



CLUB ESTATE VIEW

COVID-19 CRISIS INITIAL ASSESSMENT

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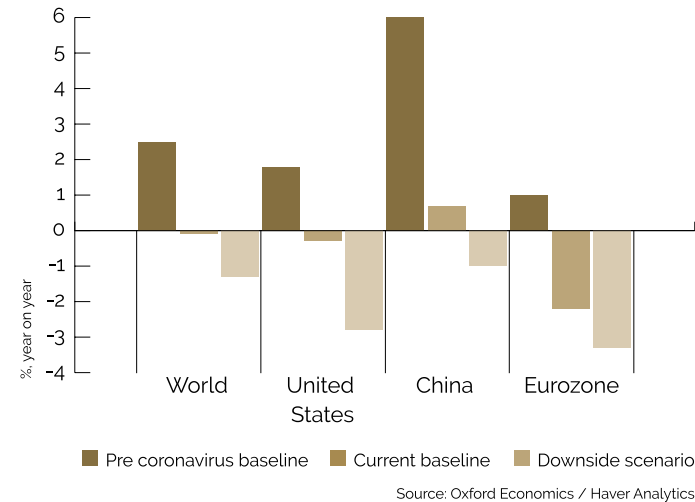


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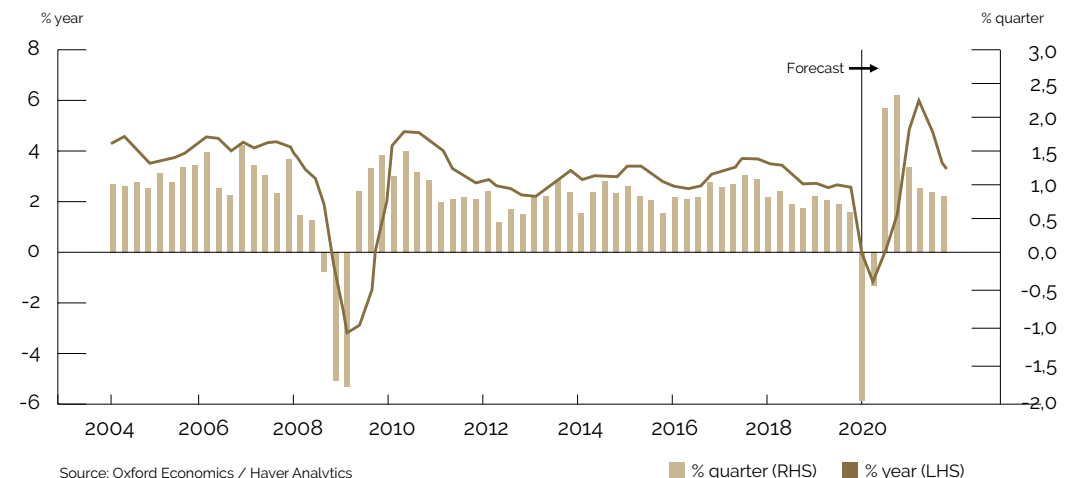
ECONOMY

- >> Coronavirus is expected to cause economic damage worldwide in H1 2020 (contraction of 2% in Q1 2020) and lead to second-weakest year for 50 years
- >> Global growth is expected to drop to 0% from 2.5% pre-crisis forecast for the full year 2020 (USA: -0.2%, Euro: -2.2%, China: 1%)
- >> Downside scenario forecast global GDP to shrink by 1.3% (USA: -2.6%, Euro: -3.2%, China: -0.9%)
- >> Bounceback is expected to be strong once social restrictions are relaxed and monetary and fiscal stimulus support consumption
- >> Forecasts for individual business sectors depend on depth and length of disruption as well as shape of recovery
- >> Hardest hit sectors will only recover by Q3/Q4 2021 (i.e. commercial aerospace), while others can be expected to recover swiftly by Q3 2020 (i.e. fashion)

Global: real GDP growth in different scenarios



World: GDP



OFFICE

Impacts by covid-19

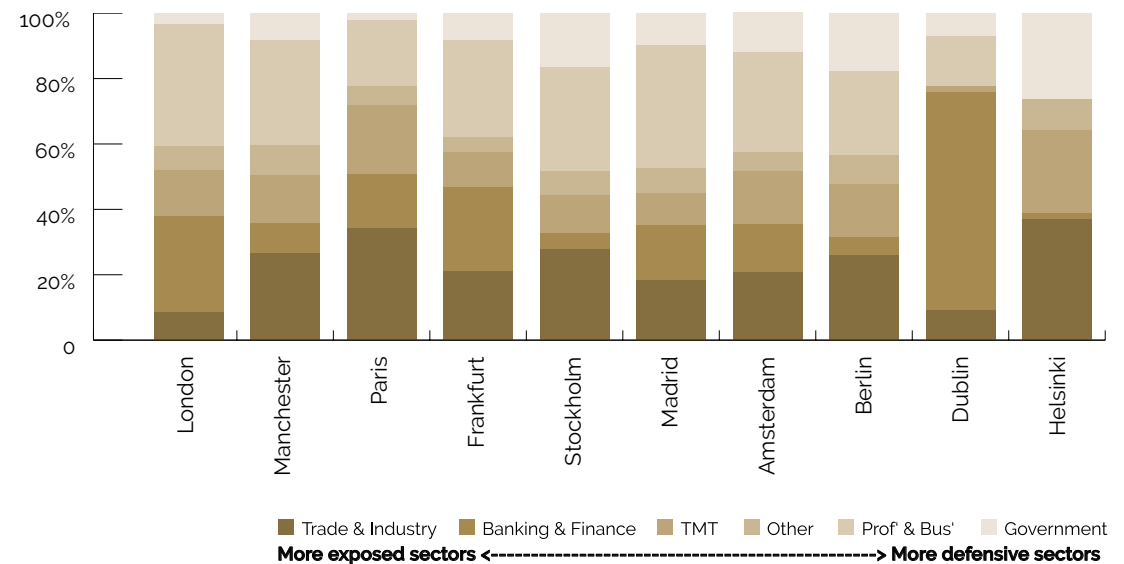
- >> Pause on new lease transactions and lease renewals
- >> Deferral or rental holiday for businesses on the front line of this crisis to avoid tenant defaults
- >> Hit to co-working providers due to demand shock
- >> Cooldown of hot office markets (i.e. Germany)
 - >> Vacancy rate increases to moderate levels
 - >> No or slightly negative rental growth
- >> Extension of impact depends on exposure to industries and tenants at risk

Recovery & Paradigm Shift

- >> Swift recovery from negative impacts

- >> Forced home office may break down cultural resistance and lead to reduced floorspace per worker ratio and thus lower demand of office space
- >> Flexible space may be crucial to weather demand shifts

Office Demand Breakdown Q4 2019



Source: Credit Suisse, PMA

HOTEL & LEISURE

Impacts by covid-19

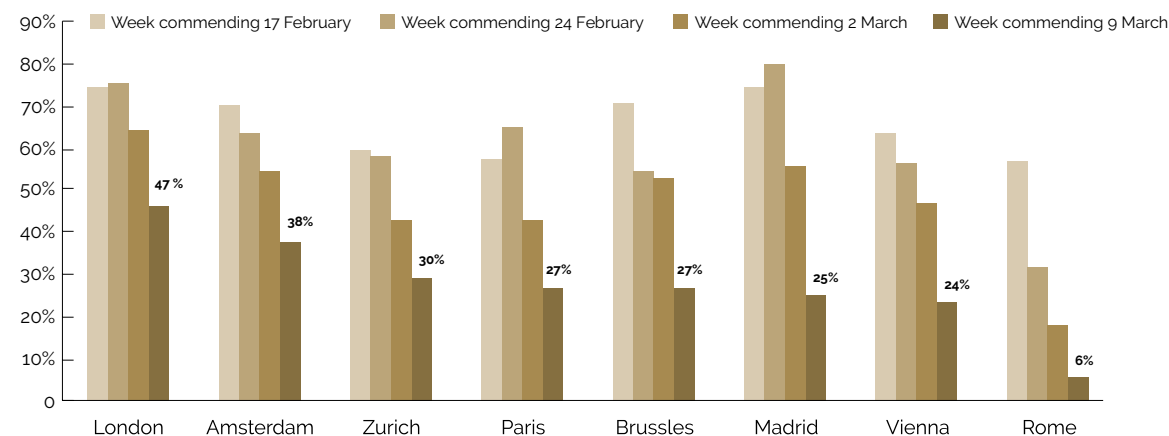
- >> Travel bans and social restriction have caused a decline in revenues among hotels, restaurants, bars, etc. (i.e. hotel occupancy in Rome as of mid March is only 6%)
- >> Restrictions are likely to continue and only to relax step-by-step over the coming months
- >> Properties that primarily cater to discretionary travel will be affected most, i.e. luxury, upper upscale, urban, airport, and resort properties
- >> Space will be re-positioned and converted to other uses
- >> Operators are likely to default or at least re-negotiate sustainable lease terms
- >> Property values will decline

Recovery & Paradigm Shift

- >> Slow recovery in 2021
- >> Choice of operator will be more important

Three consecutive week of falling occupancies

Weekly development in European cities



Source: STR. 2020

RETAIL

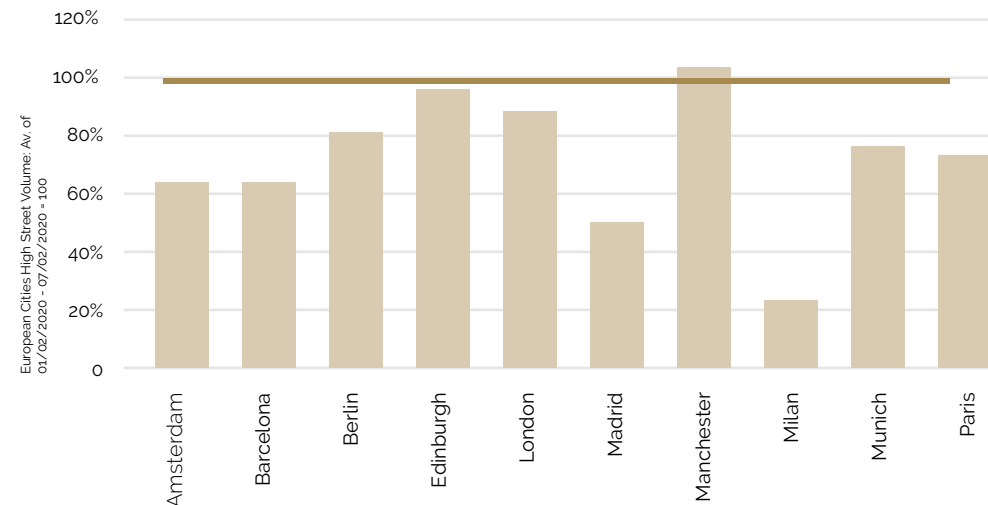
Impacts by covid-19

- >> Industry is split in two
- >> Turmoil, where you would expect (i.e. enclosed malls, high street retail)
- >> Even before lockdown, footfall volumes have declined significantly in major cities
- >> Basic retail shows surprising strength (i.e. grocery and pharmaceutical tenants)
- >> E-commerce, especially online grocery, have soared since the beginning of the crisis
- >> Certain sectors (electronics, clothes, etc.) expect a supply bottleneck due to production downtime

Recovery & Paradigm Shift

- >> Negative development in sector pre-crisis may accelerate and lead to further increase in cap rates and decline in value
- >> Shift towards e-commerce will be accelerated
- >> Focus on basic retail as it has been proven to be crisis resistant

Footfall Volumes Average Week 10 March 2020 - 16 March 2020



Source: CBRE Consumer & Supply Chain Advisory, 23.03.2020

LOGISTICS & INDUSTRIAL

Impacts by covid-19

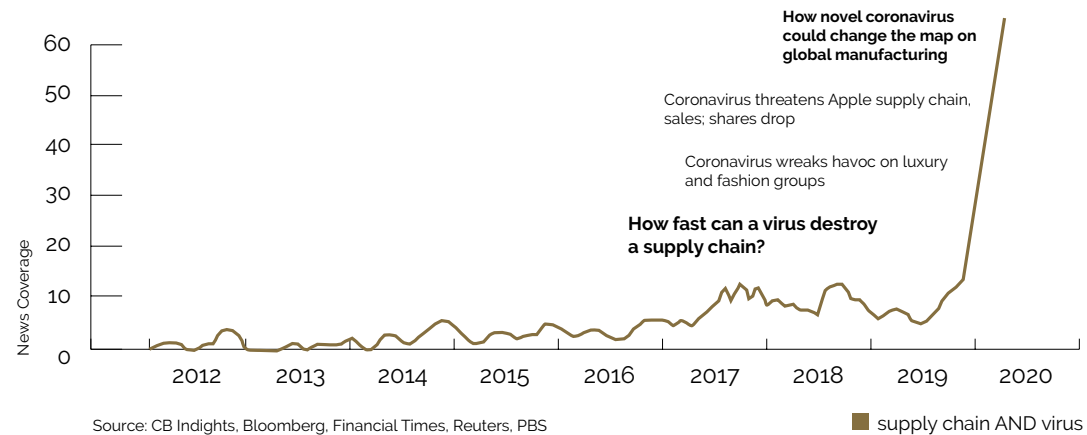
- >> Downturn in economic activities and interruption in the supply chain will adversely affect demand of logistic space in the short-term
- >> In the mid-term, however, the COVID-19 crisis will accelerate prior trends towards online purchases and therefore demand of space
- >> Rents will remain stable due to overall strong demand

Recovery & Paradigm Shift

- >> Most likely the most resilient sector in real estate, especially in last mile and cold storage logistics

- >> Long-term supply chain trends to increase resilience may include:
 - >> Reduce exposure to global transport
 - >> Focusing on local supplier
 - >> Increasing storage capacity
 - >> Accelerate the use of automation and robots in operations

Media discussion of supply chain a virus skyrockets



FINAL THOUGHTS

Club Estate's final thoughts

- >> The adverse effect of the current coronavirus crisis on the global economy and therefore on real estate markets, highly depend on fiscal and monetary policies and the duration until its spread is under control, restriction policies are relaxed and normal life returns.
- >> The different real estate markets are exposed to the current crisis to different extents
 - >> Office - higher acceptance towards working from home in the future
 - >> Hotel & Leisure - most exposed sector in the short-term due to restrictions (i.e. travel ban)
 - >> Retail - acceleration of pre-crisis negative trend and faster shift towards e-commerce
 - >> Logistics & Industrial - de-globalisation of supplychains to mitigate risk
- >> All real estate sectors are expected to take a hit in the short-term, but likely to recover in the mid-term. Except for sectors that have already been in a negative trend, such as retail.
- >> The corona crisis will offer an opportunity to acquire strong core assets to a discount to recent peaks





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