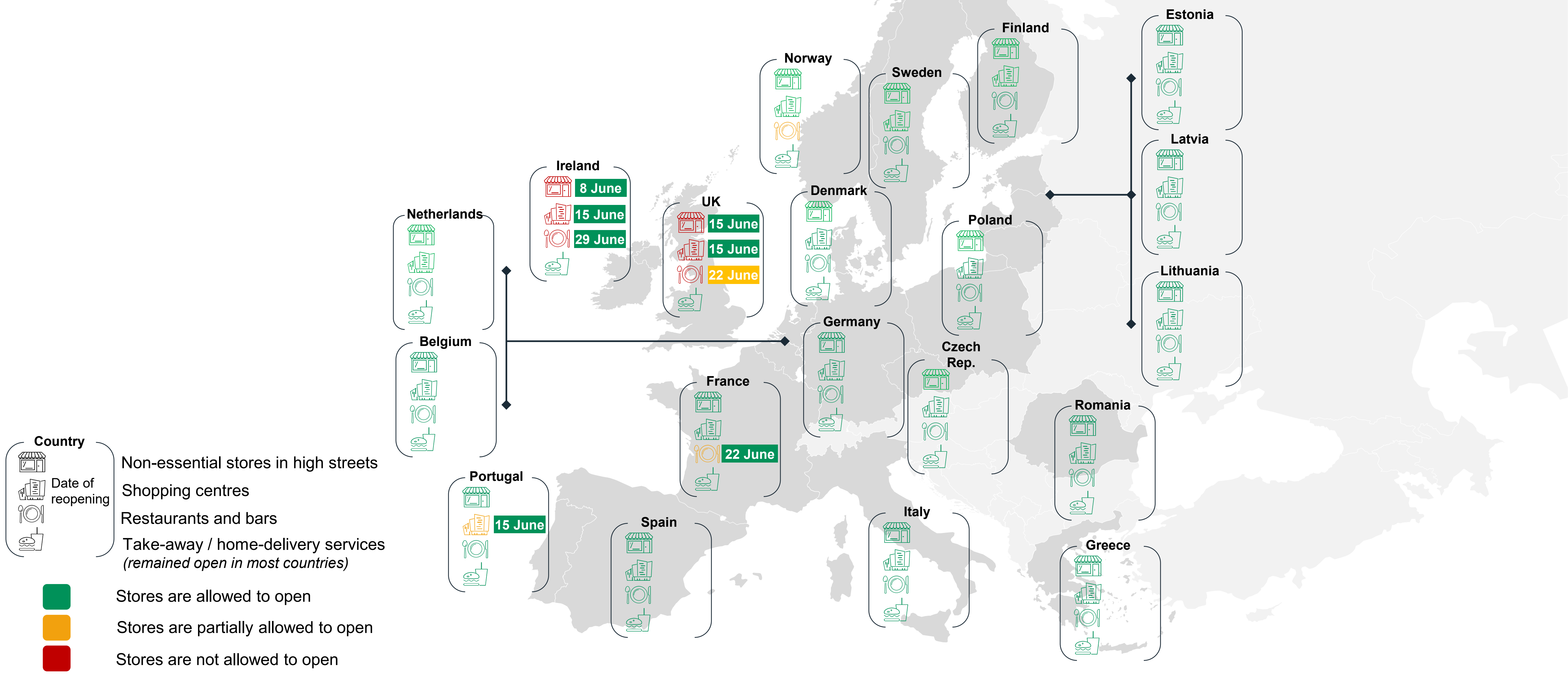
RETAIL
MARKETS

BNP PARIBAS
REAL ESTATE

RETAIL REOPENINGS ACROSS EUROPE

As of June 10th

RETAIL ACTIVITIES RESTART OVERALL ACROSS EUROPE



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 has resumed 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.

- We are observing in the first days of reopening that a lower footfall is not systematically compensated by higher spending since it strongly depends on the country, the retail sector and retailers as concerned. **Retailers are expecting more a U-shaped recovery** than a V-shaped recovery. **Attention is now focused on the** level of store sales and if any "revenge spending effect" or not.

Towards a "new normal"

- **Most retailers have reopened their stores** 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 sqm and social distancing rules
  - A safe queuing system for customers to enter
  - Staff safety measures
  - 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

- **Cinemas and restaurants are now reopening gradually** (or will soon be allowed to) in many European countries, albeit with restrictions. This is a significant part of the resumption of retail activity in the European shopping areas.

- Lockdown was synonymous with a move toward **local consumption** with a rise in consumers looking to support local businesses, smaller brands and independent retailers that perhaps need their business now more than ever. With a large proportion of the population still working from home, this trend **could endure if local businesses can continue to offer customers a more personalised experience that comes with shopping local.**

- 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 still 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 outbreak crisis. Furthermore, the outlet operator **McArthurGlen** initiated a plan to reduce rents with immediate effect. This **rental reduction plan** is divided into two periods : for Q2 2020, the guaranteed minimum rent, the variable rent and the promotion costs will not be due until outlet centres reopen. After the reopening, only the highest of the two values between the variable rent and the minimum guaranteed rent will have to be paid by retailers for the second half of 2020.

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**.

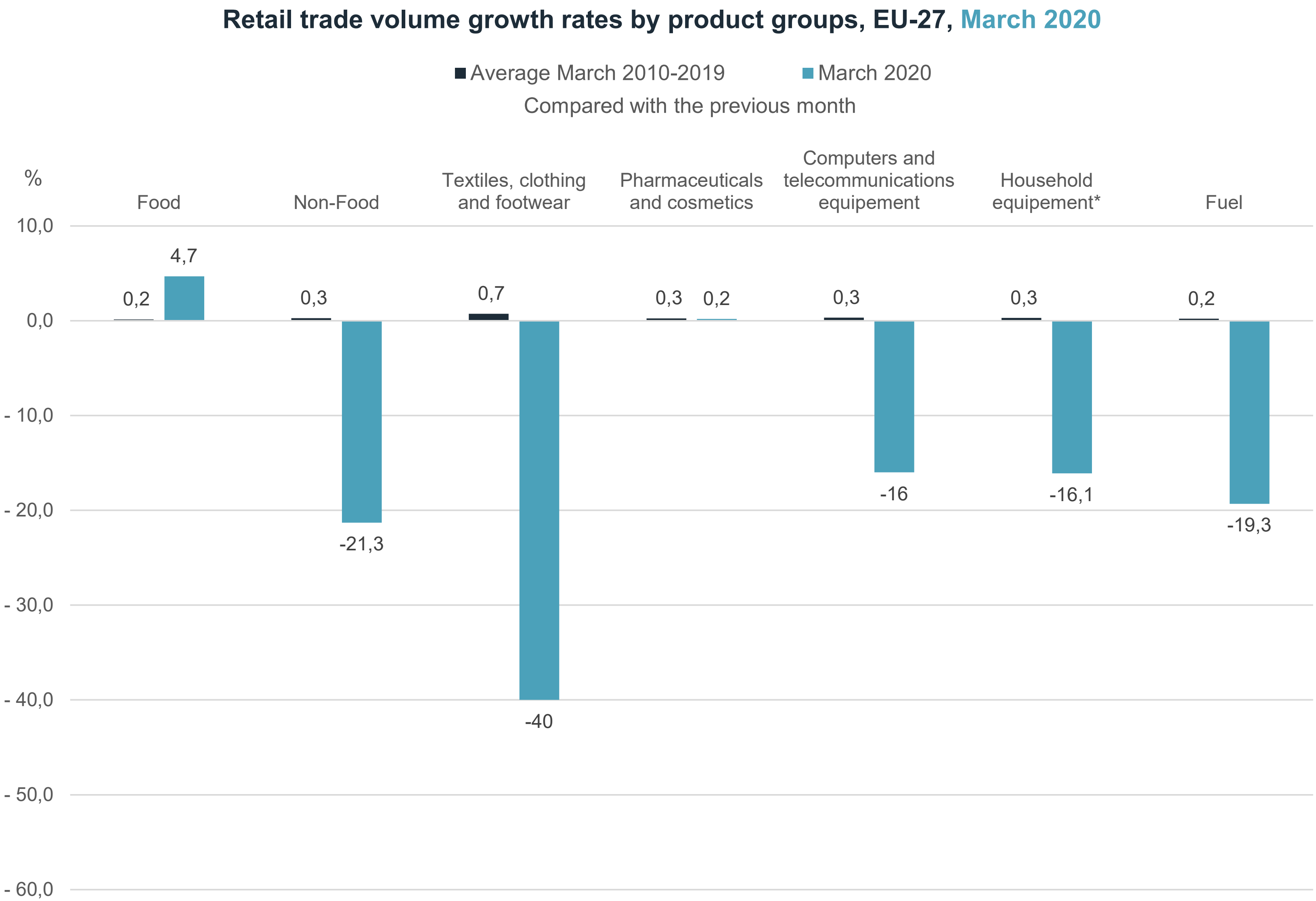
A Code of Conduct for the retail industry is a first in German history

- 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.

Towards a similar kind of Code of Conduct in France

- The **French Council of Shopping Centres** (CNCC), inspired by this Code, may adopt a rather similar kind of protocol with the possibility for **a 3 month-deferral for retailers in need, whatever their size.**

IMPACT OF COVID-19 CRISIS ON RETAIL TRADE



Retail trade volume growth rates according to product groups - average March (2010-2019) and March 2020, monthly data, seasonally adjusted – Source: Eurostat

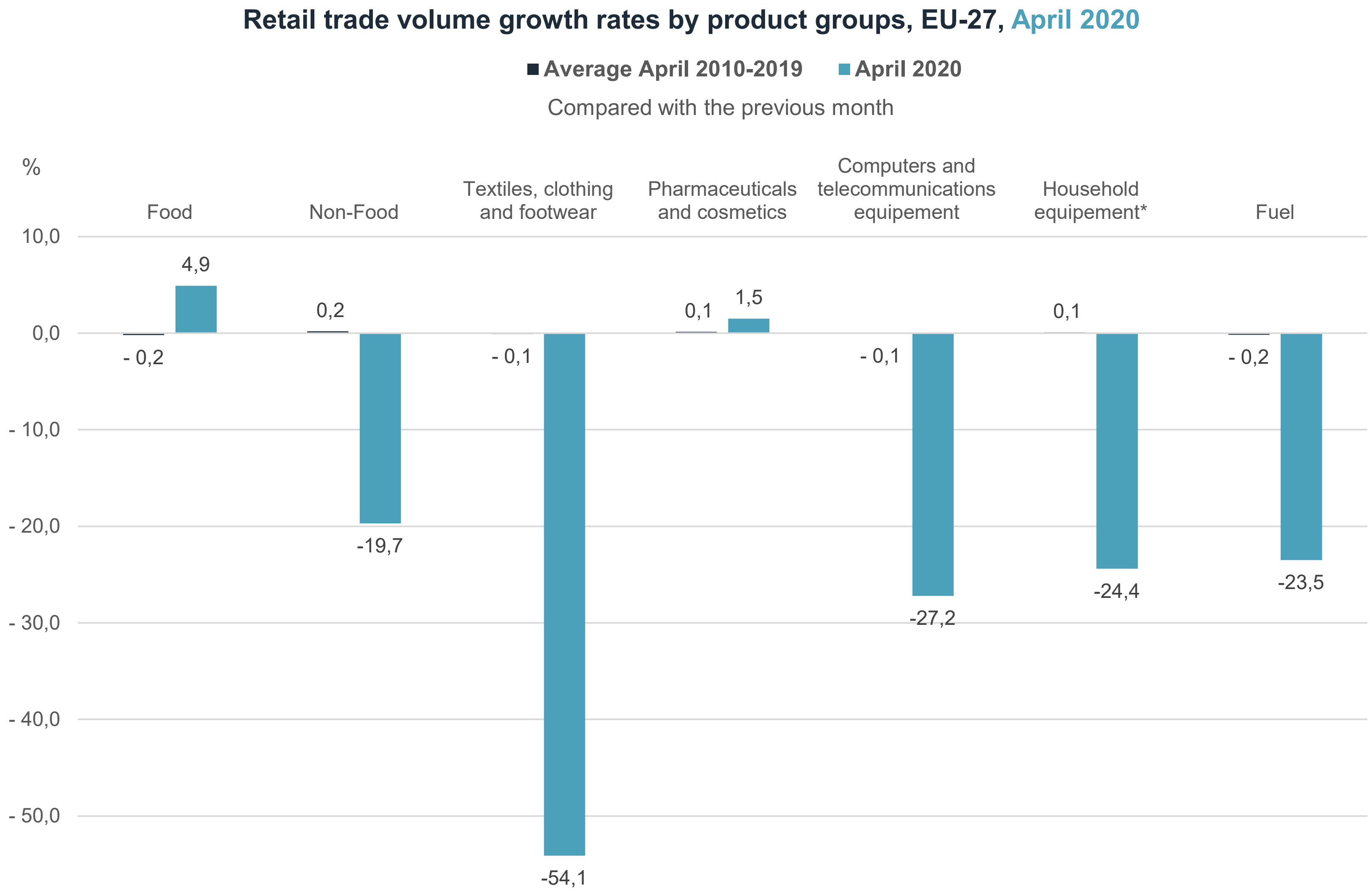
In the EU-27, **retail trade of non-food products dropped by 21.3 %** in March 2020 compared with February 2020.

The strongest decline of -40.0 % was recorded for textiles, clothing, footwear and leather products.

Retail sales 2017 in EU (27 countries) Turnover in € billion - Eurostat	
Food	1 042
Non-food (except Fuel) including:	1 350
Textiles, clothing and footwear	223
Pharmaceuticals and cosmetics	246
Computers and telecommunications equipement	36
Household equipement*	167
Fuel	160

**audio and video equipment; hardware, paints and glass; electrical household appliances, etc.*

IMPACT OF COVID-19 CRISIS ON RETAIL TRADE



Retail trade volume growth rates according to product groups - average April (2010-2019) and April 2020, monthly data, seasonally adjusted – Source: Eurostat

In the EU-27, **retail trade of non-food products dropped by 19.7 %** in April 2020 compared with March 2020.

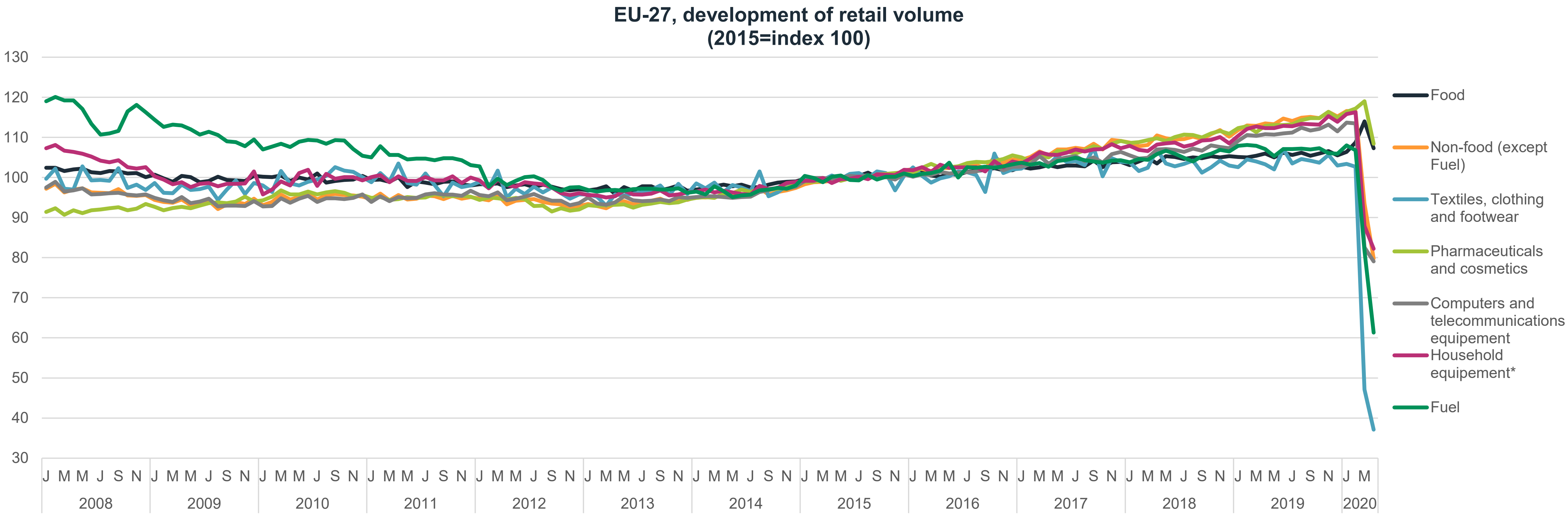
The strongest decline of -54.1 % was recorded for textiles, clothing, footwear and leather products.

Retail sales 2017 in EU (27 countries)
Turnover in € billion - Eurostat

Food	1 042
Non-food (except Fuel) including:	1 350
Textiles, clothing and footwear	223
Pharmaceuticals and cosmetics	246
Computers and telecommunications equipement	36
Household equipement*	167
Fuel	160

**audio and video equipment; hardware, paints and glass; electrical household appliances, etc.*

IMPACT OF COVID-19 CRISIS ON RETAIL TRADE



EU-27, development of retail volume 2008-2020, monthly data, seasonally and calendar adjusted (2015=100) - Source: Eurostat June 2020

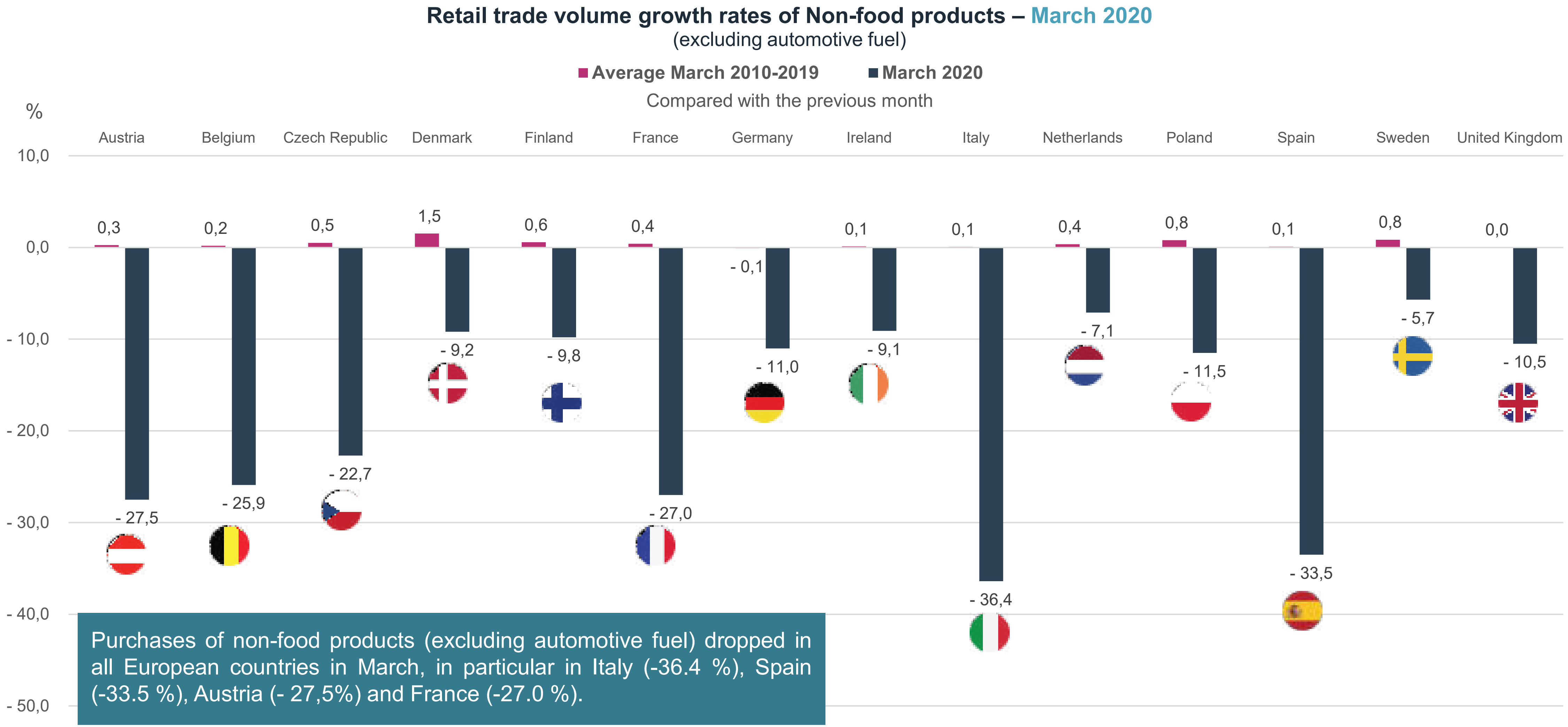
In the EU-27, **retail trade of non-food products dropped by 31.5 %** between February and April 2020. The strongest decline of -63,9 % was recorded for textiles, clothing, footwear and leather products. Large were also the decreases in the purchases of household equipment (-29.3 %) and computers and telecommunications equipment (-30.3 %).

Sales of automotive fuel dropped by 42.6 % in two months.

After a significant increase in March (+4.9% vs February 2020), **food, beverages and tobacco registered a decline of 5.9 %** in April.

A similar trend was recorded for the sales volume of pharmaceutical products, cosmetics etc. which dropped by 8.9 % in April after a slight increase of 1.5 % between February and March.

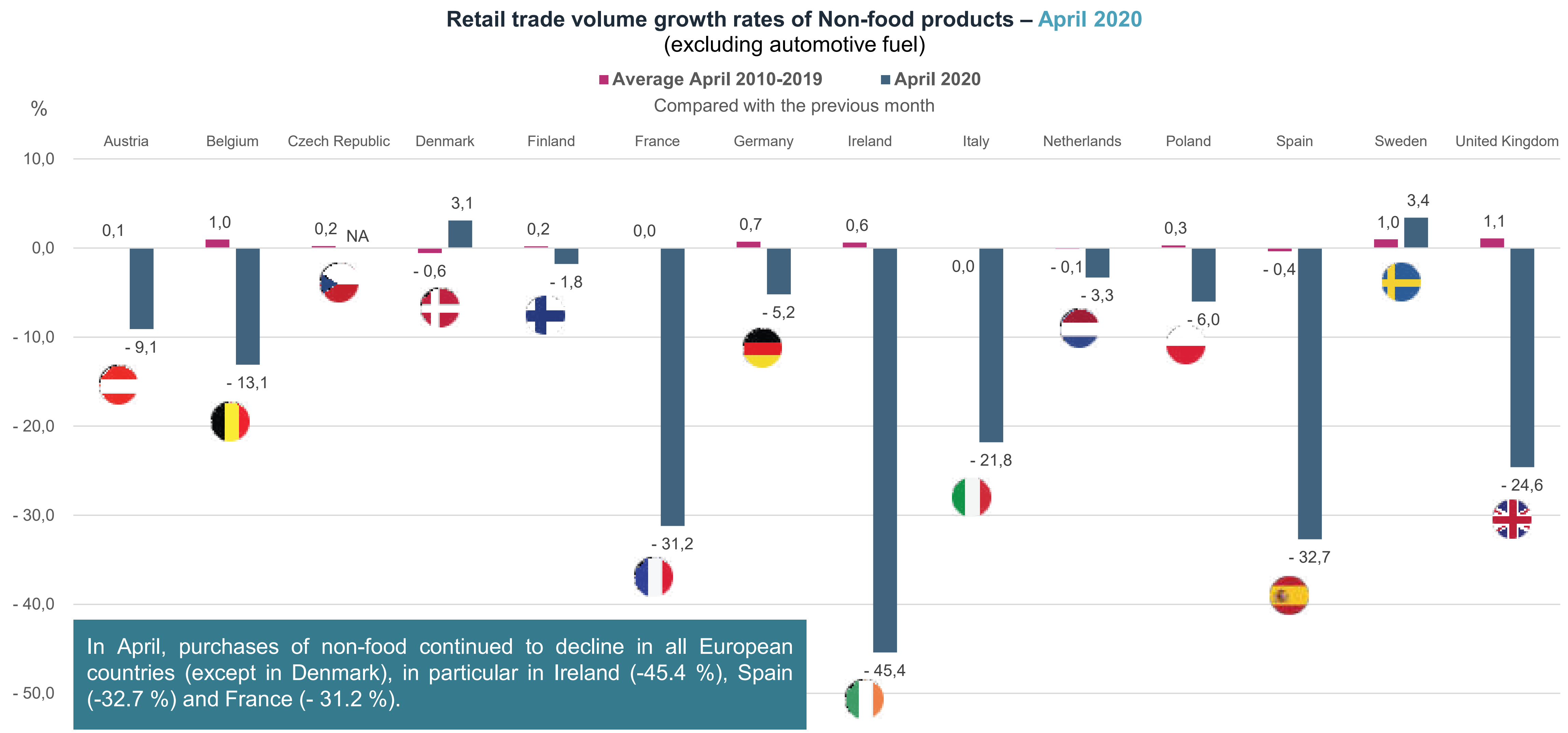
IMPACT OF COVID-19 CRISIS ON RETAIL TRADE



Purchases of non-food products (excluding automotive fuel) dropped in all European countries in March, in particular in Italy (-36.4 %), Spain (-33.5 %), Austria (- 27,5%) and France (-27.0 %).

Retail trade volume growth rates according to product groups - average March (2010-2019) and March 2020, monthly data, seasonally adjusted – Source: Eurostat

IMPACT OF COVID-19 CRISIS ON RETAIL TRADE



In April, purchases of non-food continued to decline in all European countries (except in Denmark), in particular in Ireland (-45.4 %), Spain (-32.7 %) and France (- 31.2 %).

Retail trade volume growth rates according to product groups - average April (2010-2019) and April 2020, monthly data, seasonally adjusted – Source: Eurostat

RETAIL INVESTMENT MARKETS

WIDENING EXPECTED IN THE VALUE GAP 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

WIDENING EXPECTED IN THE VALUE GAP 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.

Encouraging first feedbacks of business post-lockdown

- In Germany, Austria and in the Czech Republic, the **URW shopping centres** have seen footfall at **around 80% of the 2019 level** in the three weeks following the reopening. At shopping centres in the Paris region, which only re-opened on 29 or 30 May, footfall on Saturday 30 May was encouraging being at **around 65%** of last year.
- In France and Belgium, **Eurocommercial** announced that footfall of the first two weeks post lockdown was also **around 80% of the level seen over the same weeks last year**. In Italy, footfall in the first weekdays post lockdown was very encouraging at 75% compared to the same weekdays last year.
- **Carmila highlighted reassuring high footfalls as shopping centres reopen** (despite the strict sanitary measures to regulate customer flows):
    - Over the first three weeks post-lockdown, **French shopping centres recorded average footfall of 80%** compared to the same period in 2019,
    - In **Italy**, where all centres reopened on 18 May, average footfall for the first two weeks post-lockdown was **70%** of what it would normally be for the same period,
    - In **Spain**, Carmila’s shopping centres were able, on the first post-lockdown reopening week, to maintain footfall at **70%** of what it was over the same period in 2019.
- Preliminary discussions with retailers confirm a **higher conversion rates with better spending on average than expected.** Visitors returned for specific shopping objectives, resulting in a better sales impact relative to footfall.
- Indeed, **Carmila** registered **encouraging retailer sales**:
    - In France, over the first two weeks post-lockdown, and based on a panel of 209 stores, **retailer sales figures amount on average to 92% of last year’s turnover** over the same given period.
    - In Spain, over only one post-lockdown week, sales recorded excellent results across all sectors, boosted by **very high transformation rates**. Based on a panel of 320 stores, sales of this first week have been 35% better than they were over the same period last year.

E-COMMERCE

EXPECTED IMPACT ON ONLINE SALES

Mixed impact depending on category of goods

- During the lockdown period, **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.
- Whereas online sales were still allowed in all European countries, **only half of the** countries (Belgium, the Czech Republic, Denmark, Estonia, Greece, the Netherlands, Norway, and Switzerland) **indicated that the crisis had a positive effect on online sales** according to a survey conducted in 16 countries by the European online sales confederation, Ecommerce Europe[1]. Logistics chains have suffered during the lockdown period for not having been able to deliver at full capacity due to sanitary measures and closure of point of collects among other reasons.
- 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.
- **Online services** (travelling, leisure) have dropped to an all-time low. However, **streaming services** (like Netflix, Amazon Prime Video, Disney Plus) currently benefit from the social distancing that was being encouraged or imposed by governments around the world. Streaming-app downloads surged in most European countries.

Impact on consumption to come, and booming click-and-collect sales

- **Population consumption patterns** could change (but no one knows in what extent at this stage) in terms of physical/online purchasing even if lockdown measures are now easing. For example, the possibility remains that a part of the population, especially the elderly, 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. Therefore the increasing popularity of click-and-collect solutions at the moment.
- Also, if the e-commerce channel has suffered the structural capacity to take advantage of the lockdown situation, the question arises whether it could not gain strength during the 2nd half of the year – especially under the transition period. – and finish the year 2020 with a significant percentage growth ? As a reminder, 14% was the Year figure 2020 as initially forecast by E-Commerce Foundation Europe.

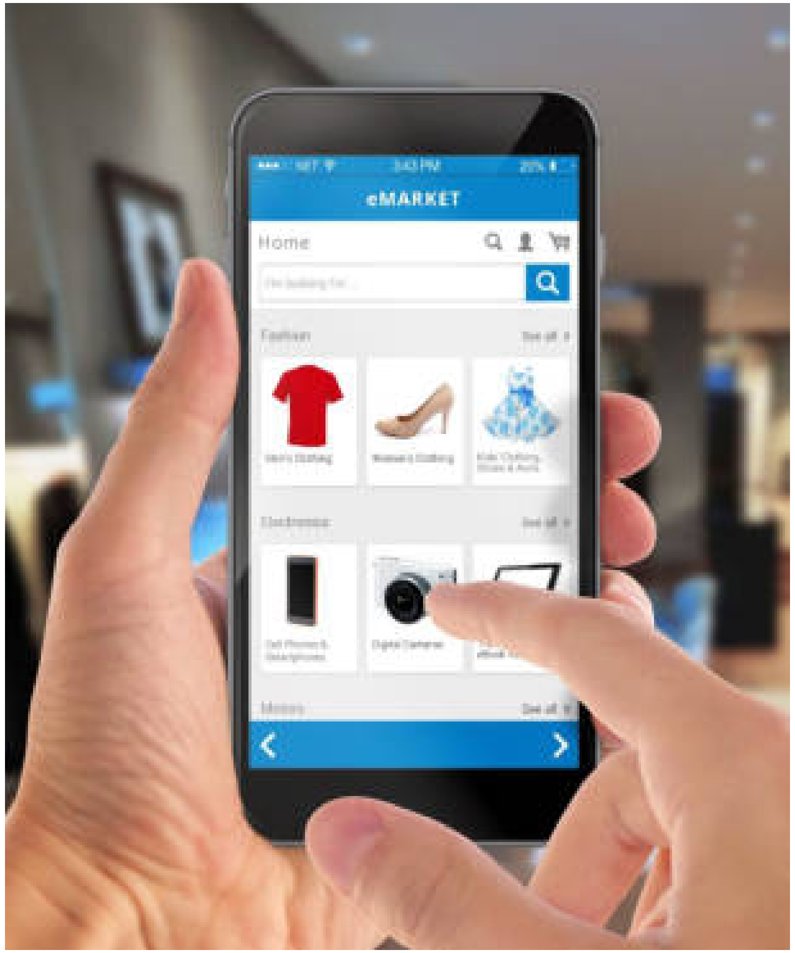
1. Survey conducted by Ecommerce Europe between 7 May and 12 May.

E-COMMERCE

EXPECTED IMPACT ON ONLINE SALES

The omnichannel model is more appropriate than ever

- It is therefore a mixed picture for online retail, and **if anything, COVID-19 reinforces the importance of having an 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 some online businesses** underlining that **the multichannel model is the only one economically viable** over the 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.

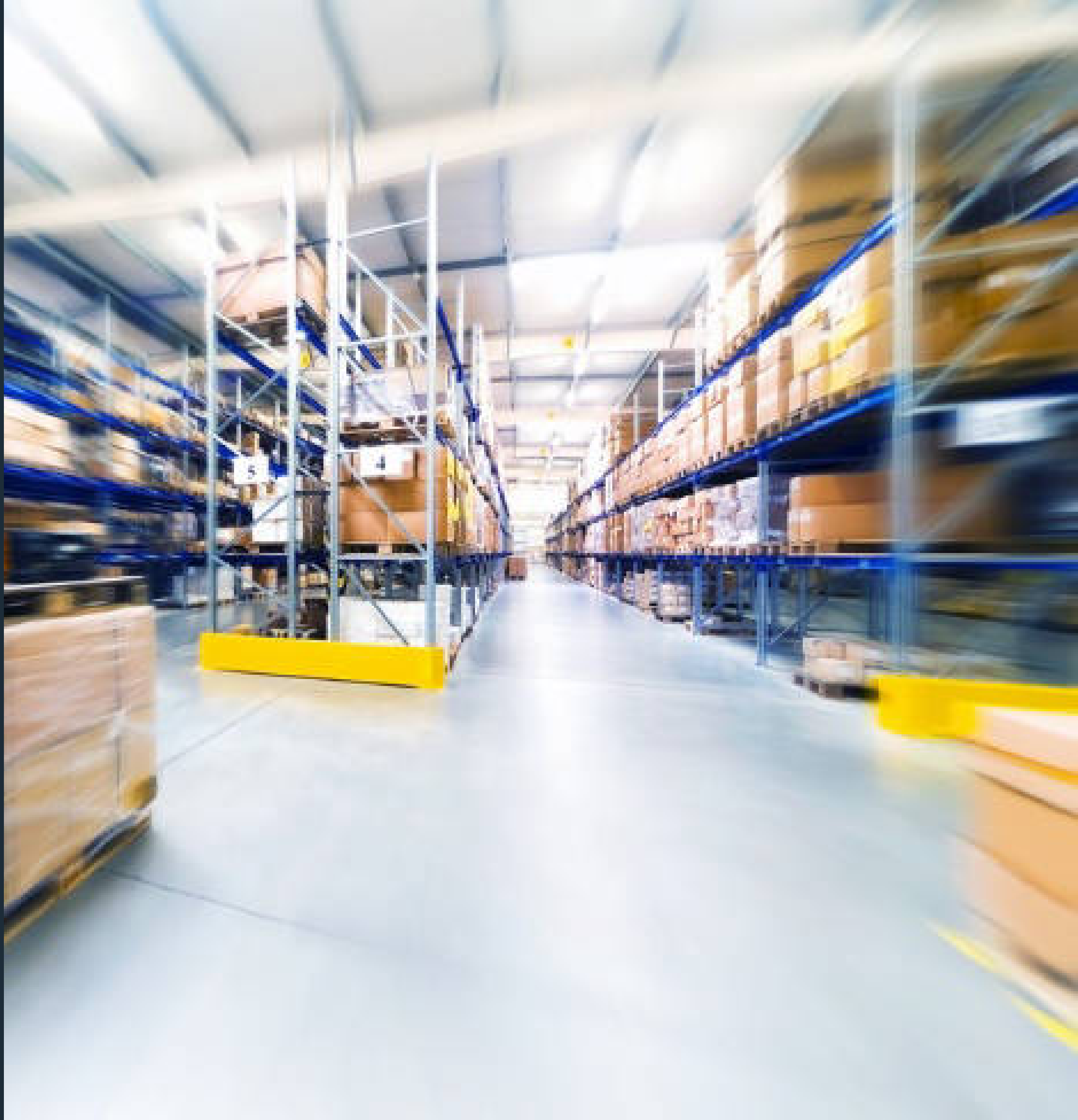


Growing omnichannel solutions

- As shops reopen and people go outside, albeit cautiously, retailers are coming up with innovative ways to ensure their customers can safely shop. **Contactless delivers, click-and-collect and “drive” solutions** which boomed these past months, will support the recovery of retail.
- As an example, **Galeries Lafayette Haussmann** - one of the most famous Parisian department store - launched on 22 May a **new high-end service to facilitate online shopping**. The so called “Exclusive Live Shopping” allows customers to **connect with personal shoppers based on site** and receive some recommendations and advice **via live video**, in a similar way that if they would be visiting the flagship. Customers will then have the possibility to **pay online** and get their purchases **delivered at home** or through **click-and-collect services**.
- **French landlord, Ceetrus**, has implemented its new **shared drive service** in its **shopping centres**. Customers select their items in several shops, order and pay by phone or online. On D-Day, a text message tells them where to meet to pick up their global order. Once parked, shopping center customers see their purchases loaded directly into the trunk of their car.

REAL ESTATE PERSPECTIVES

LOGISTICS
MARKETS



BNP PARIBAS
REAL ESTATE

LOGISTICS WAREHOUSING MARKET IN EUROPE

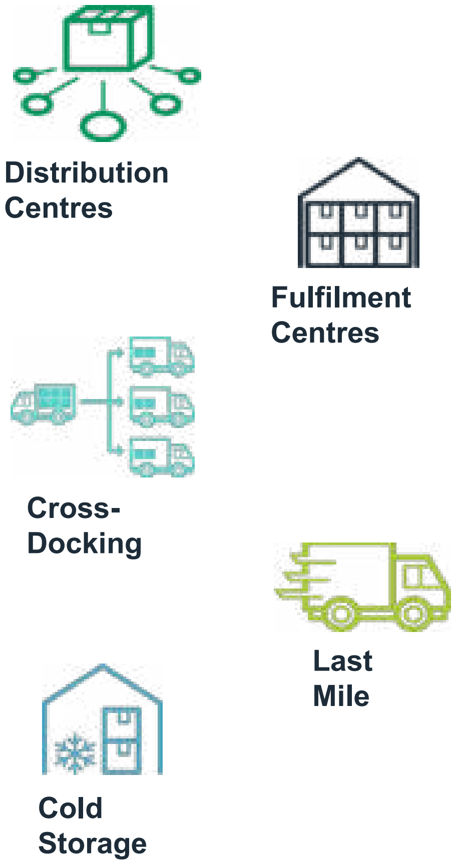
THE COVID CRISIS IS RESHAPING THE LOGISTICS MARKET

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 were are at a standstill due to lockdown, but investors and occupiers have been 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 COVID crisis 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)

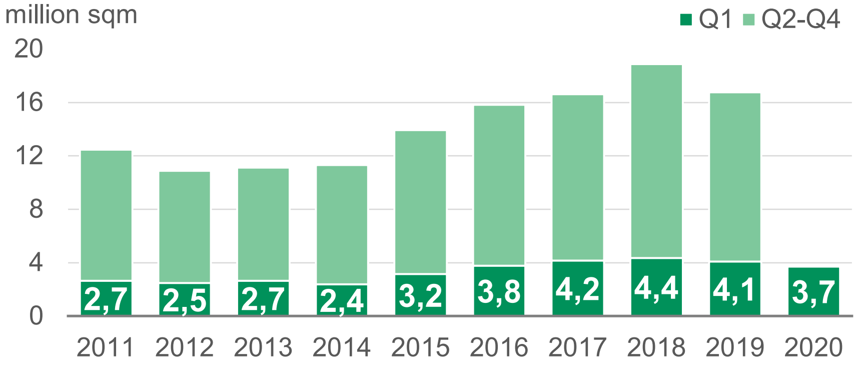
The market is showing good resilience despite a slowdown in Q1

- 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

- Occupier demand in the **UK** is proving resilient to the COVID crisis, driven by e-commerce, food producers, and 3PL providers. As the virus accelerates the shift to online retail, businesses are looking to scale up their digital capabilities and delivery services. There has been little sign of a slowdown in leasing activity to date.
- 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, possible 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.

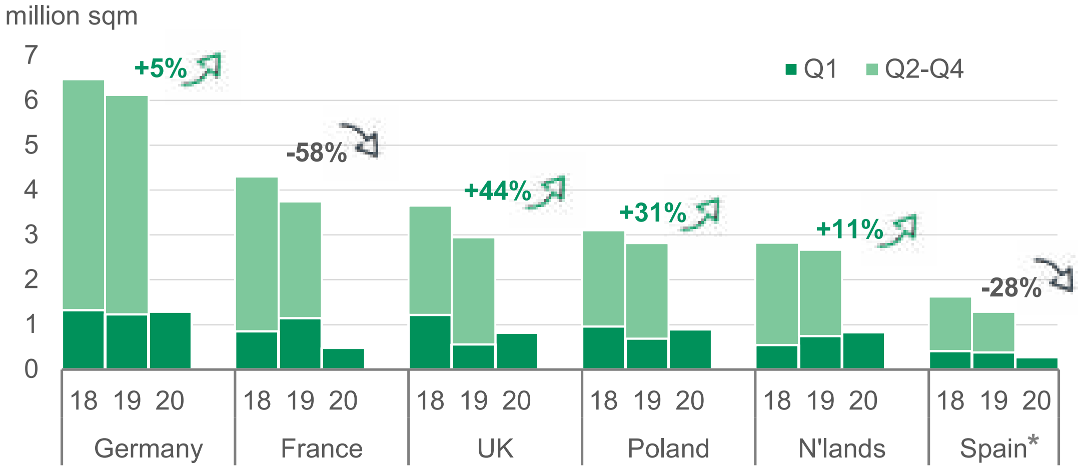
TAKE-UP – 6 countries*



Germany, UK, France, Netherlands, Poland, Spain

-4%

Q1 2020 vs Q1 2019



*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 delayed in most countries due to containment and the lack of staff in administrational positions slowing down every process associated with property development and acquisition.
- Stocks are still significant in shops, in warehouses and in ports. The 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.
- Even though lockdown is easing in most European countries, safety measures have a negative impact on productivity and the disruptions in the supply chains are still affecting all businesses.
- One clear outcome for 2020 is that the outstanding letting records of the past 3 years are behind us for a while.

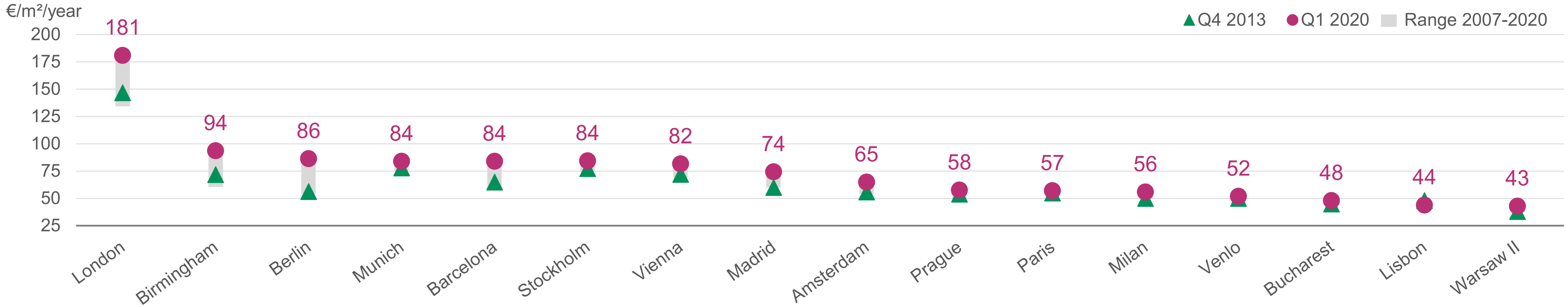
Supply will increase despite slowdown in the construction of new warehouses

- A slowdown in new developments is occurring from the disruptions created by containment in most European countries. If the new constructions launched before the crisis are underway, future developments will be reduced.
- 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.

Rental growth started to slow down in Q1 2020

- 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



PRIME LOGISTICS RENTS IN EUROPE

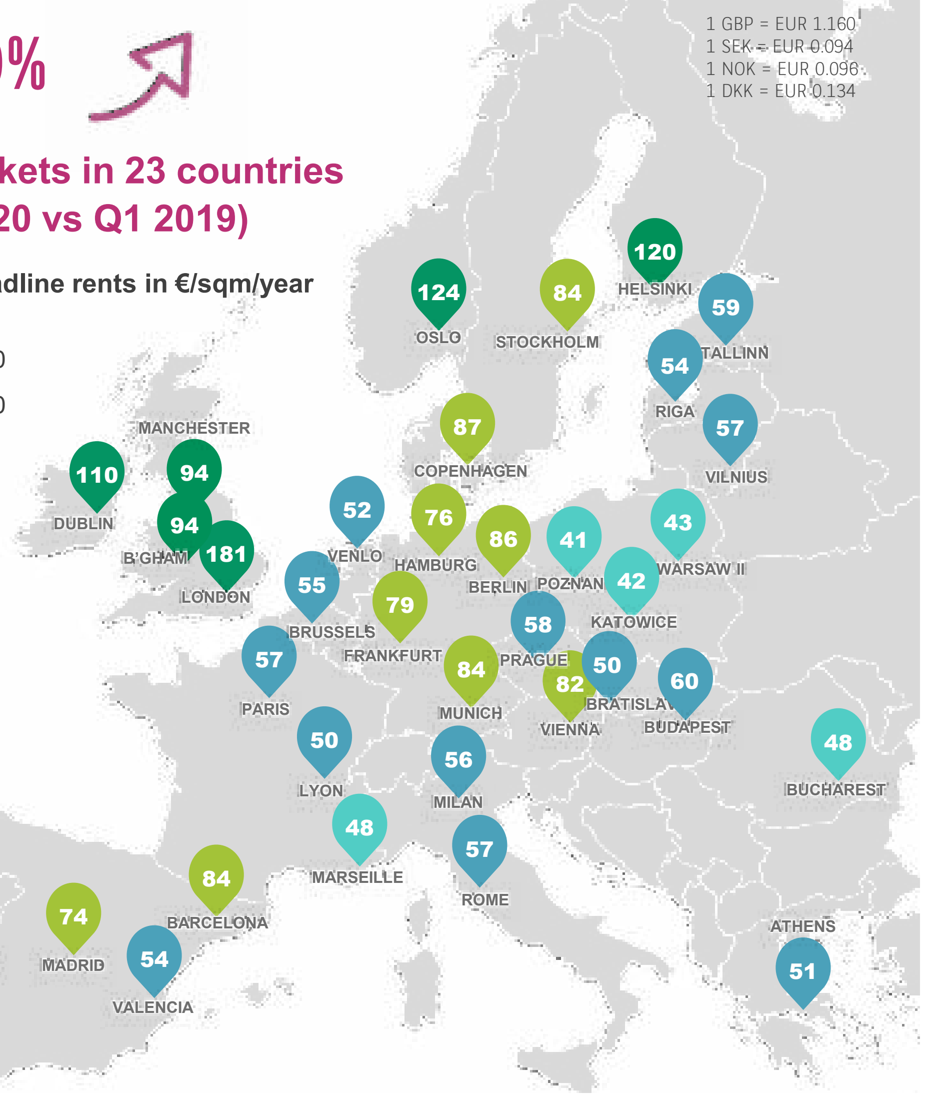
THE COVID CRISIS PUTS A STOP AT RENTAL GROWTH

+3.0%

51 markets in 23 countries (Q1 2020 vs Q1 2019)

Prime headline rents in €/sqm/year

- ≥ €90
- €70-90
- €50-70
- < €50

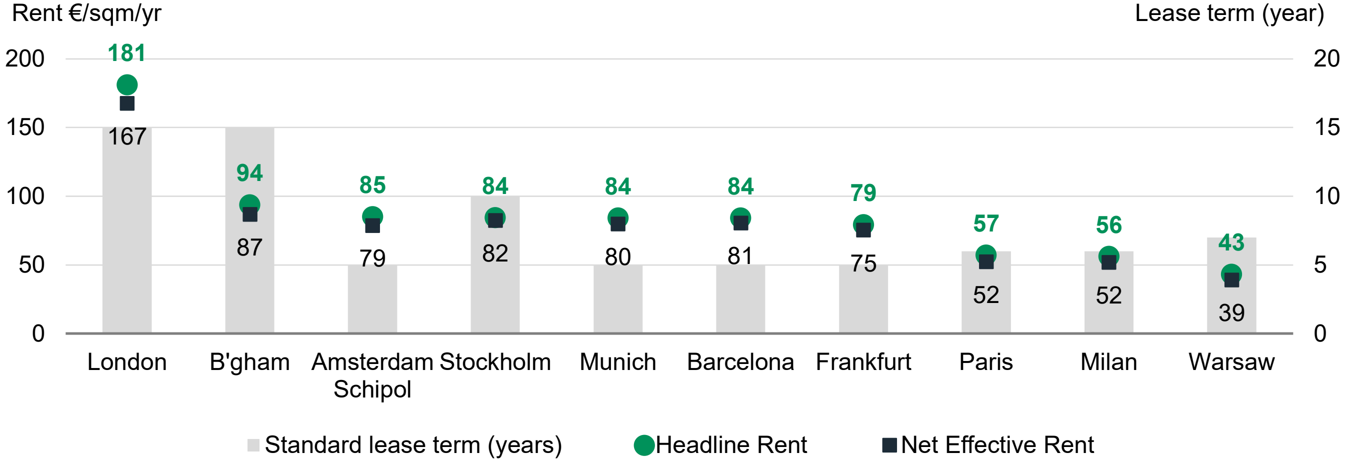


Rents are expected to decline ahead of increases in vacant space

- **Prime rents rose by 3.0%** at the end of Q1 2020 (y-o-y) in a panel of 50 markets covering 23 countries.
- On a net effective basis, rents went up just slightly higher, at +3.2%.
- Over the past 2 years, headline rents increased significantly (+4.2% in 2018 and +3.4% in 2019) due to a shortage of supply of prime products and limited new developments.
- Despite new developments, vacancy rates remained, around 5% in most markets at the end of Q1, ruling out any major risk of oversupply.

Negotiations will lead to more incentives rather a major decline in headline rents.

- **The average rent-free period reached a low 6.4%** of headline rents ranging between 3% and 12% in Europe in Q1 2020.
- There are differences in standard lease lengths between countries, but the common variable in all markets is the low level of incentives. In Germany and Sweden incentives account between 2% to 3% of the total rent.
- We could anticipate some increases in lease lengths because tenants invest more in automation and they need a longer time to write down these investments.



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.

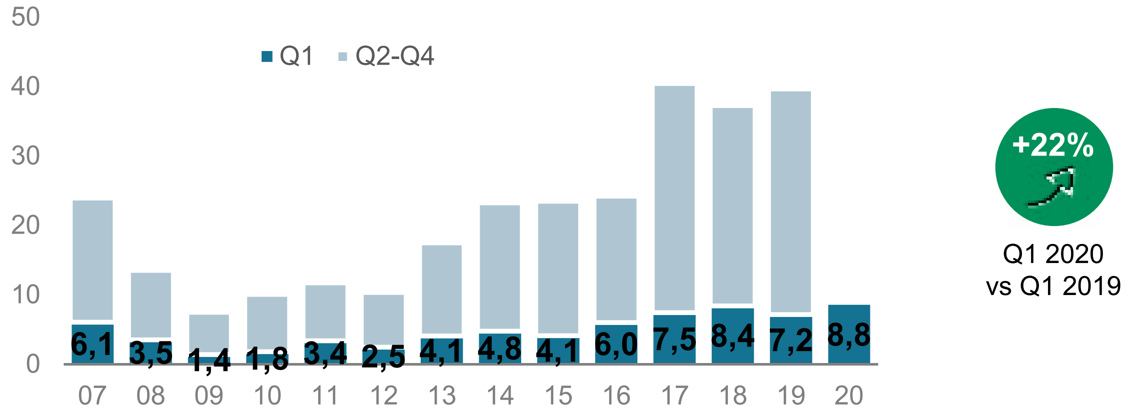
Country profiles in Q1 2020

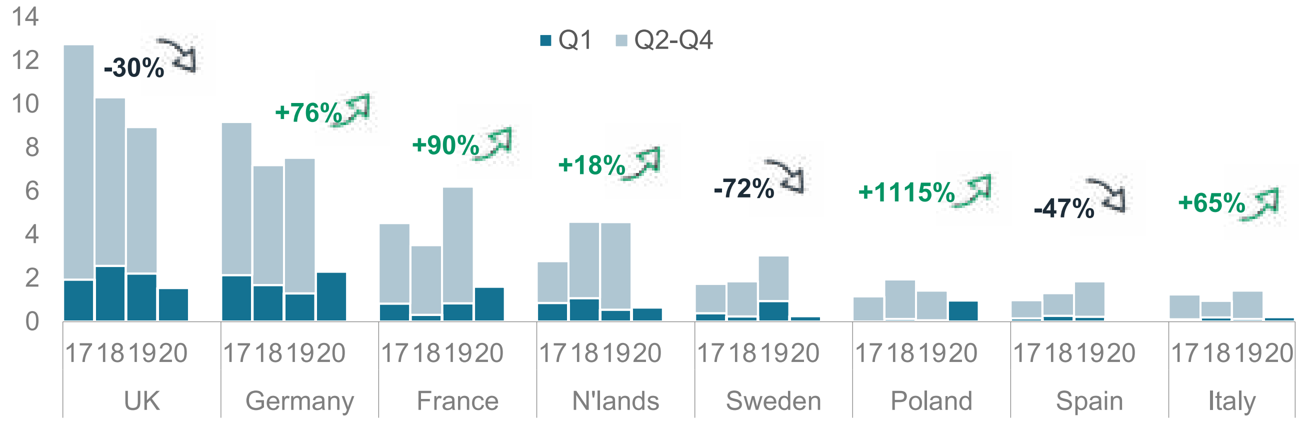
- In the **UK**, pricing uncertainty means many investors are adopting a wait-and-see approach. With unforced sellers unwilling to come to market until there is greater clarity, there is a noticeable shortage of investment opportunities.
- In **Germany**, the logistics investment market continued to 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)





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.

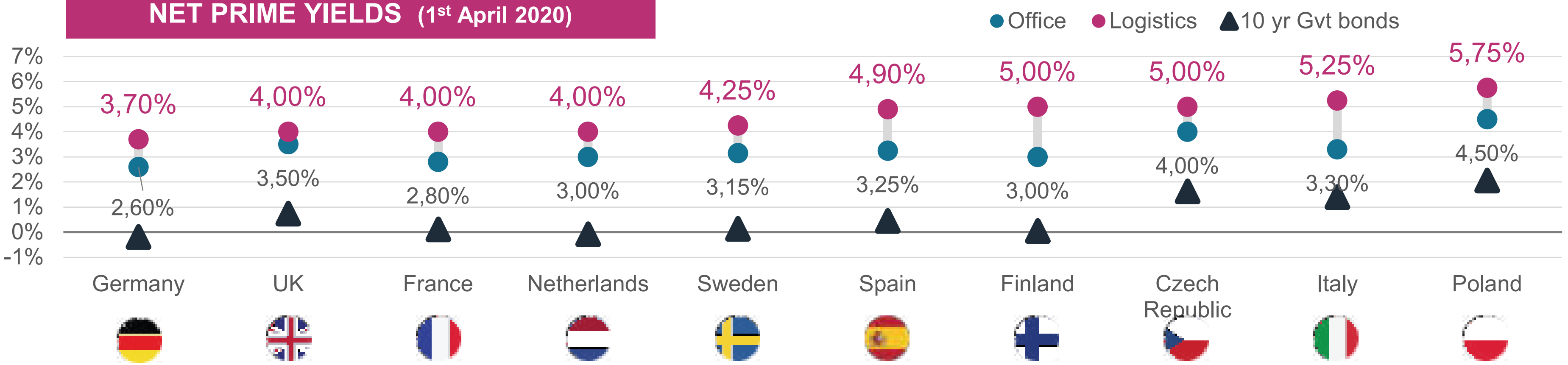
Hubs with global exposure are more vulnerable

- 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

GERMANY'S MAIN MARKETS – MARKET SENTIMENT

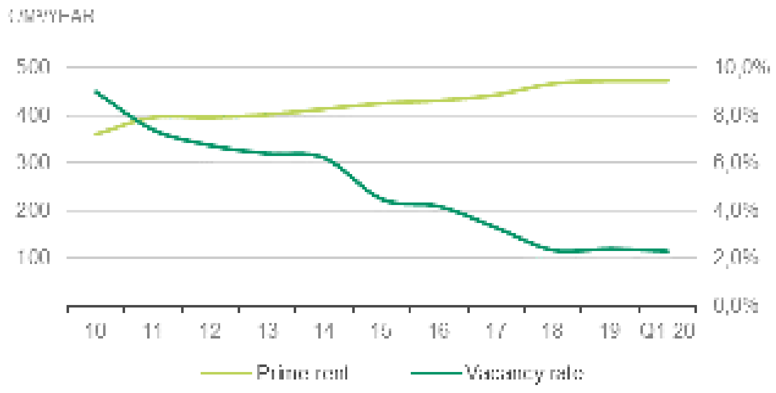
EXPECTED EVOLUTION OF THE OFFICE MARKET

MARKET INDICATOR	EXPECTED EVOLUTION	COMMENTS
TAKE-UP	↘	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. 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	→	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	→	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. 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	↗	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.

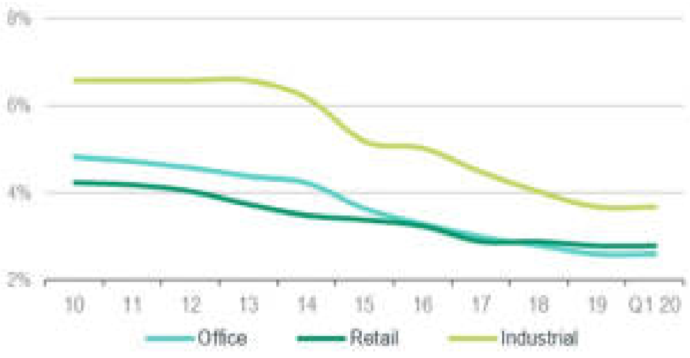
↗ Strong increase ↗ Moderate increase → Stability ↘ Moderate decrease ↘ Strong decrease

MUNICH – KEY FIGURES Q1 2020

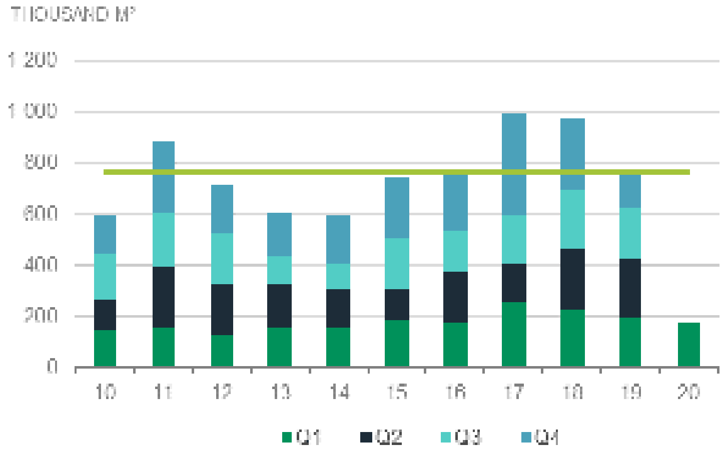
PRIME RENT & VACANCY



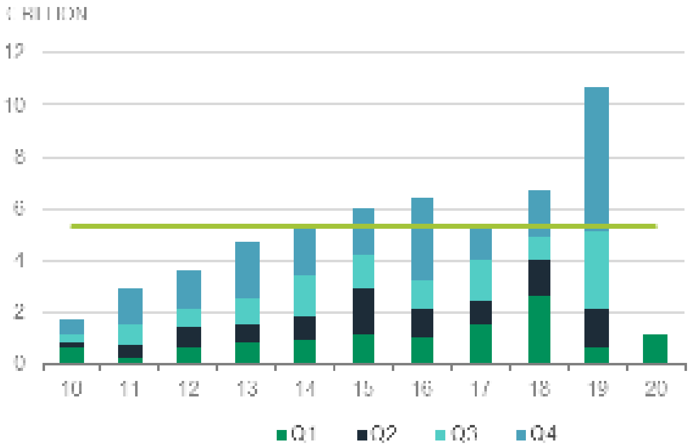
NET PRIME YIELDS



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

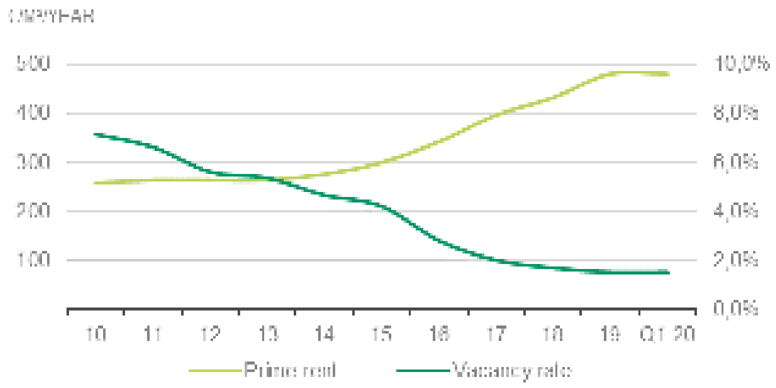
	Q1 2019	Q1 2020
Investment (€M)	617	1,145
Office Inv. (%)	56	50
Retail Inv. (%)	16	26
Foreign Inv. (%)	44	20

PRIME YIELDS

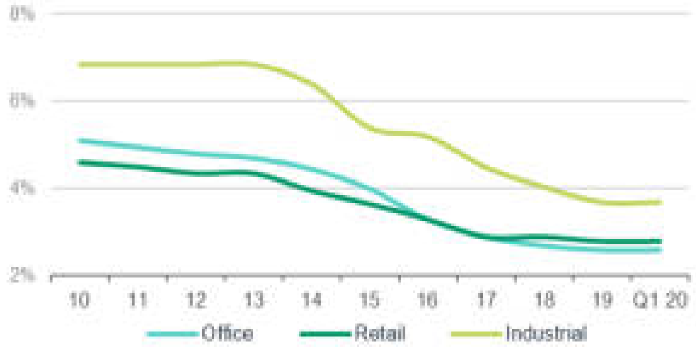
	Q1 2019	Q1 2020
Office (%)	2.80	2.60
High Street Retail (%)	2.90	2.80
Logistics (%)	4.05	3.70

BERLIN – KEY FIGURES Q1 2020

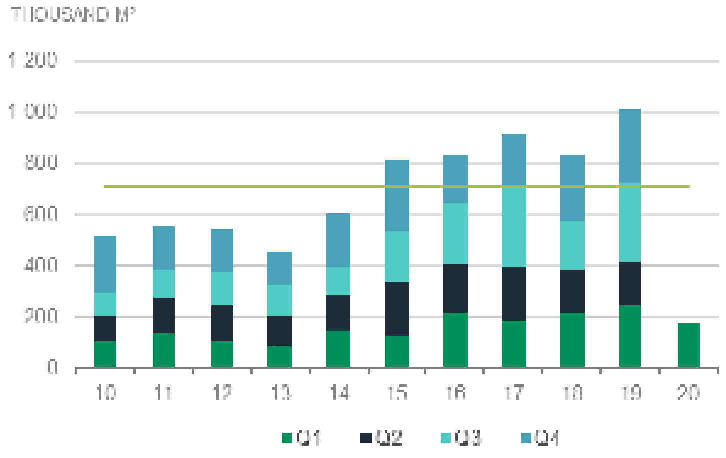
PRIME RENT & VACANCY



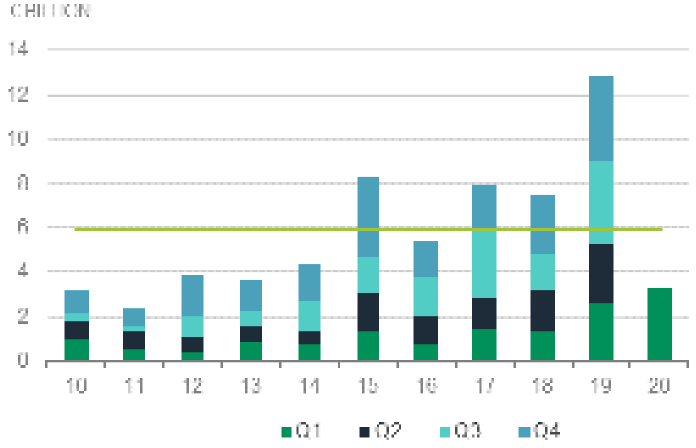
NET PRIME YIELDS



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

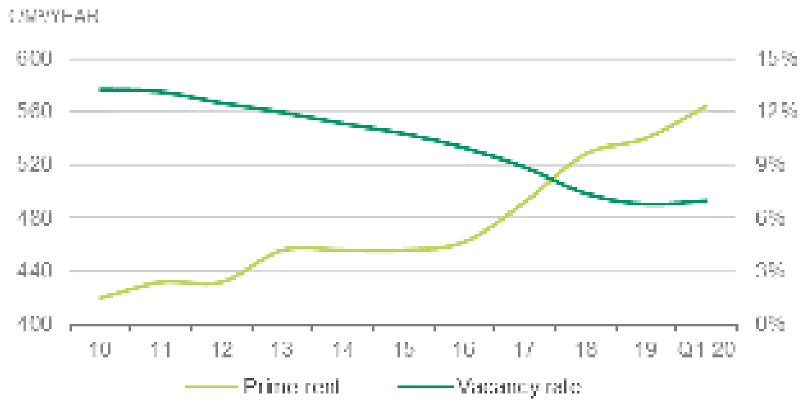
	Q1 2019	Q1 2020
Investment (€M)	2,626	3,244
Office Inv. (%)	71	66
Retail Inv. (%)	18	13
Foreign Inv. (%)	44	73

PRIME YIELDS

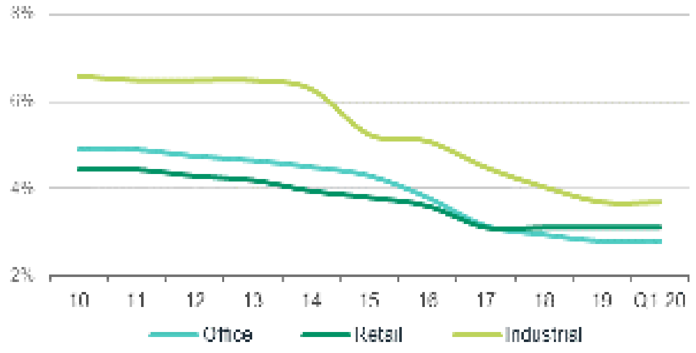
	Q1 2019	Q1 2020
Office (%)	2.70	2.60
High Street Retail (%)	2.80	2.80
Logistics (%)	4.05	3.70

FRANKFURT – KEY FIGURES Q1 2020

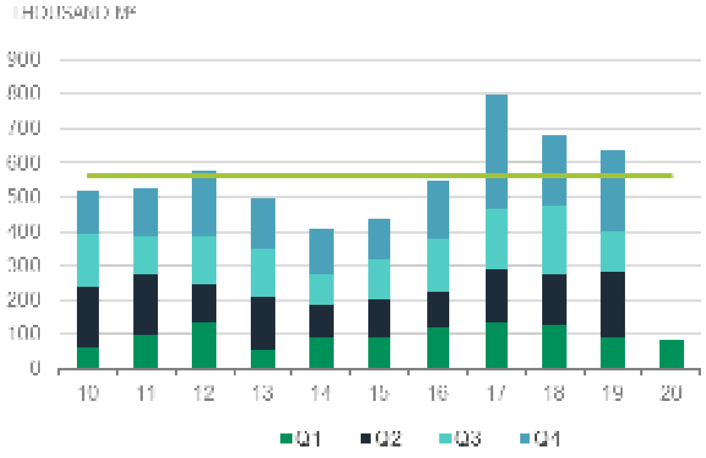
PRIME RENT & VACANCY



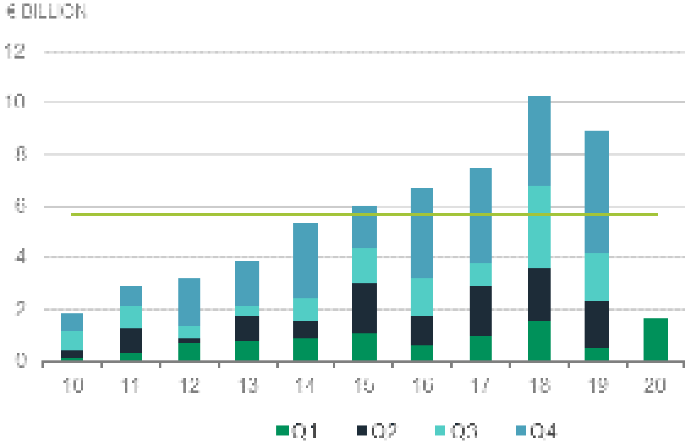
NET PRIME YIELDS



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

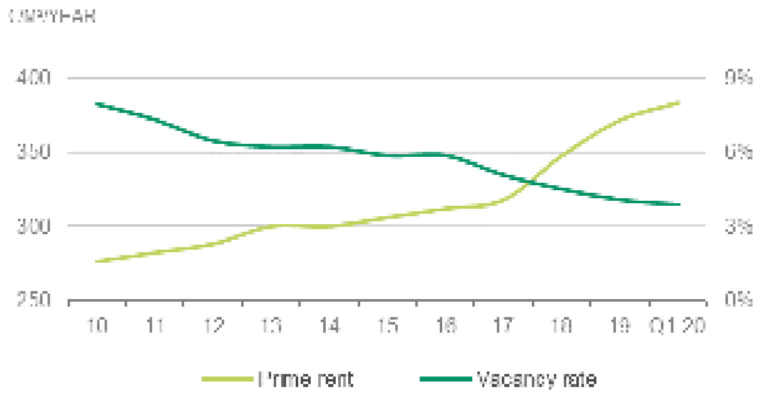
	Q1 2019	Q1 2020
Investment (€M)	502	1,667
Office Inv. (%)	93	65
Retail Inv. (%)	-	2
Foreign Inv. (%)	58	43

PRIME YIELDS

	Q1 2019	Q1 2020
Office (%)	2.95	2.80
High Street Retail (%)	3.10	3.10
Logistics (%)	4.05	3.70

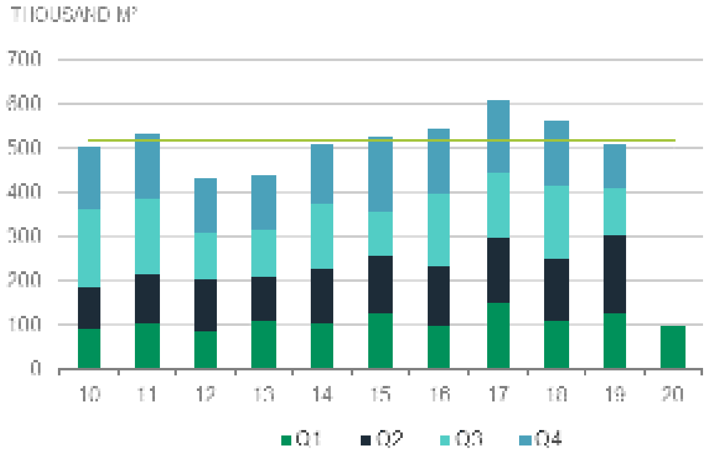
HAMBURG – KEY FIGURES Q1 2020

PRIME RENT & VACANCY

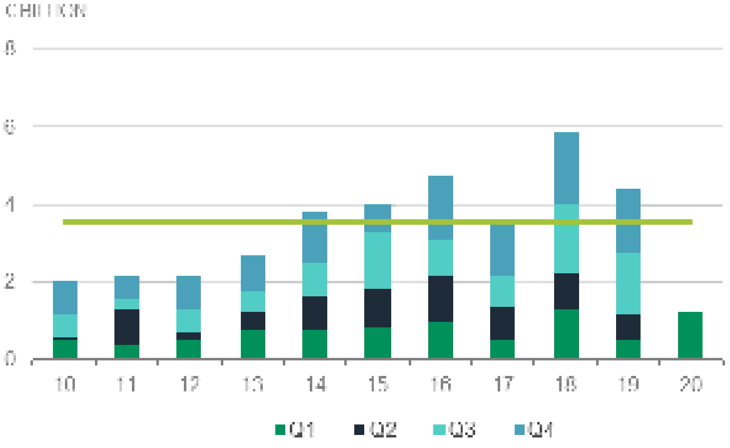


NET PRIME YIELDS

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

CENTRAL LONDON – MARKET SENTIMENT

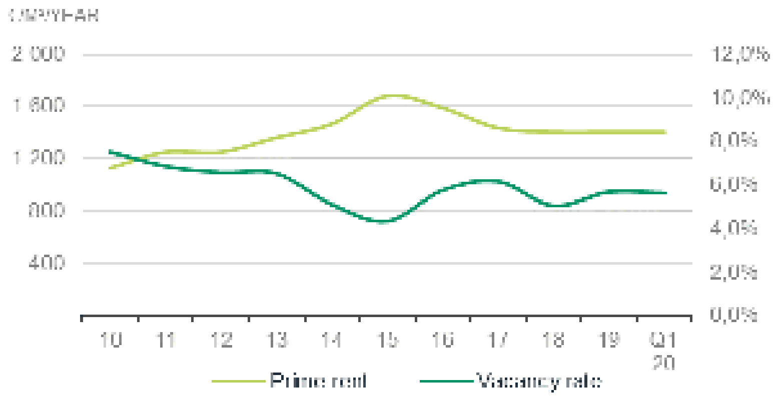
EXPECTED EVOLUTION OF THE OFFICE MARKET

MARKET INDICATOR	EXPECTED EVOLUTION	COMMENTS
TAKE-UP		The first real signs of a wait-and-see approach being adopted by occupiers during lockdown comes in the form of provisional April and May take-up data, which was around 70% below the same period last year. Positively however, many viewings are being undertaken virtually as the majority of UK business moves are lease events driven thus, requiring occupiers to make decisions. Some businesses are returning to the office, albeit at a very slow and cautious pace. Social distancing measures in the workplace include a reversal of densification and split workforces. But with large numbers of office employees relying on public transport to get to the workplace, particularly in larger cities, operators have a key role to play in getting people back into the office.
RENTAL VALUES		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. Tenant return space however will place downward pressure on second-hand space.
VACANCY		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		Yields will see a moderate increase over the course of the year. To what extent, will be dependent on the length of the pandemic. With a flight to quality, pressure on prime yields will remain after the crisis with investors focusing on prime locations with long income streams and good covenants.

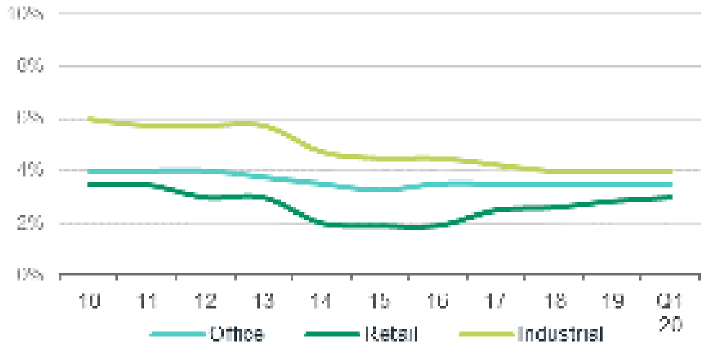
Strong increase   Moderate increase   Stability   Moderate decrease   Strong decrease

CENTRAL LONDON – KEY FIGURES Q1 2020

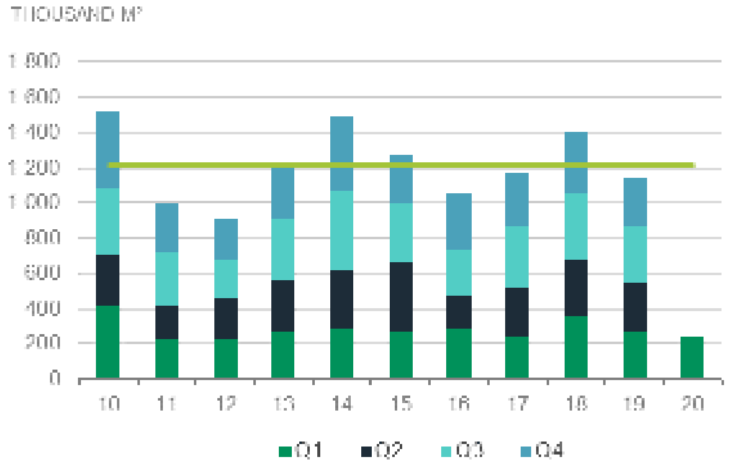
PRIME RENT & VACANCY



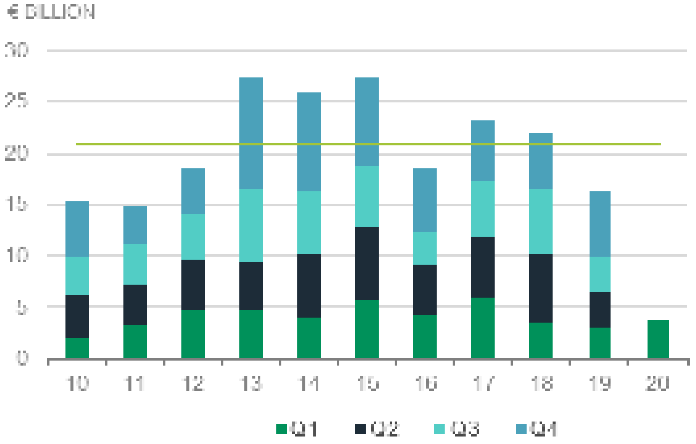
NET PRIME YIELDS



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

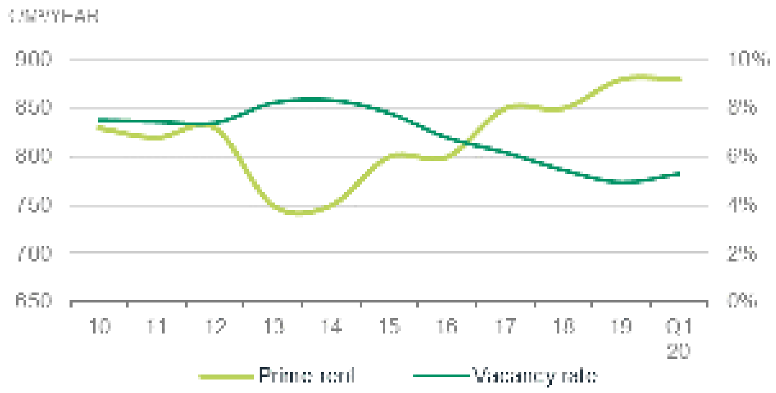
EXPECTED EVOLUTION OF THE OFFICE MARKET

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. 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. 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. **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.

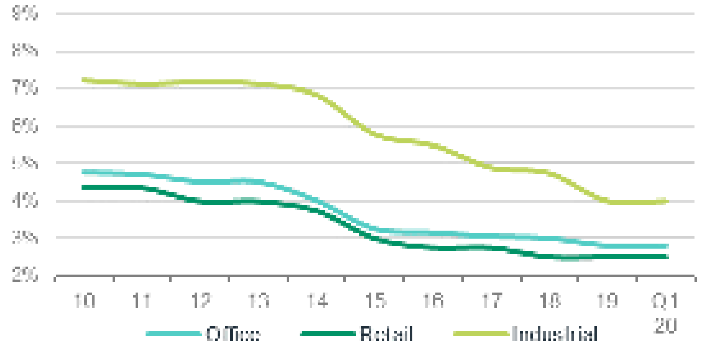
Strong increase · Moderate increase · Stability · Moderate decrease · Strong decrease

CENTRAL PARIS – KEY FIGURES Q1 2020

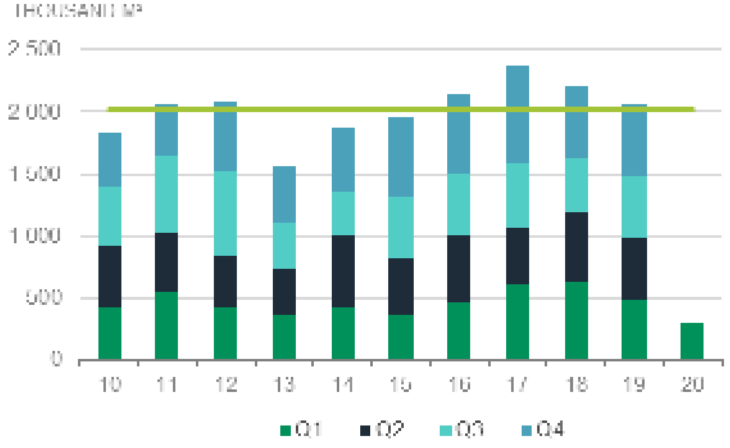
PRIME RENT & VACANCY



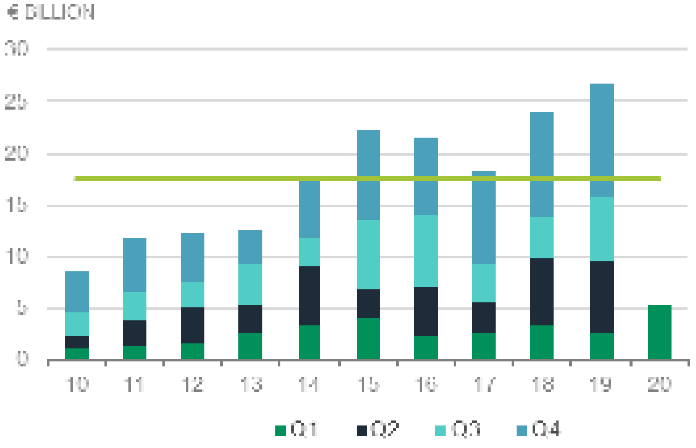
NET PRIME YIELDS



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**

ITALY'S MAIN MARKETS - MARKET SENTIMENT

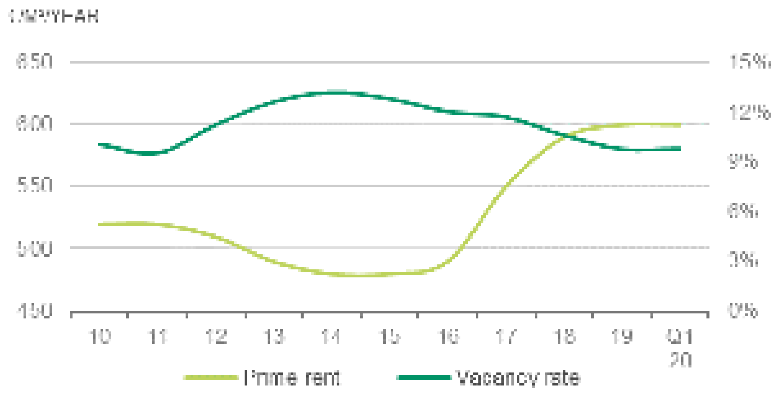
EXPECTED EVOLUTION OF THE OFFICE MARKET

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. 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. 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.

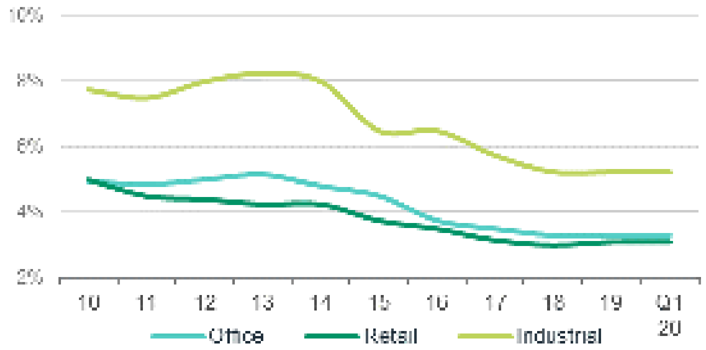
Strong increase Moderate increase Stability Moderate decrease Strong decrease

MILAN – KEY FIGURES Q1 2020

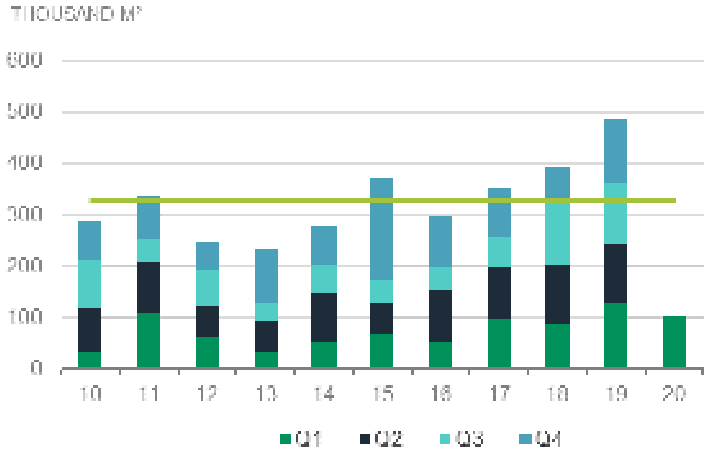
PRIME RENT & VACANCY



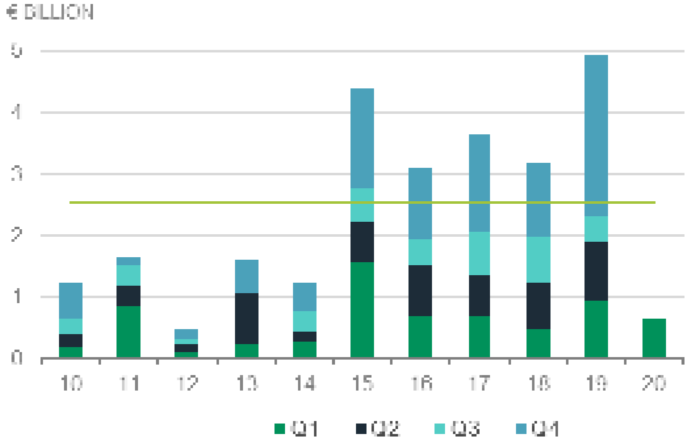
NET PRIME YIELDS



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

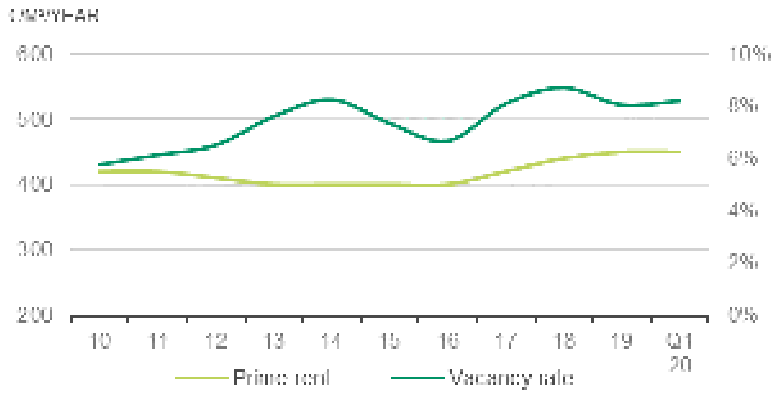
	Q1 2019	Q1 2020
Investment (€M)	**931**	**664**
Office Inv. (%)	**82**	**66**
Retail Inv. (%)	**11**	**0**
Foreign Inv. (%)	**82**	**62**

PRIME YIELDS

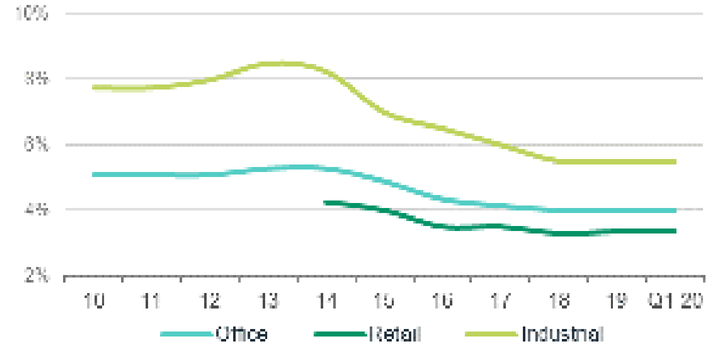
	Q1 2019	Q1 2020
Office (%)	**3.30**	**3.30**
High Street Retail (%)	**3.00**	**3.10**
Logistics (%)	**5.25**	**5.25**

ROME – KEY FIGURES Q1 2020

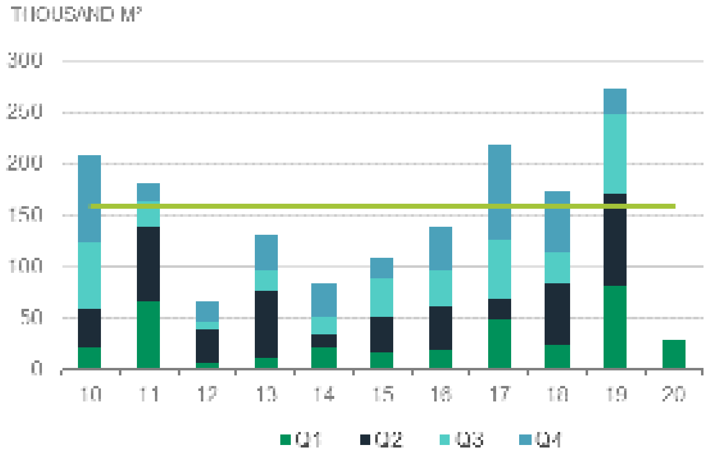
PRIME RENT & VACANCY



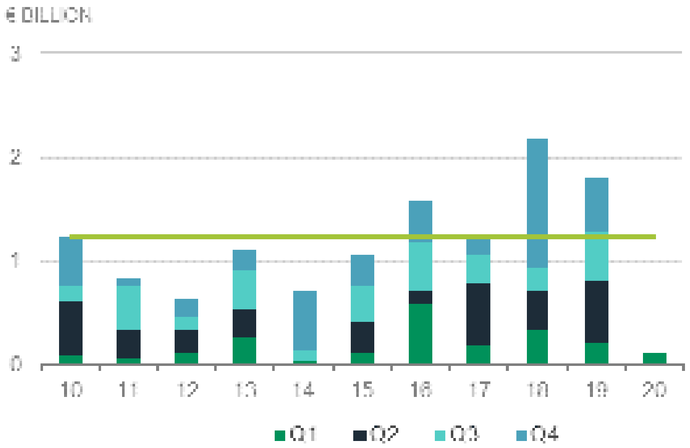
NET PRIME YIELDS



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

SPAIN'S MAIN MARKETS – MARKET SENTIMENT

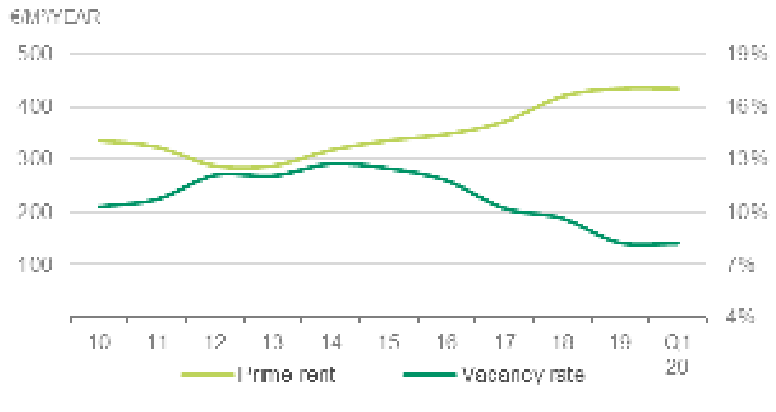
EXPECTED EVOLUTION OF THE OFFICE MARKET

MARKET INDICATOR	EXPECTED EVOLUTION	COMMENTS
TAKE-UP		At the start of the year we forecasted that demand would be lower than in 2019 with office space take-up of 550,000 sqm in Madrid and 350,000 sqm in Barcelona. The standstill in the market due to coronavirus has led us to take a more conservative approach, with forecast take-up of 250,000 sqm in Madrid and 180,000 sqm in Barcelona.
RENTAL VALUES		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		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		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. 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.

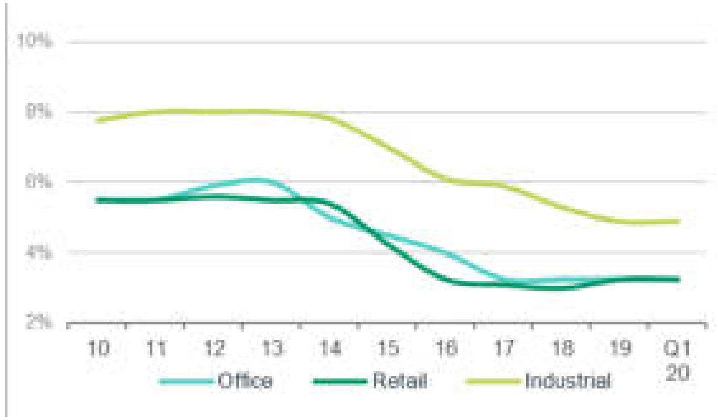
Strong increase · Moderate increase · Stability · Moderate decrease · Strong decrease

MADRID – KEY FIGURES Q1 2020

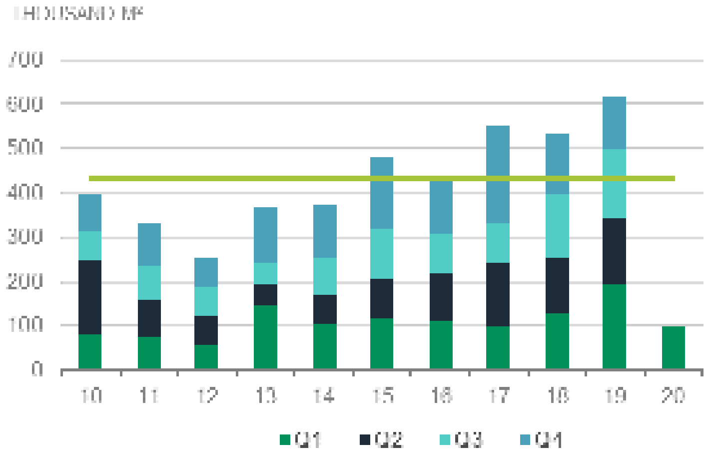
PRIME RENT & VACANCY



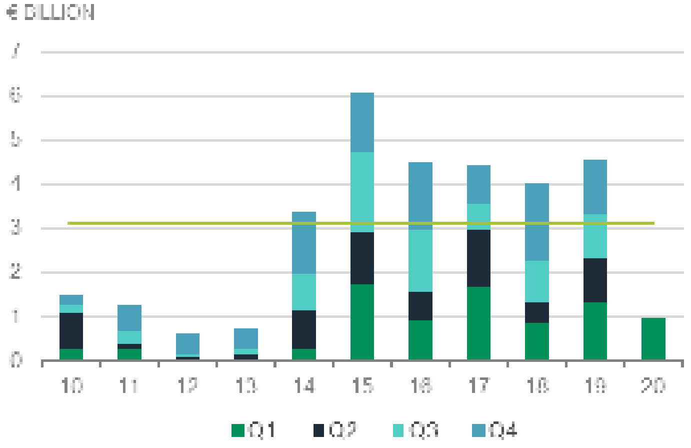
NET PRIME YIELDS



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

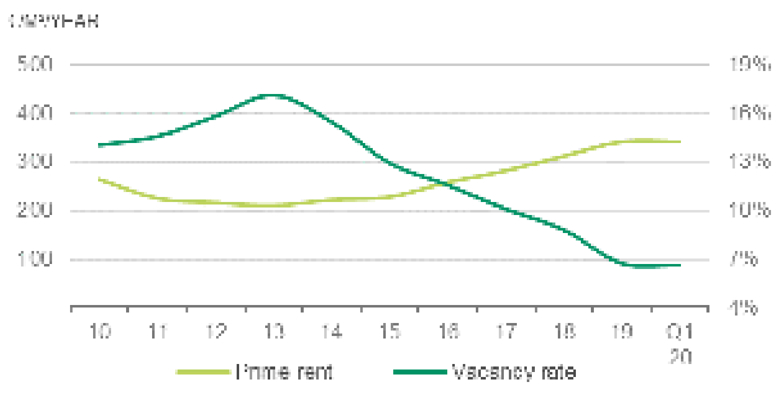
	Q1 2019	Q1 2020
Investment (€M)	1,035	943
Office Inv. (%)	76	83
Retail Inv. (%)	13	1
Foreign Inv. (%)	40	65

PRIME YIELDS

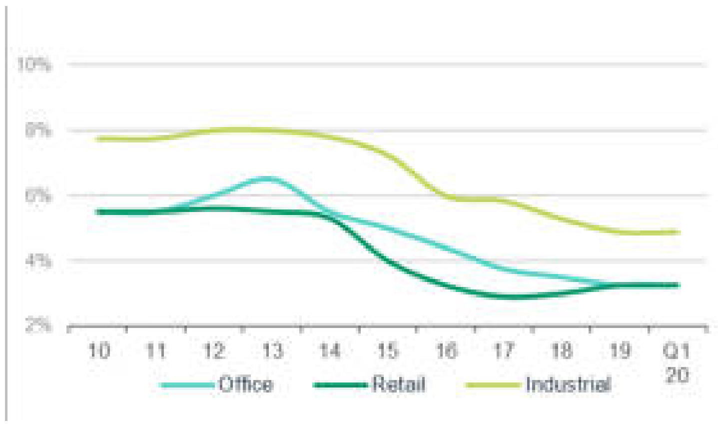
	Q1 2019	Q1 2020
Office (%)	3.25	3.25
High Street Retail (%)	3.00	3.25
Logistics (%)	5.25	4.90

BARCELONA – KEY FIGURES Q1 2020

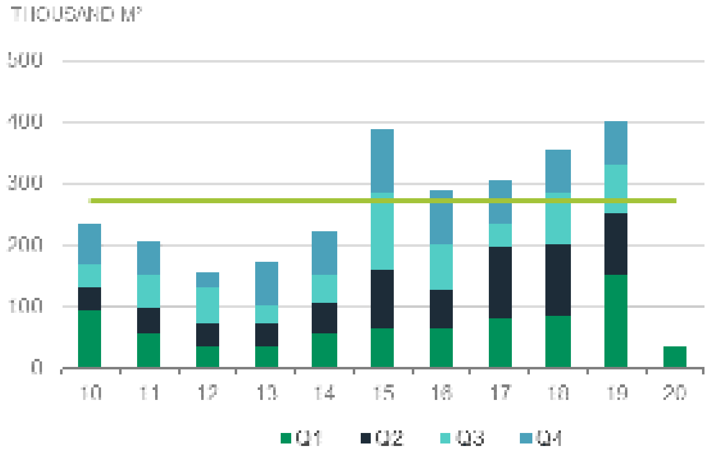
PRIME RENT & VACANCY



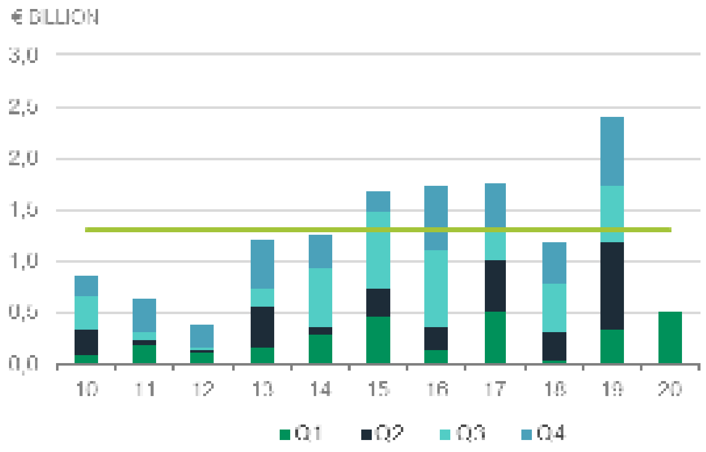
NET PRIME YIELDS



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**

LISBON – MARKET SENTIMENT

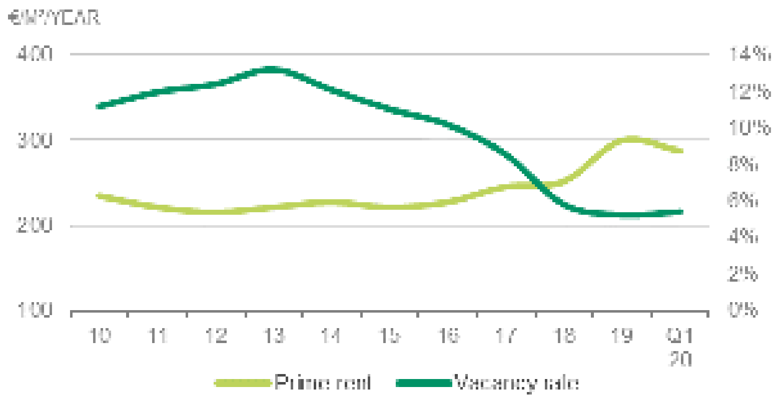
EXPECTED EVOLUTION OF THE OFFICE MARKET

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. 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. 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.

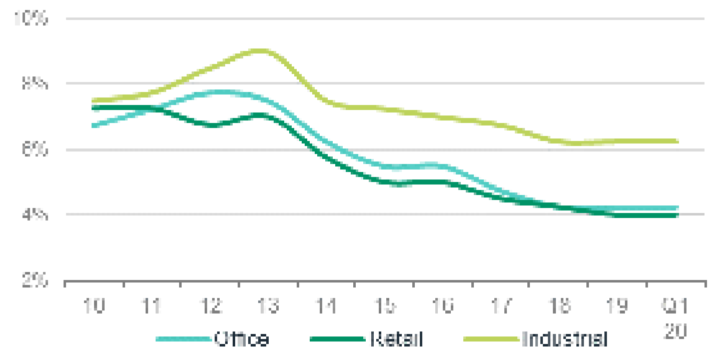
Strong increase Moderate increase Stability Moderate decrease Strong decrease

LISBON – KEY FIGURES Q1 2020

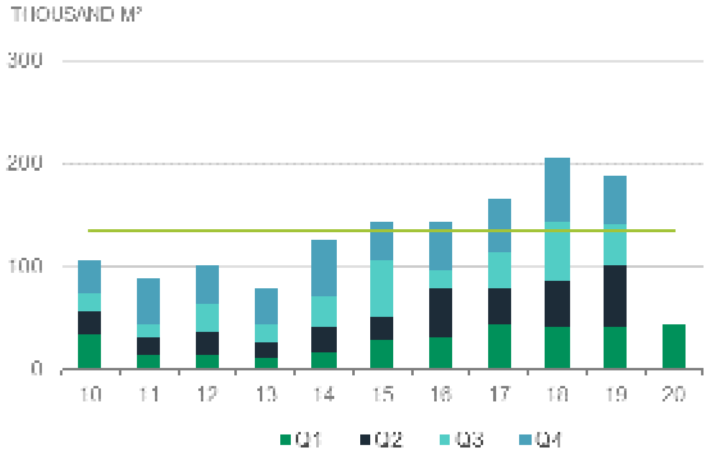
PRIME RENT & VACANCY



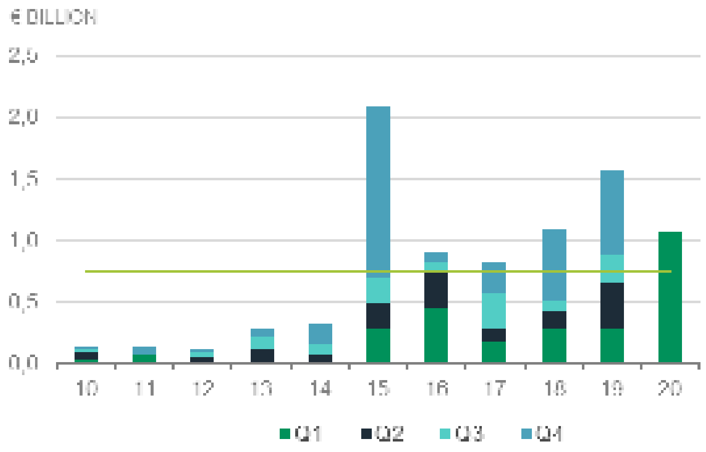
NET PRIME YIELDS



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

BRUSSELS – MARKET SENTIMENT

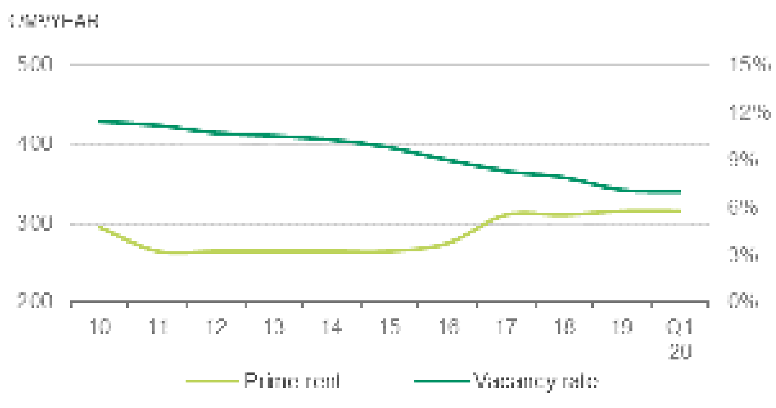
EXPECTED EVOLUTION OF THE OFFICE MARKET

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.

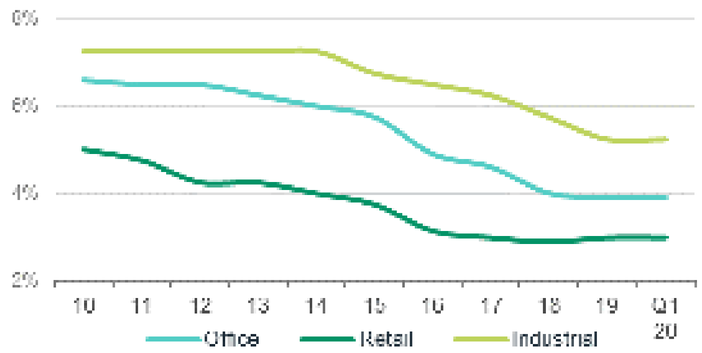
Strong increase   Moderate increase   Stability   Moderate decrease   Strong decrease

BRUSSELS – KEY FIGURES Q1 2020

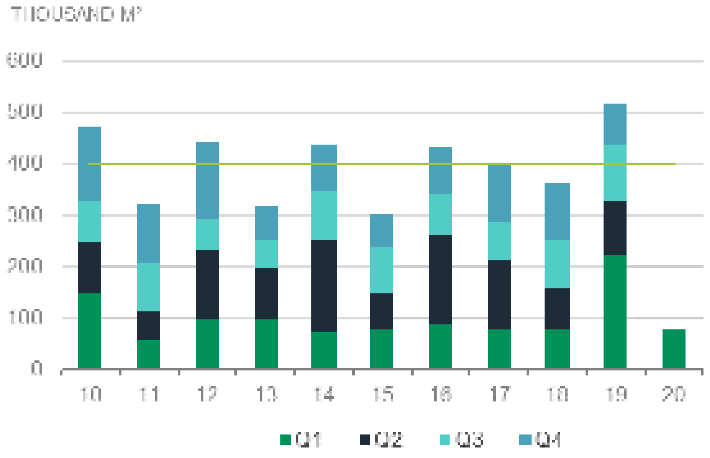
PRIME RENT & VACANCY



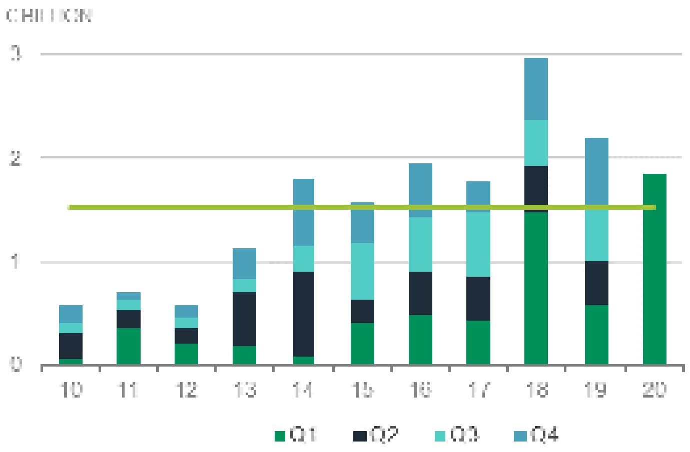
NET PRIME YIELDS



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

AMSTERDAM – MARKET SENTIMENT

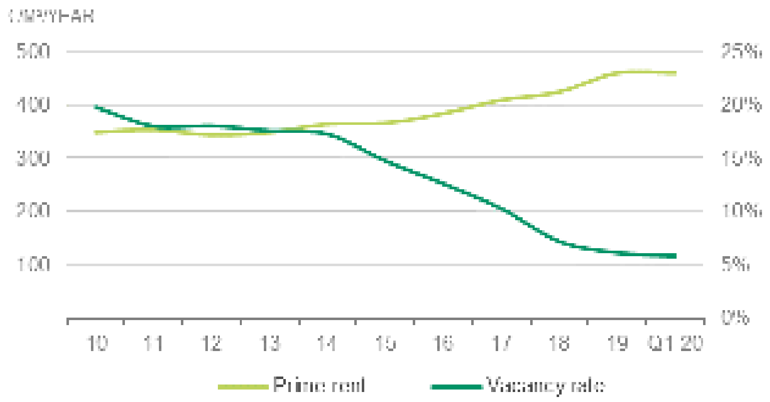
EXPECTED EVOLUTION OF THE OFFICE MARKET

MARKET INDICATOR	EXPECTED EVOLUTION	COMMENTS
TAKE-UP	Stability / Moderate decrease	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. Yet since the Covid-19 outbreak, most search queries and negotiations have been put on hold. With the new distance guidelines, occupiers are reconsidering their housing needs. We expect to see a slightly decreasing to stable take-up in 2020.
RENTAL VALUES	Stability	Rents have been on increasing trend for multiple years now. Since the Covid-19 outbreak rents have stabilised as the demand has (temporarily) dried up. Due to low availability and high demand, rents are expected to return to the upward trend once Covid-19 effects level out.
VACANCY	Stability	No immediate effect on vacancy is expected. The vacancy rate might increase if the demand stop lasts longer as several (partially) speculative office developments will be completed within 12 months. However, the starting point of the Covid-19 crisis with very low vacancy rates differs substantially from the start of the financial crisis in 2007. In addition, the current restricted development pipeline minimizes the risk of oversupply.
YIELDS	Moderate increase	As the demand for core office product remains high, the prime yields are relatively stable and only a minor yield increase might occur. The outlook for non-core product is less robust as the market shows price corrections for core+ and value-add assets. The severity of the price corrections will depend on the depth and length of this crisis. The demand for office product in Amsterdam remains good and investor activity is coming back as offices re-open. We foresee slow investment volumes throughout the summer and expect the investment volume to pick up in Q4.

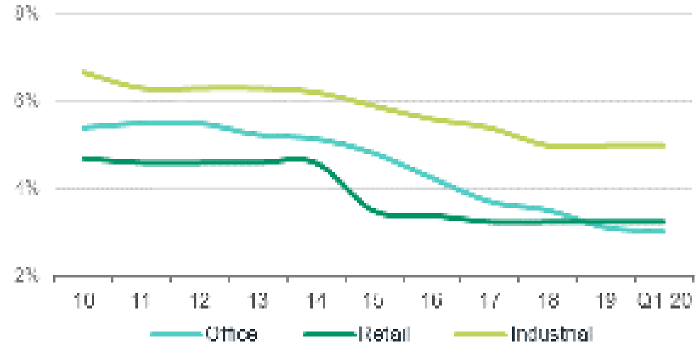
Strong increase · Moderate increase · Stability · Moderate decrease · Strong decrease

AMSTERDAM – KEY FIGURES Q1 2020

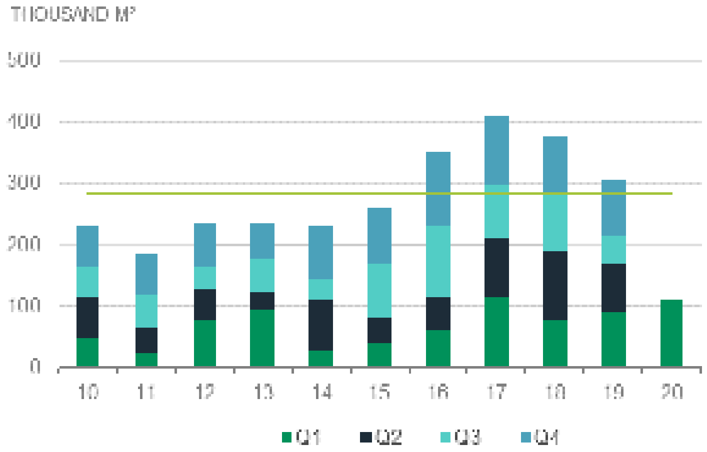
PRIME RENT & VACANCY



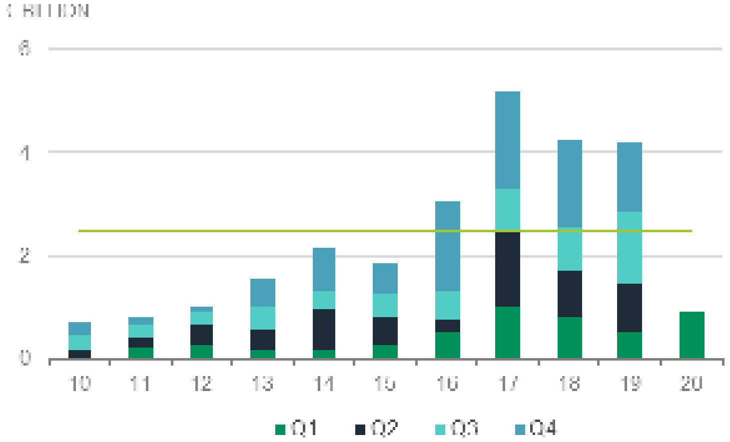
NET PRIME YIELDS



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

LUXEMBOURG – MARKET SENTIMENT

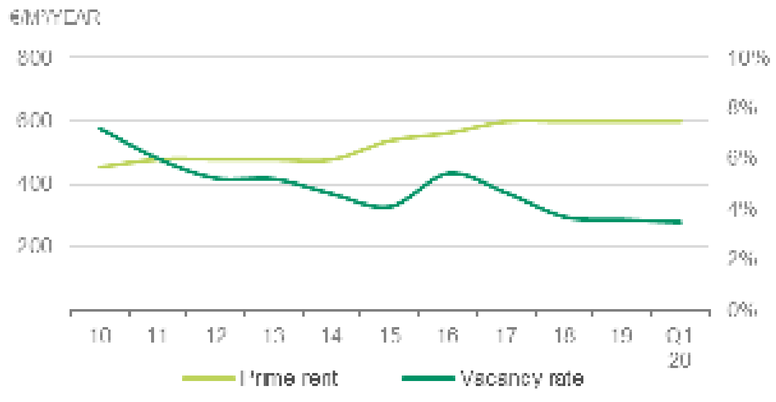
EXPECTED EVOLUTION OF THE OFFICE MARKET

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.

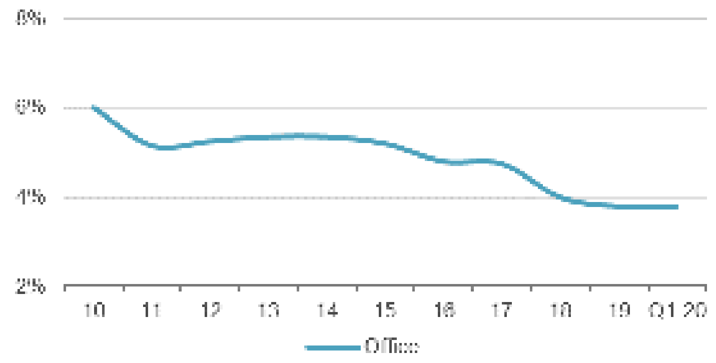
Strong increase Moderate increase Stability Moderate decrease Strong decrease

LUXEMBOURG – KEY FIGURES Q1 2020

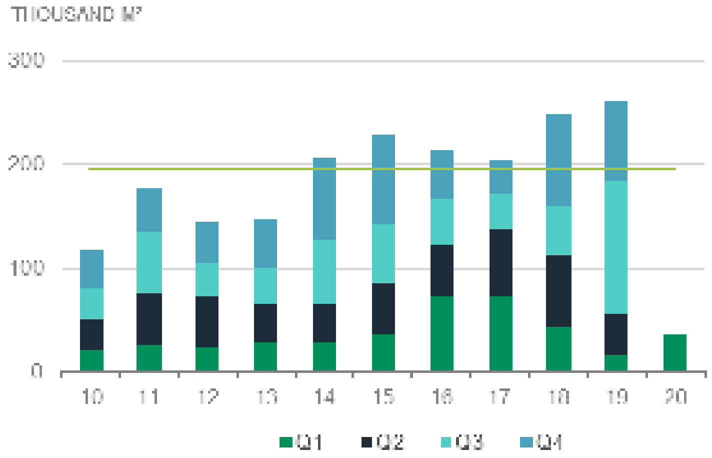
PRIME RENT & VACANCY



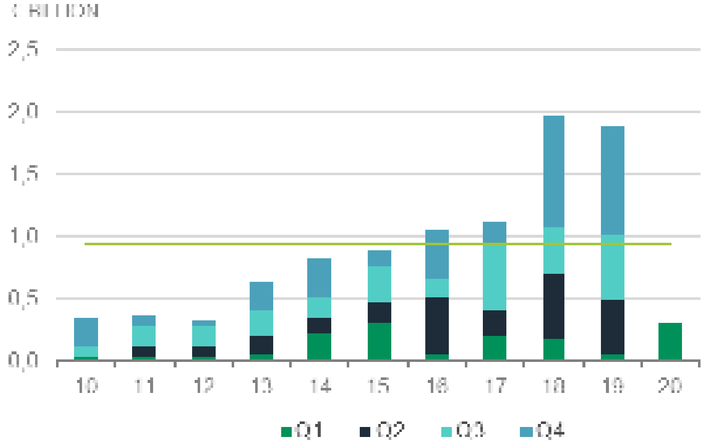
NET PRIME YIELDS



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 (%)	-	-

DUBLIN – MARKET SENTIMENT

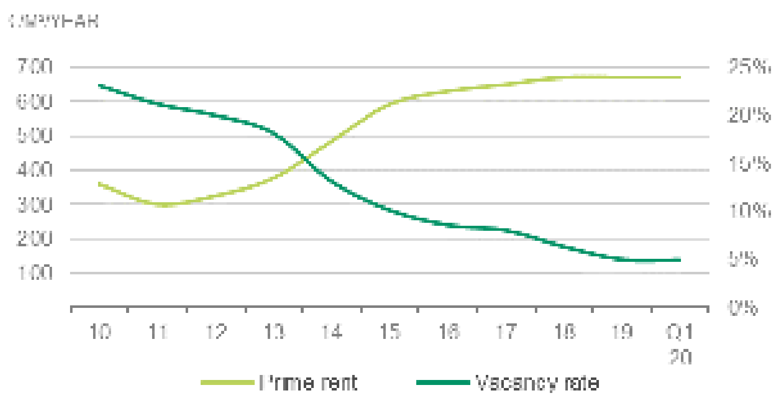
EXPECTED EVOLUTION OF THE OFFICE MARKET

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 levels have declined significantly in Q2 as a result of movement restrictions. 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 and pharmaceutical companies 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 was paused for almost one quarter. 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. There has been limited transactional activity in Q2 with many investors adopting a 'wait-and-see' approach. However, a number of prime office asset transactions were already close to completion before the onset of this crisis have now completed, achieving a yield of 4% to support pricing at this level.

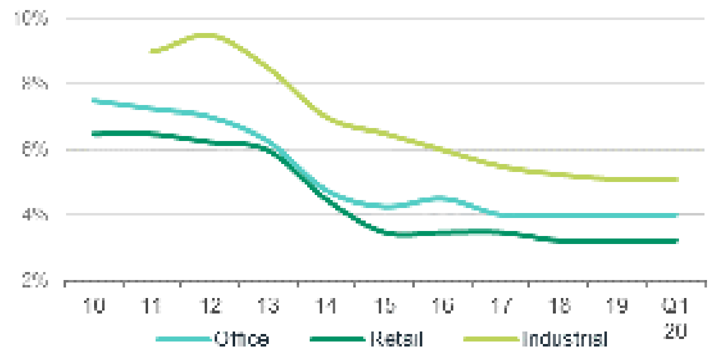
Strong increase Moderate increase Stability Moderate decrease Strong decrease

DUBLIN – KEY FIGURES Q1 2020

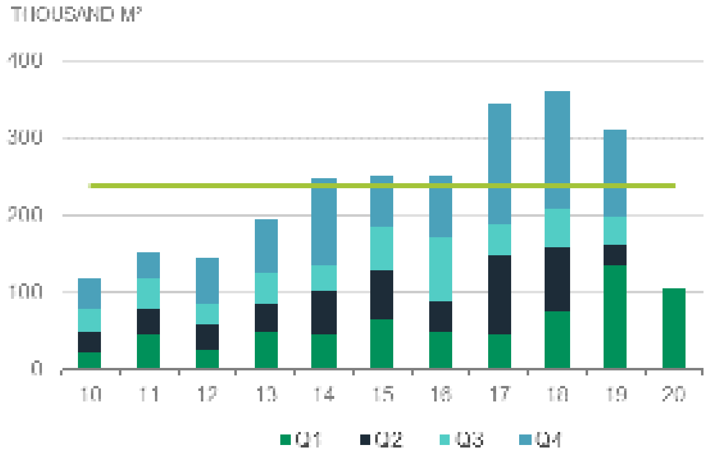
PRIME RENT & VACANCY



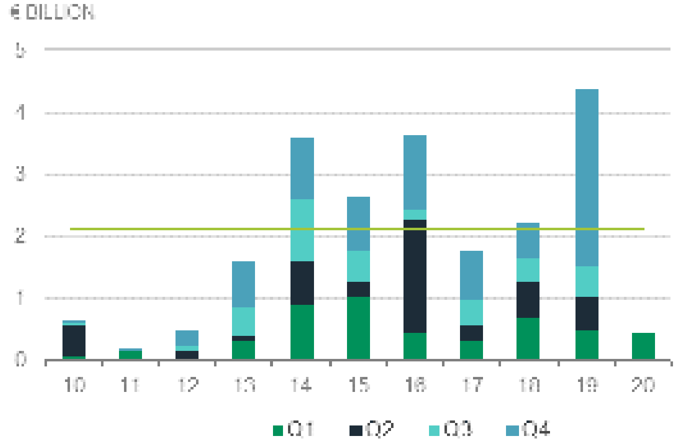
NET PRIME YIELDS



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

WARSAW – MARKET SENTIMENT

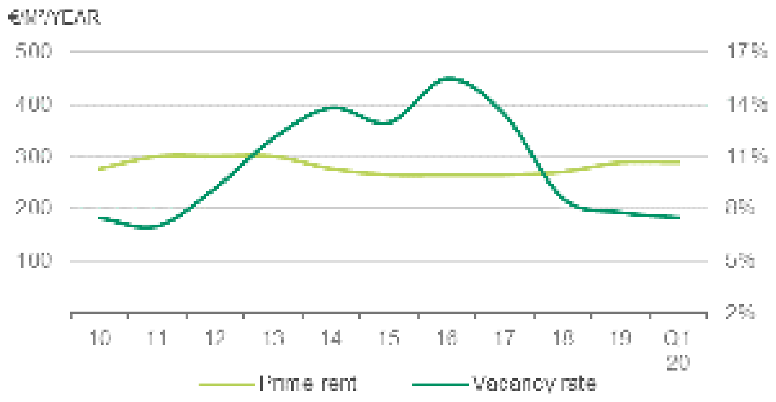
EXPECTED EVOLUTION OF THE OFFICE MARKET

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. 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. 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.

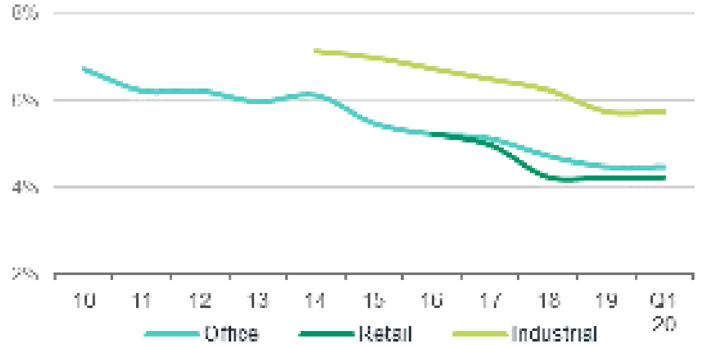
Strong increase | Moderate increase | Stability | Moderate decrease | Strong decrease

WARSAW – KEY FIGURES Q1 2020

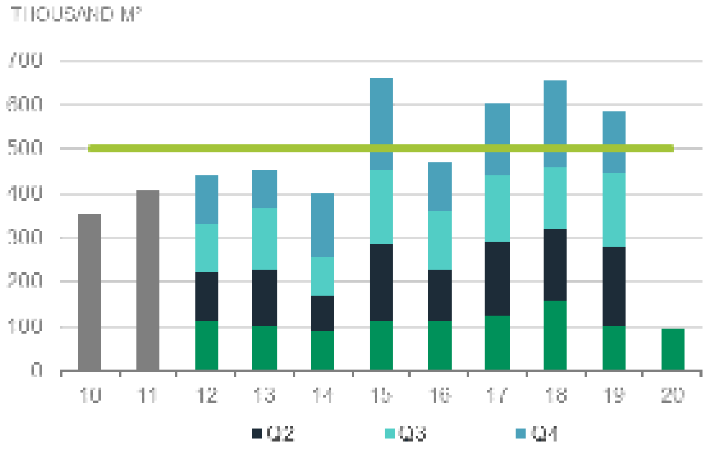
PRIME RENT & VACANCY



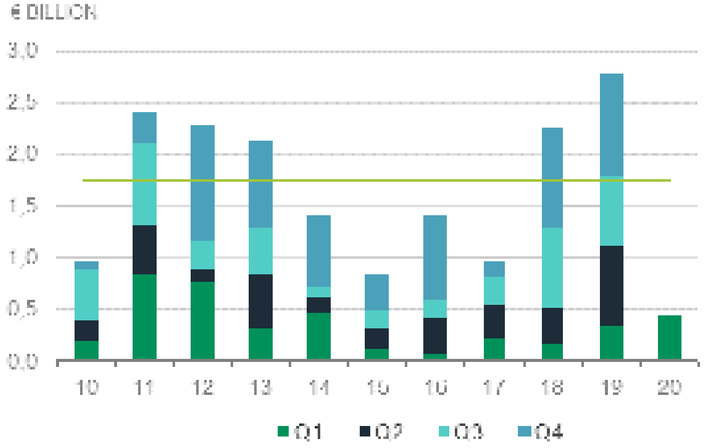
NET PRIME YIELDS



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

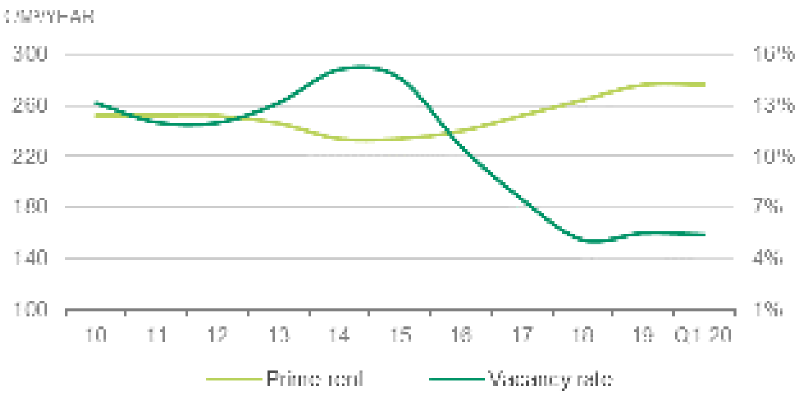
EXPECTED EVOLUTION OF THE OFFICE MARKET

MARKET INDICATOR	EXPECTED EVOLUTION	COMMENTS
TAKE-UP	Moderate decrease	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 in Q3 2020, although this depends on the length of restrictive measures and the economic situation of tenants.
RENTAL VALUES	Stability	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	Moderate increase	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	Moderate increase	In the short term, it is likely that the yields will increase. Many investment transactions have been postponed or canceled. It is assumed that the transactions that eventually go forward will be for prime office buildings and logistics properties. The downturn in investment activity, for both sellers and buyers is likely to result in price declines.

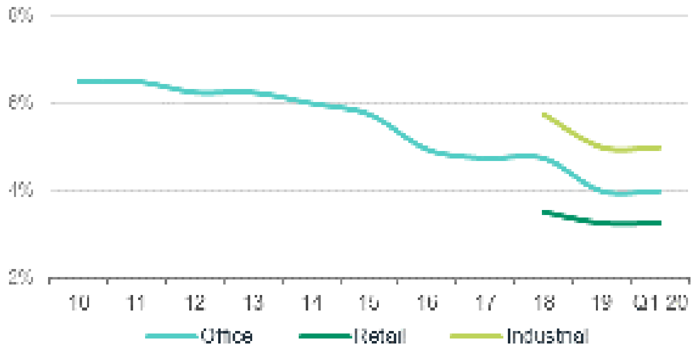
Strong increase | Moderate increase | Stability | Moderate decrease | Strong decrease

PRAGUE – KEY FIGURES Q1 2020

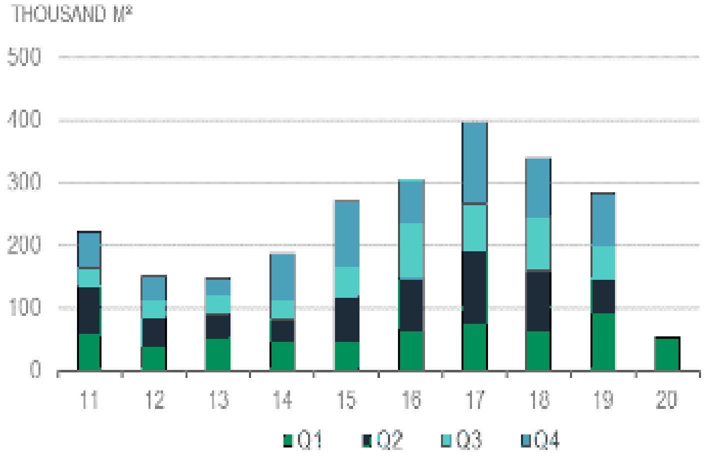
PRIME RENT & VACANCY



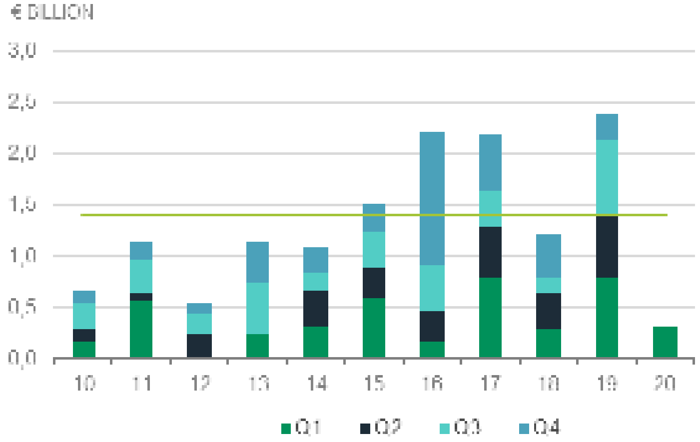
NET PRIME YIELDS



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

BUCHAREST – MARKET SENTIMENT

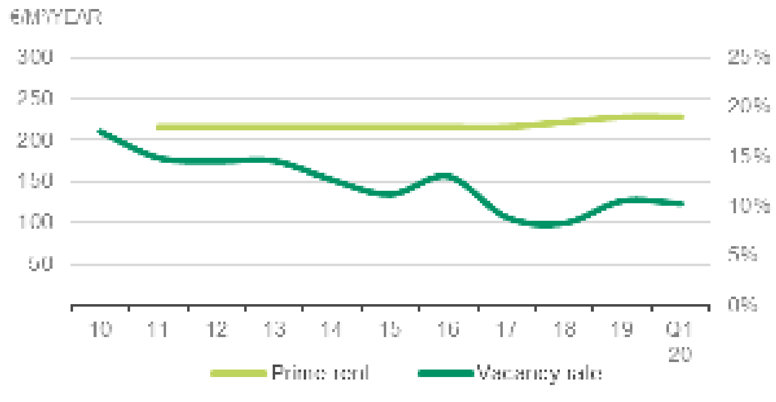
EXPECTED EVOLUTION OF THE OFFICE MARKET

MARKET INDICATOR	EXPECTED EVOLUTION	COMMENTS
TAKE-UP	Strong decrease	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 the Romanian market in the upcoming months of 2020.
RENTAL VALUES	Stability	We expect the prime office rent to remain stable over the remaining course of 2020. Incentives such as rent-free periods or LL's fit-out contribution are likely to further increase in value, and put downward pressure on average office rents as well as the headline rent.
VACANCY	Moderate increase	Vacancy is expected to increase due to decreased demand and occupier appetite for lease renewals/renegotiations. 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	Stability	We expect the prime office yield to remain stable at 7%. We forecast the investment volume to decrease 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.

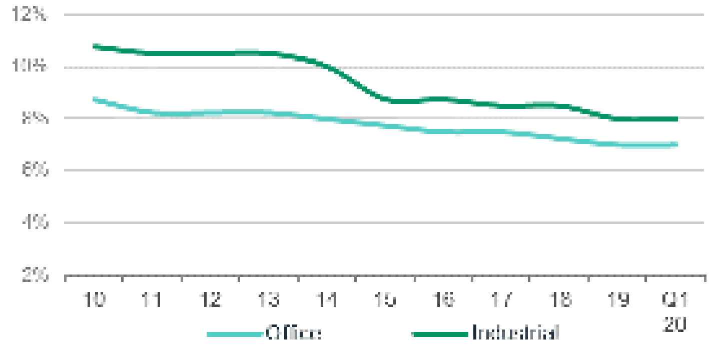
Strong increase | Moderate increase | Stability | Moderate decrease | Strong decrease

BUCHAREST – KEY FIGURES Q1 2020

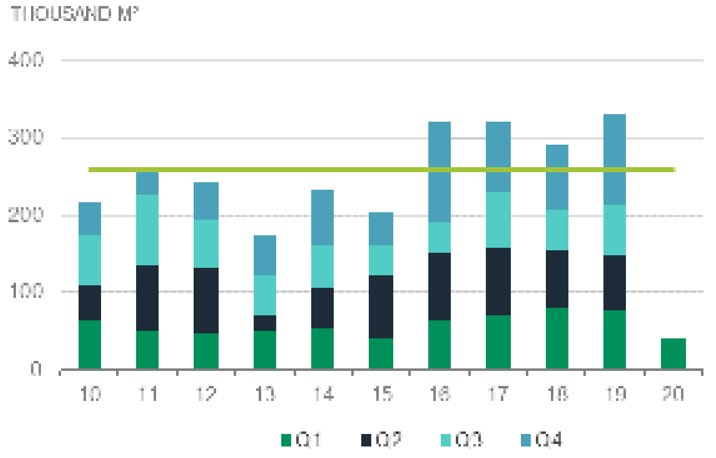
PRIME RENT & VACANCY



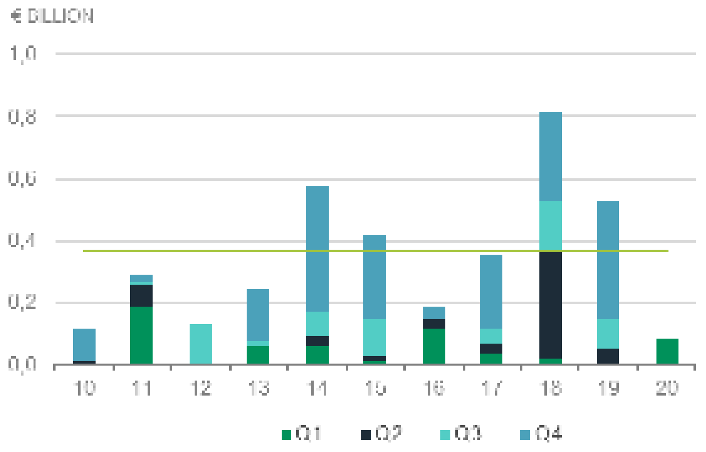
NET PRIME YIELDS



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

Contacts

International Investment Group
Larry Young
Tel.: +33(0)1 47 59 20 11
larry.young@bnpparibas.com

International Advisory & Alliances
Lou Cellier
Tel.: +33(0)1 47 59 18 03
lou.cellier@bnpparibas.com

International Research
Richard Malle
Tel.: +33(0)1 47 59 17 37
richard.malle@bnpparibas.com

BNP Paribas Real Estate: Simplified joint stock company with capital of €383 071 696 - 692 012 180 RCS Nanterre - Code NAF 7010 Z - CE identification number FR 666 920 121 80

Headquarters: 167, Quai de la Bataille de Stalingrad - 92867 Issy Les Moulineaux Cedex
BNP Paribas Real Estate is part of the BNP Paribas Banking Group - February 2019

KEEP UP-TO-DATE WITH
BNP PARIBAS REAL ESTATE'S NEWS,
WHEREVER YOU ARE

www.realestate.bnpparibas.com
#BEYONDBUILDINGS

PROPERTY DEVELOPMENT | TRANSACTION | INVESTMENT MANAGEMENT | PROPERTY MANAGEMENT | VALUATION | CONSULTING