CORONA - PANDEMIC

EFFECTS ON THE
REAL ESTATE MARKET – FOCUS GERMANY

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Date: 16.04.2020
Data Update: 04.05.2020
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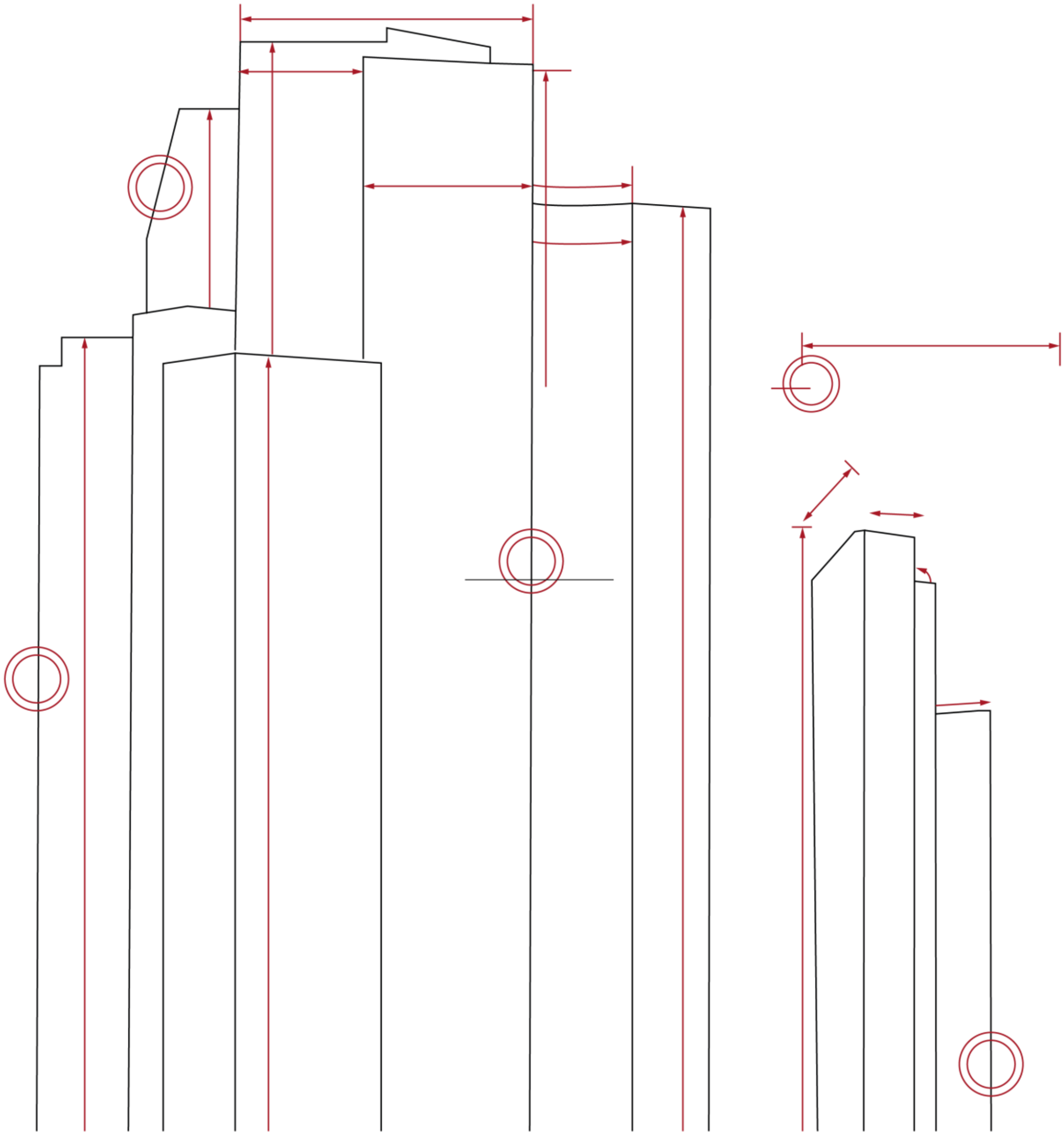


INTRODUCTION

The Corona Pandemic is having a significant impact on human health, societies and economies worldwide. There are no events in recent history that are directly comparable and there is no "blueprint" as to how the world can move forward.

Previous fears about US trade wars or the long-term impact of a Brexit, now pale in significance to the massive blow that a microscopic virus has dealt to global economies.

Almost two thirds of the world's economic output were shut down in April. Although the Chinese economy is now slowly picking up speed again, in Europe and the US there is little prospect of new momentum until before the end of May.

There is no precedent for how closely interconnected economies can recover after disruption of such magnitude, and the staggered timing of the pandemic's impact on the three global economic regions poses further challenges.

Nonetheless, at KGAL we expect that after the sharp slump in the first and second quarters of the year, a strong recovery will begin in the second half of 2020.

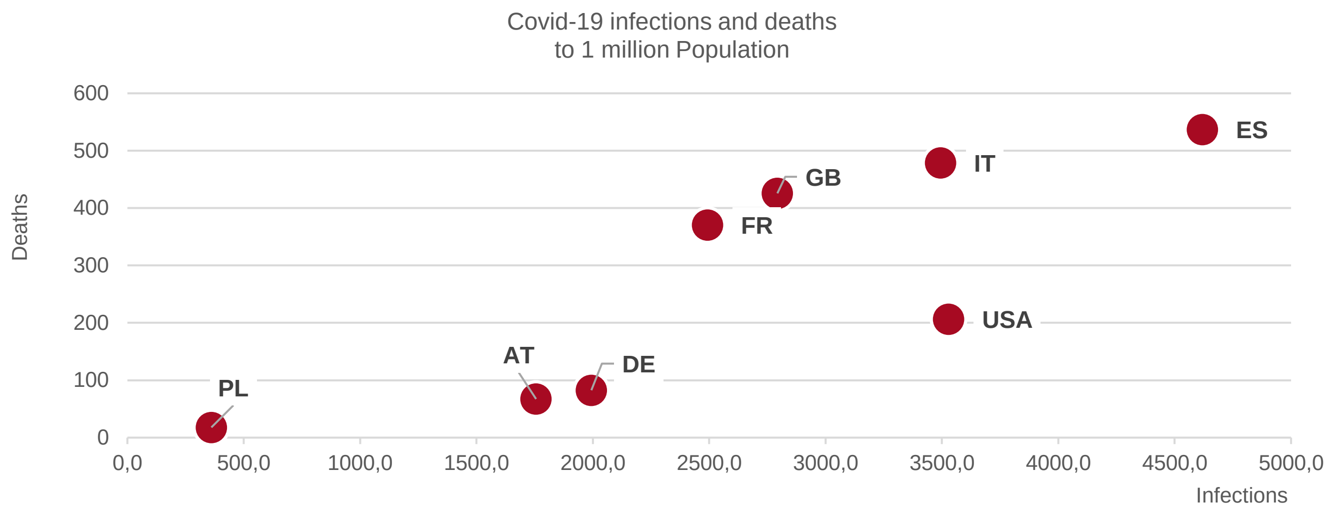
We are still relatively close to the beginning of this downturn which is why negative data and information dominate at present and will continue to do so in the coming weeks. The challenge will be to see past this flood of negative information and identify where opportunities for investors could arise and where risks need to be reassessed.

CONTENT

1. THE CORONA PANDEMIC

The measures taken in the vast majority of European countries in recent weeks aim to slow the spread of the corona virus in the population and thus reduce the burden on healthcare systems (mitigation strategy). The fact, that slowing the speed of spread can be successful has been demonstrated by studies on the Spanish Flu by Hatchett et al (2007)[1]. A different strategy was pursued in some Asian countries (including South Korea and Singapore), where strict medical controls and individual quarantine measures reduced and prevented the spread of the virus (suppression strategy). Common to both strategies are the considerable restrictions on individual, public and economic life.

FIGURE 1 CORONA INFECTIONS IN RELATION TO POPULATION SIZE



Source: KGAL Research based on Johns Hopkins University, as of 3 May 2020

While Belgium, France, Italy, Austria, the Czech Republic and Spain have used curfews to slow down the spread of the virus, other European countries, such as Germany, have taken a less restrictive approach. Although public and economic life has come to a virtual standstill by decree and a large part of the wholesale and retail trade are not allowed to open shops, there is no nationwide curfew.

While the easing of some restrictions in Germany began on 19 April, the speed of the recently announced gradual relaxation depends on the further development of infection rates. The data on new infections published recently by Johns Hopkins University indicate that the peak has been reached in Europe, and the discussion on how to ease the restrictions is gathering momentum. However, there is still a risk that the end of the measures would lead to a renewed increase in infections, which would result in restrictions having to be reimposed.

2. IMPACT ON THE ECONOMY

We are still in the early stages and there is virtually no reliable data on the current economic situation in Germany and Europe. Business and border closures are leading to substantial declines in sales and production in many sectors and a deterioration in the income situation of private households is resulting in companies experiencing a simultaneous demand and supply shock. A sharp recession in Germany and almost all European countries is therefore unavoidable.

One important aspect in assessing the complex economic and fiscal consequences is the duration of the measures taken to mitigate the Corona Pandemic itself. Another is the economic support measures taken by governments. The best scenario for the economy is that measures are lifted as planned and the economic situation can gradually return to normal over the summer. This recovery would take time to gather momentum. Disruptions in supply chains and the delayed path of the disease in parts of Europe, the US and emerging markets would slow it down. A worse scenario, which we do not currently anticipate, would be an extension of the measures until after the summer or the resumption of restrictive measures in the course of the year, due to a renewed increase

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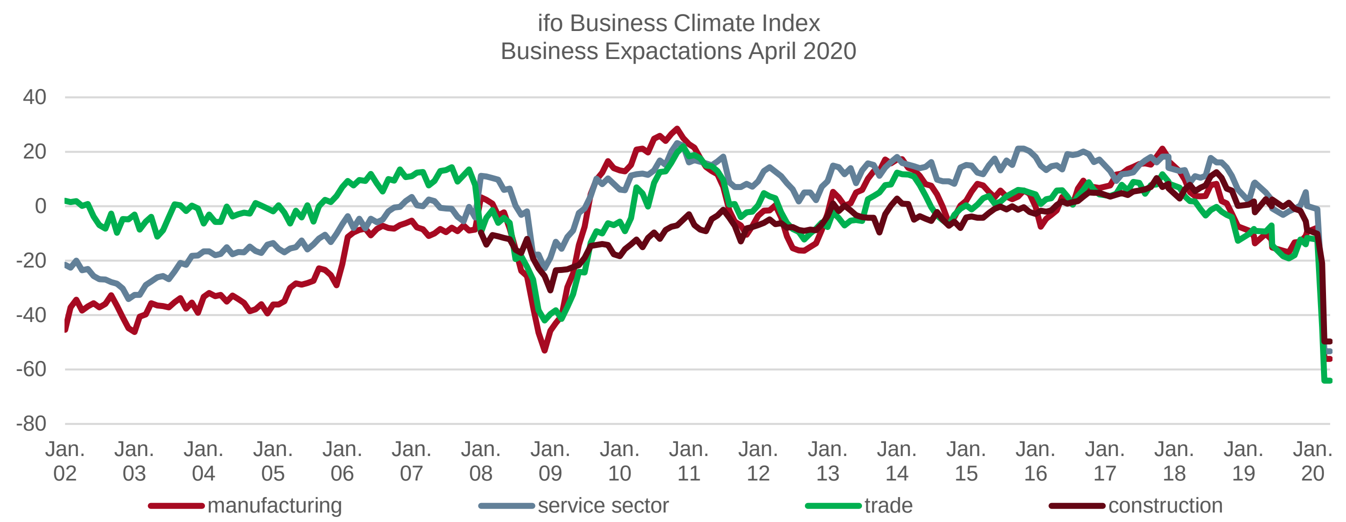
[1] Richard Hatchett et. al. “Public health interventions and epidemic intensity during the 1918 influenza pandemic”, Princeton 2007

in the number of infections. In this case, the economic recovery would be postponed further and only develop in a very restrained manner.

FIGURE 2: GERMAN ECONOMIC SENTIMENT



Source: ifo Institute, Business Climate, May 2020

The overall situation and the mood in the economy is reflected by the sentiment indicators published so far. For example, the Purchasing Managers' Index (PMI) for Germany collapsed from 50.7 points in February to 37.2 points in March, and the sub-index for the services sector fell to 34.5 points, the lowest level ever measured by this index[2]. With a level of 28.4 points in March, the PMI for the Eurozone also slumped to a record low. Above 50 points, the PMI signals growth, which is why the measured sentiment points to a severe recession. The ifo business climate index for Germany also shows a comparable development. In April, it reached its lowest level ever recorded and the speed of the decline was more severe than during the Global Financial Crisis of 2008/2009[3]. It can be assumed that the mood will continue to deteriorate in the coming months.

On the basis of previously published forecasts, a rough estimate of the economic development in Germany can be made. The extensively substantiated forecast of the Project Group Joint Economic Forecast predicts a best case which would entail the normalisation of the economy from the summer with a GDP decline of -4.2% in the current year being followed by a significant increase of 5.8% in 2021[4].

Other forecasts, such as those by Commerzbank (-3.5% in 2020 and 4.0% in 2021)[5], Oxford Economics (-3.9% in 2020 and 4.7% in 2021)[6] and DekaBank (-4.7% in 2020 and 4.8% in 2021)[7] show comparable trends. Irrespective of the differences in the estimated magnitude of the forecast downturn, it is clear that a strong recovery for the German economy is expected next year and that this will start in the second half of 2020. This is also reflected in the forecasts in the wider Eurozone forecast (-5.1% in 2020 and 4.6% in 2021)[8].

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[2] IHS Markit PMI March, April 2020

[3] Ifo Institute, ifo Business Climate Index March 2020, April 2020

[4] Joint Economic Forecast 1-2020: Economy in shock - Fiscal policy counters the shock, 8 April 2020

[5] Commerzbank Research, Week in Focus, April 9, 2020

[6] Oxford Economics, 9 April 2020

[7] DekaBank Research, Economic Forecast, 2 April 2020

[8] Oxford Economics, 9 April 2020

TABLE 1: GROWTH FORECASTS 2020-21 (IN % P.A.)

Country	2020	2021
Eurozone	**-5.1**	**4.6**
Germany	**-3.9**	**4.7**
France	**-5.3**	**4.4**
Italy	**-7.6**	**3.8**
Great Britain	**-5.1**	**6.0**
Austria	**-5.6**	**6.8**
Poland	**-1.7**	**5.2**
Spain	**-5.6**	**4.2**

Source: Oxford Economics, May 2020

The most affected sectors of the German economy are primarily the manufacturing, hospitality, aviation and leisure industries. In these sectors, the ifo Institute expects[9] a decline in capacity utilisation of between 80% to 100%. The decline in trade, banking and insurance and the construction industry will probably be somewhat less severe (up to 50%). However, the overall picture of the retail sector is misleading in that the massive declines of almost 100% (e.g. fashion and electronics retail) were partly compensated for by the increased capacity utilization in other parts (e.g. drugstore and food retail). Less affected, for example, will be companies in the utilities and waste disposal sector, government administration and the healthcare sector. It can even be assumed that capacity will be built up in the latter two.

Companies with low profit margins usually have too little financial substance to compensate for the loss of income over a longer period of time. How robust the reserves of the respective companies are, varies from sector to sector and is difficult to estimate. An indication of the liquidity in the economy is provided by an evaluation by the credit rating agency Creditreform, according to which, average payment delays in Germany rose from 10.6 days at the beginning of February to 11.6 days at the end of March - the largest increase ever recorded by Creditreform[10].

Although governments have introduced rescue and support packages of unprecedented magnitude for private households and the economy, we expect that the number of insolvencies and the associated unemployment will rise. The ifo Employment Barometer[11] published at the end of March and the number of short-time workers registered with the Federal Employment Agency indicate how strongly the corona pandemic will affect the labour market in Germany. The ifo Employment Barometer virtually collapsed from February to March 2020, with a decline of 4.6 points in this period, recording its sharpest decline since its introduction in 2002. Jobs are expected to be cut in manufacturing, trade and services in particular. The picture for the construction industry appears to be slightly better, with the ifo Barometer for this sector of the economy also falling sharply, but still at a level that suggests a slight increase in employment. However, the construction industry is not immune to the virus either, which is why there is an assumption that the employment situation in this sector will also adjust to that of the other sectors. The Joint Economic Forecast Project Group expects the unemployment rate in Germany will rise to 3.6% this year and the number of people on short-time working rising to 2.4 million, resulting in the disposable income of private households falling for the first time since 2008 (-5% compared with the previous year)[12].

A further indicator of the development of the labour market is the increase in short-time working in Germany. According to calculations by the Federal Employment Agency, the number of people newly registered for short-time work rose from just under 42,000 in February to 7.5 million in April 2020. One does not have to be a prophet to predict that the number of people registered as unemployed will also increase significantly in the coming months. The duration of the restrictions will be crucial for the level of unemployment in the coming months, as well as how quickly a new normality will emerge. An increase in the number of unemployed and short-time workers also means that private consumption will decline in the coming months and that this important growth engine for the economy will pause for the medium term.

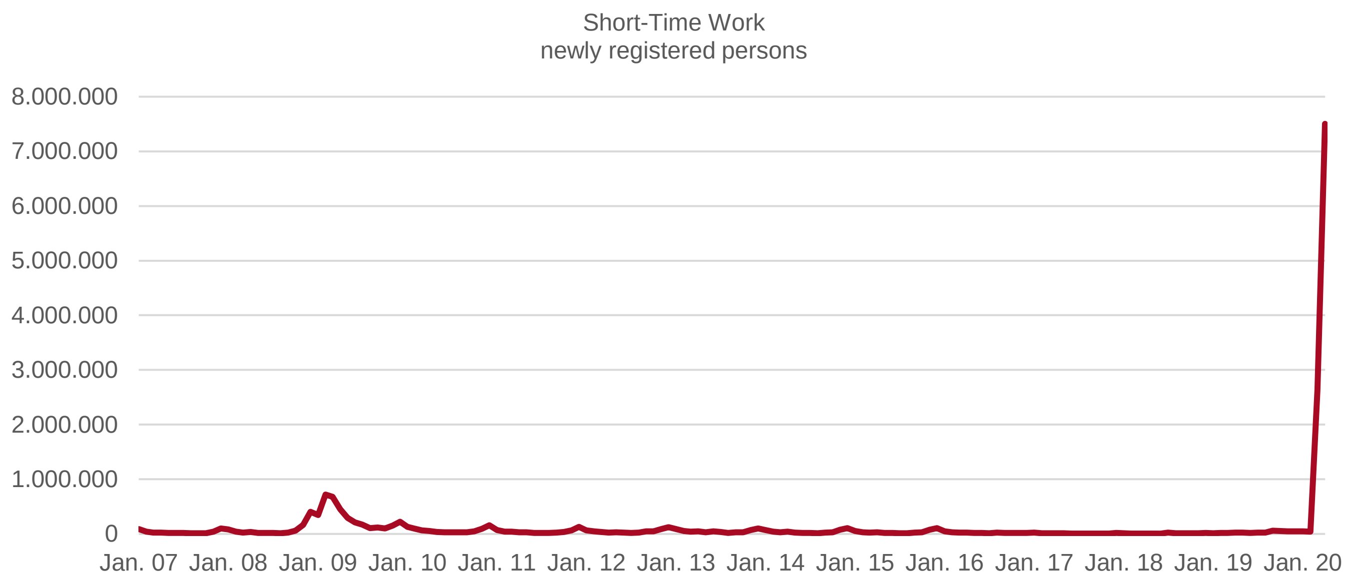
9 Ifo Institut, Economic Costs of Coronavirus Shutdown. 1. (mildes) Szenario, März 2020

10 Quoted in: The World: German companies' payment practices collapse, 30 March 2020

11 Ifo Institute, Employment Barometer March 2020

12 Joint Economic Forecast 1-2020: Economy in shock - Fiscal policy counters the shock, 8 April 2020

FIGURE 3: DEVELOPMENT OF SHORT-TIME WORK



Source: German Federal Employment Agency, May 2020, data as of 26 April 2020

3. OUTLOOK FOR THE REAL ESTATE MARKET

The construction and real estate market are closely intertwined with the economic development of a country and are not immune to the effects of the corona pandemic. After a ten-year economic upswing which, thanks in part to historically favourable financing opportunities, drove the German and European real estate market to heights that were previously unheard of, we now expect the headwinds to increase.

A (non-representative) survey by PwC[13] indicated in mid-March, that dark clouds were already gathering on the German property horizon:

- 54% of those surveyed expected the corona pandemic to have a "negative" or "strongly negative" impact on the real estate industry
- 74% feared a drop in revenues for 2020;
- 25% assumed that staff would have to be reduced.

In particular, the decline in demand for commercial real estate, rent defaults and the breach of financing covenants are at the top of the list of respondents when it comes to the direct impact on the real estate industry.

A survey by EY paints[14]a similar picture. The respondents expect the German real estate market to be characterised in the coming months by declining transaction volumes, falling prices in sub-segments of the market, a deteriorating financing environment and a reduction in construction activity.

The massive decline in the Deutsche Hypo Real Estate Climate Index[15] for April underpins this picture. According to the evaluation of the survey of 1,200 real estate experts, the real estate climate in Germany deteriorated by 37% from March to April. Whilst the

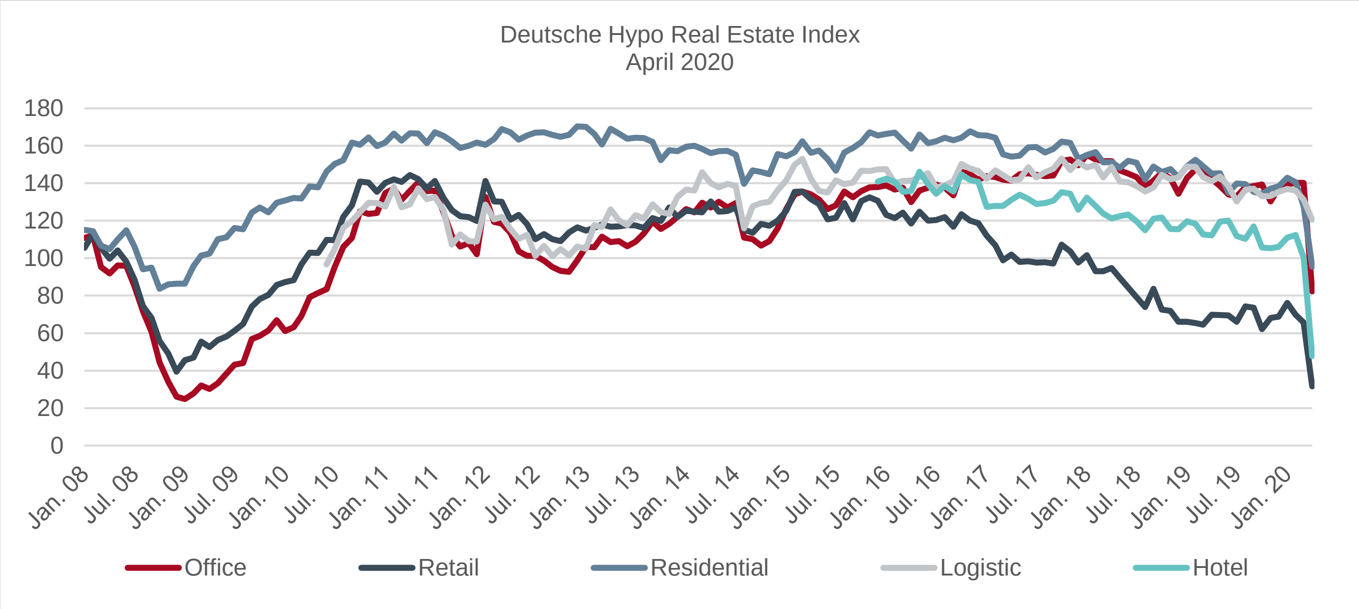
13 PwC, Covid-19 - Consequences for the real estate industry in Germany, March 2020. 190 persons. The survey took place between 12 and 14 March, i.e. before the shutdown in Germany.

14 EY, Covid-19 and the impact on the German real estate industry, 31 March 2020, with a survey of around 300 players in the real estate industry between 19 and 24 March 2020.

15 Deutsche Hypo Real Estate Climate, Market Report April 2020, 8 April 2020

result for logistics properties was only slightly negative, the sentiment indicator for retail and hotel properties slumped significantly (-52% each), as expected. Surprising, however, was the sharp decline in office (-41%) and residential real estate (-25%).

FIGURE 4: SENTIMENT IN THE GERMAN REAL ESTATE INDUSTRY



Source: Deutsche Hypo Real Estate Climate, April 2020

Activity on the transaction market will decline in the coming weeks. At the moment, the view of what is happening and will happen in the real estate market is still very unclear which is why it will be difficult in the short term to evaluate acquisition opportunities on a sound basis. In the coming months, many investors will reassess the real estate asset class, as both the risk assessment of tenants and the cash flow in the portfolio, as well as the future prospects (increased digitalisation of processes, flexibilisation of work, etc.) themselves are changing.

These negative signs for the development of purchase prices are offset by the fact that the interest rate environment will remain supportive. In view of the economic situation and the continuing low level of core inflation, we see no reason for the ECB to abandon the low interest rate policy of recent years. When the Corona Pandemic recedes, the yield on ten-year German government bonds should rise somewhat, but it will remain negative for the foreseeable future. However, it should not be overlooked that banks and other financiers will also reassess the default risks of tenants and the future prospects of real estate. This may lead to higher margins. The introduction of Basel IV (from 2022) will also result in higher margins for real estate financing, thus stimulating a medium-term increase in capital costs.

The Corona Pandemic will affect the property market at all levels; demand, rents, returns, financing and working concepts. However, the real estate market is long-term oriented and rather sluggish. Data is only published with a time lag, which is why some of the consequences of the corona pandemic are likely to become visible, only after a considerable delay. We expect that there will be little need for correction in the valuation of existing properties and portfolios for the time being. This applies especially to properties that have valuation reserves due to conservative appraisals. However, this does not apply to those properties that already faced long-term cash flow challenges. The longer the crisis lasts, there will be greater pressure to reflect the effects of the pandemic on valuations.

3.1. Housing market

The residential property market is relatively insensitive to exogenous shocks and is more strongly influenced by long-term trends. Drivers tend to be factors such as local population growth as a demand factor and local supply, rather than short-term economic distortions. As a result of a strong influx into many German cities over the past few years, available supply has fallen to a very unhealthy level, which should mitigate against falling rents. Rising unemployment and uncertainty will cause demand for apartments and houses to fall in the short term, but this weakness in demand should be largely overcome during 2021. Impending rent losses will be partially cushioned by measures and regulations of the federal government (simplified procedure for social aid, deferral of rent payments, etc.), which will also help stabilise cash flow.

In the investment transactions market, it can be assumed that many market players will focus their previously diversified sector allocation strategy more on residential real estate. In the medium term, investors will also return to long-term trends such as regional population development and local supply. We expect a relatively stable price level for multi-family assets in the short term, but rising prices again in the long term, especially in the magnet cities. For risk-averse real estate investors, multi-family rental properties are the safest investment haven in the coming months. But here too, the earnings outlook will be stable but not spectacular. We expect prices to fall in the private, small-scale segment, in the high-priced segment and in serviced apartments, as demand in these areas will be very restrained in the short and medium-term.

3.2. Office market

The office real estate market reacts cyclically, and with recession in Germany and Europe affecting almost all sectors of the economy, it would be naive to believe that the office market will come through the pandemic with just a few scratches. In many sectors, the short and medium-term development is uncertain, and this uncertainty means, that companies' expansion plans are being shelved, making room for stabilisation and cost-cutting plans. It can also be assumed that the wave of insolvencies that is currently sweeping the economy will not bypass the office market. The resulting expected decline in occupier demand will put pressure on rents, but the extremely low vacancy rate in many German and European cities will have a stabilising effect. Another stabilising factor in the portfolio, is the long-term nature of commercial leases, which, depending on the remaining term, are suitable for bridging market downturns. However, this stabilising factor will not apply to new lettings or in cases of tenant default.

One of the things we have seen in recent market downturns is that construction activity freezes. Ongoing projects are slowing down due to existing restrictions (especially social distancing) and the disruption of supply chains while some projects that have not yet started construction are being put on hold. In addition, it is likely speculative project developments will meet with very little enthusiasm from financing institutions. So we assume that construction activity will decline, but this decline in the supply pipeline will also strengthen the demand for existing properties, which in turn should have a mitigating effect on the decline in rents.

We expect that the market for core locations and prime properties will prove to be relatively stable, although we also assume that there will be few reference transactions. The situation will be more challenging for properties and locations of lesser quality and for properties with expiring leases, as these cannot satisfy the current need for security on the part of investors. This will create opportunities for investors with strong asset management skills and the willingness to invest higher on the risk curve. Opportunities may also arise in the medium term for planned and approved but underfinanced construction projects.

3.3. Retail

The bricks and mortar retail trade has been under pressure for some time now. While in the last downturn in 2008 it still attracted investors because of stable cashflows and values, this situation has been reversed in recent years. In particular, the change in consumer habits and the resulting loss of market share to online retailing have hit this property sector hard. Consumer uncertainty and restrictions on public life are acting like a fire accelerant on parts of the already ailing retail sector. According to figures from the German Retail Association HDE,[16] non-food retail sales in Germany are normally EUR 1.15 billion per day. Due to the government-mandated closures of non-essential stores, this turnover has almost completely collapsed. Retailers in the non-food segment have virtually no sales, which results in landlords seeing increasing demands for deferral or reduction of contractual rents. This is a challenge for asset management, which is currently at the forefront when it comes to securing the cash flow of individual properties or portfolios.

However, it can be assumed that after this crisis, consumers' pent-up demand will meet with a changed supply. In addition, the production and supply chains are massively disrupted or interrupted. Beyond the duration of the closure, a decisive factor for the further development in this real estate segment will be the extent to which banks will be willing to provide loans, to finance retailer's inventories.

Food retailers, drugstores and pharmacies are coming through the crisis in good shape. Although there are also restrictions here (delivery bottlenecks for some goods, distancing regulations and limits on the number of customers) that reduce revenues, these are compensated by extended opening hours. As consumers' confidence that almost all goods are available and that food, drugstore goods and medicines can be purchased under almost "normal" conditions increases, purchasing behaviour is also returning to normal. It can be assumed that this "necessity" retail segment will experience the least distortion during the crisis, but also the least pent-up demand after the crisis. We assume that owners of properties with these tenants will have a relatively stable cash flow.

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[16] HDE Handelsverband Deutschland, Press release: Support for medium-sized companies demanded, 1 April 2020

Online retailing is not *per se* one of the beneficiaries of the pandemic, but its sales reflect the situation in the physical retail sector. According to figures published by the Bundesverband E-Commerce und Versandhandel e. V. (German E-Commerce and Mail Order Association), online[17] trading in Germany slumped by almost 20% in March compared with the previous year. While the online trade in food (+55% p.a.), drugstore articles (+29% p.a.) and medicines (+88% p.a.), sales of, for example, jewellery & watches (-52% p.a.), clothing (-35% p.a.), shoes (-31% p.a.), computers/accessories/software (-21% p.a.) fell significantly. Overall sales declined from EUR 4.4 billion (March 2019) to EUR 3.6 billion in March 2020.

We know from previous crises that, once a crisis has subsided, private consumption rises sharply, in some cases even above pre-crisis levels. For example, the Joint Economic Forecast Project Group expects private consumption to fall by over 5% p.a. this year, but to increase by more than 8% p.a. next year[18]. In order to identify the opportunities, we must view retail real estate as being as heterogeneous as the retail sector itself. While we take a critical view of the future of smaller shopping centres, for example, we expect that large shopping centres that dominate their region will have a much better outlook. Although sales are currently tending towards zero here as well, we expect that, once the restrictions are fully lifted, these centres with their broad mix of sectors and leisure activities will best satisfy customers' needs for experience and consumption. The same applies to centrally located and highly-frequented shopping streets, where we also expect a rapid recovery. But here, too, the pandemic is separating the wheat from the chaff, and the acquisition of retail space outside these locations should continue to be well thought through in the future. The current tenant mix will be decisive for the development of the value of specialty shopping centres / retail parks. We assume that this market segment will be able to defend its place in a portfolio over the long-term.

3.4. Logistics

The global and staggered spread of the corona pandemic has had a noticeable impact on demand patterns, supply chains, production processes and logistics. On the one hand, the logistics industry must adapt to fewer goods due to production downtimes and disrupted supply chains, and on the other hand to greater demand for everyday goods.

Logistics companies specializing in food products and large retailers such as EDEKA, REWE and Tengelmann are reporting significant growth. According to the Bundesvereinigung Logistik e. V. (German Logistics Association), within a few days brokers received inquiries from this group for available space in the order of 1 million square meters[19]. It can be assumed that this special economic situation will flatten out again in the second half of the year, but that the cash flows from these properties will prove to be stable beyond the economic downturn.

Local transport logistics ("last mile delivery") is also suffering from the pandemic: as a result of the closure of shops, government offices and companies, the volume to be transported by courier, express and parcel services has fallen significantly. Industry experts estimate that the decline in business packages is 70%[20]. Although this is offset by an increase in parcels for private recipients, this is not enough to compensate for the shortfalls. The pressure on parcel delivery companies is great and we expect it to continue. Therefore, we are currently not very positive about last mile storage space, and we expect a higher share of lost rent and deferrals in this sub-segment of the market than in the logistics industry as a whole. Owners must therefore prepare themselves for difficult months and possibly falling values. However, it can be assumed that the recovery of the economy will be accompanied by a significant increase in transport volumes in the medium term and that in the long term the demand for storage and order assembly space for the last mile will again increase at an above-average rate, thus creating opportunities for value increases.

The current situation is also challenging in terms of production storage space as well as storage space in the major gateway airports and seaports. This is where limited production and disrupted supply chains become noticeable. February brought an unprecedented slump in worldwide container handling[21]. The expected economic recovery from the second half of the year should provide a strong boost in these segments. We assume that there will only be short-term turbulence in this real estate segment, if at all. In the long term, the shortening of supply chains currently under discussion will lead to an increase in the value of production warehouse space.

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[17] Bundesverband E-Commerce und Versandhandel Deutschland e.V., Press release: Corona pandemic leads to significant sales losses in online trade, 6 April 2020. Google search queries also show that online traders were searched for less frequently during March than in the months before.

[18] Joint Economic Forecast 1-2020: Economy in shock - Fiscal policy counters the shock, 8 April 2020

[19] Bundesvereinigung Logistik e. V.: Press release: Food trade triggers surge in demand for storage space, 25 March 2020)

[20] Federal Association of Courier-Express-Post-Services e. V., situation picture parcel services, 27 March 2020

[21] RWI Leibniz Institute for Economic Research: Container Handling Index, press release 24 March 2020. The index is based on the monthly handling of containers in 89 ports worldwide.

3.5. Hotels

Empty hotel rooms, closed borders, cancelled company meetings, travel, trade fairs and major events, closed restaurants all mean that the hotel and hospitality sectors have been particularly hard hit by the pandemic and many businesses are in a fight for survival. This is particularly true for small and medium-sized enterprises. The March statistics of the Federal Employment Agency showed the severity of the burden, from 173 persons newly registered as short-time workers in the hotel and restaurant industry in February 2020, the number exploded to 643,302 in April[22]. Only the manufacturing industry reported more short-time work in absolute terms in March.

Assuming that the economy recovers over the summer, summer tourism and the catch-up effect of events and the like should ensure a strong increase in the second half of the year. However, we see the opportunities more in domestic tourism than in long-haul travel and cruises. Tourists from the USA and Asia may remain reluctant to visit Germany and Europe in the medium term. We also assume that a significant proportion of future business travel will be eliminated in favour of digital alternatives such as telephone and video conferences.

The precarious situation of many hospitality companies will also make itself felt in the cash flow of landlords in the form of rent deferrals and rent losses. This is not only true for small and medium-sized hotel operators, even larger chains have used occasional periods of market downturn to adjust rents and rental conditions in their favour. Nevertheless, lease agreements with financially solvent chains have proven to be comparatively stable in value in the past. In the coming weeks, hotels will be avoided by real estate investors as a revaluation of this sector is necessary. 76% of the real estate experts surveyed by EY in March expect prices to fall sharply, no other asset class is assessed so negatively[23]. We share this general assessment only to a limited extent, as the hotel industry in Germany is very diverse. While hotels that are heavily dependent on seasonal tourism, for example, will not be able to make up for the losses, urban and well-situated hotels with a balanced mix of business guests and city tourists should emerge from the crisis more quickly. The broad rejection of this property class by many investors may result in interesting opportunities in the medium term.

4. CONCLUSION

The real estate market is inefficient compared to many other sectors of the economy, and there is a lack of up-to-date and relevant information. Despite many initiatives that started during the last major crisis, transparency has hardly increased and the information asymmetry between the individual players is barely less pronounced than at the beginning of the century. We do not know what is really going on in the economy right now and even less what is happening or will happen in the real estate markets, and every decision that is required at present is based on incomplete information. This uncertainty is a risk, but it also creates opportunities.

The real estate market is currently being shaken up, and following the research results from historical market movements, we are currently somewhere between an inflection point (or trend reversal) and a downward trend in the market. According to the work of Rüdiger von Nitzsch,[24] these market phases can be characterized as follows:

- in the phase of trend reversal, investors stick to their expectations in terms of performance and seek positive news
- in the downturn phase, investors become increasingly aware of the deterioration in fundamental data, among other things, and market participants are gripped by a sometimes irrational panic

But the work of von Nitzsch also shows that at the bottom of the market, when sentiment is at its worst and many market players no longer believe in an upswing, prices are low and there are more sellers than buyers. It is important to recognise this opportunity, even if it is still very unclear when the market will bottom out.

For example, the currently hard-hit hotel real estate market may open up opportunities, as we assume that tourism and also business travel activity will pick up again after a period of weakness, as in previous recessions, and reach the original growth level over the medium-term. Likewise, for professional investors, if the market corrects downwards, interesting opportunities will arise in the office market or even in the retail sector. Price stability, but also strong competition, can be expected in residential real estate.

[22] Federal Employment Agency, Advertisement short-time work, May 2020

[23] EY, Covid-19 and the impact on the German real estate industry, 31 March 2020, around 300 players in the real estate sector were surveyed between 19 and 24 March 2020:

[24] Von Nitzsch, Rüdiger: Decision theory. Aachen 2006

TABLE 2: EFFECTS ON SELECTED PROPERTY TYPES

Sector	Short-term	Medium- to long-term
Residential		
Apartment buildings	▶	▲
High-priced housing	▼	▼
Office	▼	▶
Prime office, good location	▶	▲
Average office, "normal" location	▼	▶
Retail		
Shopping centres, regionally dominant	▼	▲
Shopping centres, non-dominant	▼	▼
Shopping streets / High street retail	▼	▲
Retail parks, periodic (necessity) demand dominates	▲	▶
Retail parks, aperiodic demand dominates	▼	▶
Local suppliers	▲	▶
Hospitality industry		
Hotels and catering	▼	▼
Serviced apartments	▼	▼
Logistics		
Production/Industrial warehouses	▼	▲
Supply logistics, regional	▲	▲
Local supply logistics ("last mile")	▼	▲
Gateway logistics	▼	▲

▲ positive | ▶ neutral | ▼ negative

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