



POLICY WATCH:

ASIA PACIFIC

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ASIA PACIFIC POLICY RESPONSES TO COVID-19

As the COVID-19 pandemic continues to severely hamper business operations across Asia Pacific, governments continue to update their policy response. As a large and diverse region, governments have adopted a range of different measures to help protect and support their economies, however they are united by their scale and speed at which they have been deployed.

Central banks across the region have slashed policy rates to record lows and some have adopted Quantitative Easing to maintain liquidity in the system. Governments have played their part and developed fiscal packages of up

to 21% of GDP. For the most part, these packages have aimed at providing welfare to employees who have lost their jobs or been furloughed, as well as supporting businesses through tax concessions and support packages for industry sectors most adversely affected by the pandemic.

This is a quickly evolving situation, and each week there are new programs being introduced to assist businesses, workers and residents. The information below outlines some of the significant program offerings which can assist businesses in continued operation during this time. However, this is not an exhaustive list.

REAL ESTATE SPECIFIC POLICIES IMPLEMENTED ACROSS ASIA PACIFIC COUNTRIES



Full summaries of economic policies implemented across these countries are in the following pages.



AUSTRALIA

Monetary

- Reduced cash rate target to 0.25%. Starting its first QE program, buying Australian 3-year government bonds in secondary market with target yield of 0.25%.
- Provided 3-year funding facility to support credit to SMEs.
- Remuneration of exchange settlement balances at 10 bps, rather than zero.

Fiscal

- Total of A\$189B is being injected into the economy by all arms of Government, these include:
 - » A\$90B from the Reserve Bank of Australia and A\$15B from the Federal Government to deliver easier access to finance.
 - » An initial A\$17.6B economic stimulus package announced on 3/13/2020.
 - » An A\$66B economic stimulus package by the Federal Government announced on 3/22/2020.
 - » Tax-free cash payments to small and medium-sized businesses.
 - » Unemployment benefit temporarily doubled¹.
 - » Allowing people to access retirement savings.
 - » The Government will guarantee 50% of new loans issued by eligible lenders to SMEs (up to A\$40B).
 - » Measures to improve retirees' access to government assistance.
- A\$70B 'JobKeeper' support package to provide a A\$1,500 per fortnight wage subsidy to businesses significantly affected by COVID-19 to be passed on to employees. The JobKeeper package was due to end on 28 September has been extended to 28 March 2021. Payments will be stepped down in two stages to A\$1,200 and then A\$1,000 per fortnight and split into two tiers, those working more and those working less than 20 hours per week. Those working less than 20 hours per week will receive A\$750 then A\$650 per fortnight.

Real Estate Specific Actions:

- Evictions put on hold for six months by the states and territories.
- "Good faith leasing principals" implemented for commercial tenants, limiting landlords' ability to terminate some leases due to non-payment during pandemic period. Tenants, however, must remain committed to the terms of their lease. Landlords to offer reductions in forms of waivers and deferrals of up to 100%, on a case-by-case basis, based on the reduction of tenant's trade during the pandemic and subsequent reasonable recovery period.



MAINLAND CHINA

Monetary

- Cut reserve requirements, freeing up about US\$79B to be lent out.
- Banks have government approval to rollover loans and relax guidelines on overdue debts.
- The People's Bank of China cut the interest rate on 7-day reverse repurchase agreements to 2.2% from 2.4% and injected RMB50B (\$7.1B) into the banking system.
- The People's Bank of China cut the interest rate on 14-day reverse repurchase agreements to 2.35% from 2.55% and injected RMB70B (\$9.9B) into the banking system.
- The People's Bank of China cut the interest rate on 1-year re-lending rate by 0.25 percentage point to 2.25 percent in July.
- The People's Bank of China has cut the loan prime rate by 0.3 percentage points to 3.85 percent since the start of the COVID-19 pandemic.
- Extend the "Loan Payment Deferral" policy to SMEs until March 31, 2021

Fiscal

- Infrastructure spending US\$394B backed by local government bonds.
- Increase infrastructure spending on railway construction by RMB 100B
- Fiscal measures totalling RMB 1.7T were approved and are being implemented (projected total contributions will exceed RMB2.5T in 2020). Key measures include:
 - » Increased spending on medical supplies and equipment needed to contain and address the COVID-19 outbreak.
 - » Accelerated payments of unemployment insurance, provided tax relief and waived social security contributions.
 - » VAT was reduced from 3% to 1% for small businesses, and waiver of employer contributions to social security schemes and pensions for small businesses until the end of 2020.
 - » Defer tax payment for small businesses until 2021
- In the first half of 2020, total tax and fee cuts reached over RMB1.5T.
- The State Council decided the authorities should step up guaranteed loan support for startup companies and encourage people to start their own businesses.
- Taxes and fees payable by enterprises will be cut by another RMB2.5T (\$353 billion) throughout 2020; and the Central government will provide RMB2T of fiscal funds to local governments to fulfil the reduction in tax income.
- Local governments will be able to issue an additional RMB1.6T in treasuries this year, while Beijing will also issue RMB1T of special treasury bonds.

- An additional RMB1T will be spent on cutting taxes, reducing rents, and boosting other government consumption and investment.
- More than RMB100B of additional transferred loans will be provided to small and medium-sized banks, especially online-only banks.
- Total amount of new RMB-denominated loans is expected to reach nearly RMB20T yuan (about \$2.82 trillion) in 2020, a 19% rise year-on-year.

Real Estate Specific Actions

- China has also provided forbearance to deliver relief to households, companies, and regions facing repayment difficulties.
- Additional actions include regulatory tolerance for higher non-performing loans, flexibility in debt refinancing/ restructuring and the easing of housing policies by local governments.
- Tenants in State owned properties can apply for rental reduction or waiver; encourage other landlords to defer and/or reduce rental payment
- In the first half of 2020, China added a total of 5.64 million urban jobs, accounting for 63% of the annual target to create at least 9 million jobs, and to keep unemployment rate under 6% in 2020
- Target c3.5% CPI growth in 2020
- Offer support on large foreign investment projects that play a key role in China's logistics supply chain, such as projects related to advanced manufacturing and production services; the "support" includes offering incentives on land acquisition and providing private airline service to key personnel.

- In addition to further removing items on the Negative List for foreign investors, the government expects to release a 2020 Catalogue of Industries for Encouraging Foreign Investment with added industries in the advanced manufacturing sector.
- Further relaxation on QFII/RQFII, effective June 6, when qualified foreign institutional investors can inject funds without any investment curbs in the domestic bond and stock markets. In addition, foreign investors under the QFII scheme will be allowed to make inward remittances in the currency of their choice. The outward remittance procedures for QFIIs' securities investment gains will also be simplified.
- The Central Bank issued Guangdong-Hong Kong-Macao Greater Bay Area (aka. the GBA) financial support guideline on May 14th, with 26 specific measures to help further promote financial opening-up in the GBA.
- The State Council approved a plan in June to lower logistics costs to help speed up the economic recovery. The Plan included: encourage private investment in the construction and operation of warehouses; reduce taxes and fees levied on the logistics industry; encourage local authorities to meet the logistics industry's land use demands; encourage banks to strengthen financing for logistics companies; and encourage acquisitions and mergers conducted by large logistics companies.

GREATER CHINA - HONG KONG

Monetary

- The Hong Kong Monetary Authority (HKMA) reduced the base interest rate by 86 basis points to a near record low of 0.86%.
- The HKMA released HK\$500B into the economy by lowering the countercyclical capital buffer from 2% to 1%.

Fiscal

- Establishment of a HK\$25B Anti-Epidemic Fund providing relief via one-off subsidies to affected sectors, including retailers, restaurants and travel agents.
- Second round of Anti-Epidemic Fund of HK\$137.5B approved on 18th April 2020. The new measures include HK\$80B Employment Support Scheme ("ESS") that aims to provide wage subsidy to eligible employers to retain their employees, totaling HK\$1B. Under the ESS:
 - » Employers must undertake that they will not implement redundancy.
 - » The amount of the subsidy will be based on half of the monthly wages of the employee with the maximum subsidy capped at HK\$9,000 per individual (capped at HK\$18,000) for a period of six months.
 - » The first tranche of the fund, paid out over June to August 2020 has benefited more than 150,000 employers, involving about 1.95 million employees in the city. A second tranche will be paid out between September and November 2020.
- Third round of Anti-Epidemic Fund of HK\$24B announced on 15th September 2020 providing continued relief to affected sectors while investing in anti-epidemic capabilities, including vaccine procurement.
- The Hong Kong 2020 Budget included significant fiscal relief totaling HK\$120B to both individuals and businesses. Measures included:
 - » Cash handout of HK\$10,000 to all Hong Kong permanent residents.
 - » Reduced profit tax, government rents, utilities fees, and rates for businesses for fiscal year 2020/21.
 - » Concessionary low interest loans to businesses of up to HKD 4-5 million, guaranteed by the government to be repaid within three years.

Real Estate Specific Actions

- Waiver of government rates for non-domestic properties in the 2020-21 tax year, subject to a ceiling of HK\$5,000 per quarter
- Waiver of government rates for domestic properties in the 2020-21 tax year, subject to a ceiling of HK\$1,500 per quarter.
- Extension of the deadline for project completion as well as the Building Covenant period for development projects by up to six months in land leases.
- Rental discount of 75% to tenants of government properties for six months.



GREATER CHINA - TAIWAN

Monetary

- The Central Bank reduced interest rate by a 25 basis points.
- Financial Supervisory Commission urged banks to reduce interest rates, as a result, 8 public banks and 20 commercial banks reduced interest rates of self-use residential loans by 50 basis points.
- Financial Supervisory Commission urged banks to offer relief fund loans to small and medium enterprises with a total amount about NT\$700B. by Q2, followed by a second round of funding to support SMEs by adding an extra NT\$100B in financing in Q3.

Fiscal

- Central government planned to publish consumer vouchers in July in order to stimulate more domestic consumption.
- Central government subsidised impacted industries such as the manufacturing industry and agriculture industry, assisting them to fill their funding gap.
- Each hospitality operator was subsidized for NT\$50,000 to NT\$200,000 depending on their scale of operation.
- For those employees without certain employers, the central government offered living subsidies of NT\$10,000 to NT\$15,000 per month, with the subsidiary period set at 3 months.
- The central government has allowed the deferral of the Individual income tax for payment by instalments (deferral not to exceed 1 year and instalments not to exceed 3 years). Taxpayers who have undergone difficulties in paying individual income tax on time can apply for deferral or instalments.
- Following two fiscal budgets launched since February totalling NT\$210B to help businesses and individuals to weather through the pandemic, a third fiscal response, another NT\$210B, expected to be approved in near term aiming to support industries significantly impacted by borders shutdowns. Key measures include:
 - » NT\$137.6B in stimulus vouchers and wage and operation subsidies provided for manufacturing, international trade, MICE sectors.
 - » NT\$37.4B boost to health.
 - » NT\$19.1B in subsidy schemes for distant-water fishing.
 - » NT\$9.8B in travel and aviation support.
 - » NT\$4.7B funding to cover previous benefit packages for self-employed individuals and workers.
 - » NT\$0.9B in self-isolation support and enforcement.

Real Estate Specific Actions

- Taipei City Government has allowed the deferral of the house tax or land value tax for payment by instalments (deferral not to exceed 3 years). House tax rate of reduced area edging down from 3% to 2%.
- Taipei City Government has reduced monthly rent of storefronts owned by Taipei City Government by 50% from March 2020 to August 2020., and a 20% reduction in rent and loyal fees for operators of nation-owned properties.
- Rent deferment agreements available for nation-owned properties tenants, deferment period up till the end of this year.

INDIA

Monetary

- Second tranche of liquidity including:
 - » Targeted long-term repo operations (TLTRO) window 2.0 of INR50,000 crores in tranches for banks to invest in mid and small-sized NBFCs/HFCs.
 - » Asset classification standstill for standard loans (as on 31st march, 2020) to non-performing asset (NPA) accounts for an additional 90-day period.
- Additional liquidity added into the banking system via Long Term Repo Operations (LTRO) of 1T Rupees.
- Special Open Market Operations (OMO) by RBI worth INR 200 billion in two tranches of INR 100 billion each to ensure adequate liquidity
- The Cash Reserve Ratio (CRR) has been reduced by 100 bps to 3%.
- The central bank also announced a 3-month moratorium on monthly payments for working capital loans without any impact on credit quality and borrower history.
- Increase in short-term credit facilities to central government from a limit of INR1.2 lakh crores to INR2 lakh crores through an increase in the Ways and Means Advances, with a 60% increase in State funding through the same mechanism.

Fiscal

- Central government to spend 150B rupees on healthcare supplies and facilities to address COVID-19 outbreaks.
- Fiscal stimulus currently being worked on will likely include benefits for significantly impacted sectors, such as aviation and hospitality, small businesses and informal sector workers.
- Initial relief package of INR 1.7T was announced, and it will likely benefit approximately 800 million people (e.g., informal sector workers, farmers, construction workers, poor senior citizens, widows, etc.) with direct cash/benefits transfers and insurance for healthcare workers.
- New stimulus package announced representing 10% of GDP. Total stimulus now stands at INR 20 lakh crores

Real Estate Specific Actions

- The Expert Committee on Resolution Framework for Covid-19 related Stress has laid out the debt restructuring framework for companies in 26 sectors, including real estate; banks are in the process of implementing the recommendations, which will provide major relief to stressed real estate developers
- The government has brought out the Affordable Rental Housing Complexes (ARHC) scheme to provide low-cost rental housing to urban migrant workers through utilization of existing government-funded, vacant houses and construction of ARHCs by private companies on their vacant land
- In a sign of things that may become a trend, the state of Maharashtra reduced stamp duty on apartment sales from 5% to 2% up to December 31st 2020, as a means to drive residential sales and offer some policy support to the sector.



INDONESIA

Monetary

- The Central Bank of Indonesia lowered its BI 7 Days (Reverse) Repo Rate in February and March 2020 by 25bps in each month. The repo rate currently stands at 4.50%.

Fiscal

- The Government has so far deployed three fiscal stimuli, totalling IDR36.1T. Some key measures include:
 - Incentive for travel-related industry including airline fare discount as well as hotel and restaurant tax compensations
 - Skill training program for jobseekers and informal workers in the form of Kartu Pra-Kerja (Pre-Work Card), amounting to IDR20T
 - Monthly cash incentives or daily necessities for lower-income citizens for 3 months
 - Waiver of income tax for workers in manufacturing industry
 - » Restructuration, relief and delay of credit and leasing for SMEs for 1 year

Real Estate Specific Actions

- Housing rate subsidy incentive totalling IDR1.5T for the lower socio-economic groups.
- Credit relaxation of housing mortgage for eligible customers

JAPAN

Monetary

- Bank of Japan (BoJ) has purchased ¥1.3T of government bonds.
- BoJ introduced a new Special Funds-Supplying Operation to facilitate lending of ¥8T backed by corporate debts. These are being made at a 0% interest rate for loans within a one-year maturity timeframe.
- BoJ raising limits and targets:
 - » Expanded BOJ's corporate bond and commercial paper balance to ¥20T in total on 27th April
 - » Raising its ETF-purchasing target from ¥6T to a maximum of ¥12T. It is also doubling its J-REIT purchasing target from ¥90B to a maximum of ¥180B.
- Utilizing purchase operation (limitless where necessary) to maintain long-term 10-year government bond yield around 0%.

Fiscal

- Three stimulus packages totalling ¥117.1T have been announced. Measures from these packages include:
 - » Healthcare support, including mass production, virus tests and prevention in key healthcare facilities.
 - » Relaxation of employment adjustment subsidies to all affected business owners and increased subsidy rate.
 - » A COVID-19 special loan program established to provide interest-free unsecured financing to SMEs.²
 - » Financial support for SMEs through the various provisions.
 - » Financing of restructuring supply chains through crisis response by Development Bank of Japan and Shoko Chukin Bank.

Real Estate Specific Actions

- Relief on FY2021 property tax and city planning tax of 50% to SMEs that see a decline in sales of 30% to 50% in any three months between February and October 2020, and 100% relief to SMEs that see a decline in sales in excess of 50%.

² Japan Federation of Credit Guarantee Corporations (JFG) will guarantee up to full loan amount to SMEs with declining sales/profits (application of safety net guarantee system and credit-related guarantees)

MALAYSIA

Monetary

Moratorium on loan repayment to individuals or SMEs for six months starting 1st April 2020 until 30th September 2020.

Fiscal

- Economic stimulus package worth RM250B aimed at assisting (SMEs).
 - » RM128B direct to individual welfare
 - » RM100B to support businesses
 - » RM2B to strengthen the economy.
- Other key measures include:
 - » Enhancement of Wage Subsidy Program to subsidize affected employers between RM600 and RM1,200 per month for each employee earning less than RM4,000 for a period of 3 months.
 - » Special Grant of RM3,000 for all eligible micro SMEs.
 - » The Micro Credit Scheme for micro businesses is extended with a maximum loan limit of RM10,000 per company at no interest.
 - » Licensed moneylenders have been called upon to give a six (6) months moratorium on loan repayments by SMEs from April 2020.
 - » SMEs to defer the payment of income tax instalment payments for three months commencing 1 April 2020.

The Government provides the Bantuan Prihatin Nasional, a one-off cash assistance. Distribution to households varies with size and income levels.

NEW ZEALAND

Monetary

- Reduced cash rate target to 0.25% for the next 12 months²³
- Starting its first Quantitative Easing program

Fiscal

- Total of NZ\$ 12.1B is being injected into the economy by all arms of Government, these include:
 - » NZ\$500m boost to health.
 - » NZ\$5.1B in wage subsidies.
 - » NZ\$126m in COVID-19 leave a self-isolation support.
 - » NZ\$2.8B in income support.
 - » NZ\$2.8B in business tax changes to free up cashflow, \$600m aviation support. package.
- Reinstatement of building depreciation and writing off interest on the late payment of tax.

Real Estate Specific Actions:

- Freeze on residential rent increases and protection against tenancy terminations.
- Limited support or advice around commercial property sector from govt.
- Construction back up and running at Alert Level 3 with strict protocols.

²³ Reduced from 1%



PHILIPPINES

Monetary

- The Bangko Sentral ng Pilipinas (BSP) reduced policy rates by 50 basis points to stand at 2.75%. Interest rates on the overnight lending and deposit facilities were reduced to 3.25% and 2.25% respectively.
- The Monetary Board approved a package that will count loans granted to M/SMEs as part of banks' compliance with reserve requirements.

Fiscal

- The government has launched the distribution of PHP200B financial aid package -18M low-income households affected by the enhanced community quarantine (ECQ).
- The government has implemented a PHP51B wage subsidy program for -3.4M employees in small businesses to receive around PHP5,000 to PHP8,000.

Real Estate Specific Actions

- Minimum 30-day grace period for residential rent payments without incurring interests, penalties, and other charges.
- Rental waiver for retail stores located inside shopping malls in Metro Manila and leisure/entertainment businesses which are not allowed to trade during quarantine period.

SINGAPORE

Fiscal

- Launched three fiscal budgets, deploying SGD160B targeted towards businesses and households. Key measures include:
 - » Co-funding of Singaporean and Permanent Resident salaries (up to the first SGD4,600) of 25% to 75% for 9 months.
 - » Cash payments and vouchers distributed to all adult Singaporeans
 - » Cash payments to eligible self-employed persons, and lower and mid income Singaporeans who have their jobs due to COVID-19
 - » Corporate tax rebate of 25% up to \$15,000 for all companies for 2020
 - » Improvement of various financing schemes and grants available for SMEs and enterprises

Real Estate Specific Actions

- Property tax rebate of 30% to 100% on qualifying commercial properties⁴ for non-residential properties given to private landlords. Landlords must fully pass on rebate to tenants.
- Rent waiver of 0.5 to 2 months for eligible non-residential tenants of government agencies.
- Tenants allowed to defer rent for up to 6 months (may be extended to up to a year).

⁴ Previous tax rebate was 15% - 30%.

SOUTH KOREA

Monetary

- The Bank of Korea cut its policy rate by 50 bps to a new low of 0.75%.
- Retained a \$60B currency swap line to address dollar funding stress.⁵

Fiscal

- Fiscal package (KRW 20T) targeting healthcare supplies needed to combat the COVID-19 outbreak, including testing and prevention measures, support for treatment costs and medical facilities.
- Another fiscal package (KRW 131.7T, 6.9% of GDP):
 - » Households receive childcare subsidies, cash transfer for those in quarantine and other emergency family care support.
 - » Low-income households receive consumption coupons.
 - » SMEs: KRW 58.3T in wage subsidies aimed at retaining workers, relaxed terms on loans and retraining for workers who lose their jobs.
- Supplemental budget (KRW 9.1T) to fund emergency disaster relief payment of up to KRW 1M (\$816) per household.⁶

Real Estate Specific Actions

- Measures in fiscal packages include multiple tax deferrals or cuts including tax cuts for landlords who reduce rent for commercial tenants.

Real Estate Specific Actions

- Tax deduction for landlords on the amount of rent waived or reduced – needs to be at least 30% rental reduction
- Waiver or reduction of rental for premises owned by GLCs Government-Linked Companies (GLCs).
- 6-month lease exemption on all premises owned by the Federal Government.

⁵ The bank of Korea has given guidance that it will provide unlimited liquidity over the next three months.

⁶ Excludes households in the top 30% by income.



THAILAND

Monetary

- The Bank of Thailand (BOT) announced a cut to the policy interest rate from 1.25% to 0.75%.⁷

Fiscal

- Launched three fiscal budgets totalling THB3.8T to help businesses prevent against the spread of COVID-19.
- The Social Security Office's measures to promote employment, such as soft loans worth THB30B starting at a 3% interest rate for 3 years for entrepreneurs registered with the SSO.
- Reducing the withholding tax from 3% to 1.5% from April to September 2020, together with a 1.5-times tax deduction on interest incurred from soft loans for SMEs during April to December 2020.
- A temporary reduction in the Social Security Fund (SSF) contributions from 5% to 1% for employees and from 5% to 4% for employers from March to May 2020.
- THB5,000 in monthly welfare for 6 months for workers or self-employed people who are not in the social security system and have been affected by the virus outbreak.
- All SMEs with a credit line of up to THB100M will be automatically offered a 6-month grace period on principal and interest to alleviate impacts on SMEs.

Real Estate Specific Actions

- Debtors of personal loans and mortgages with a maximum outstanding balance of THB3M are entitled to a 3-month grace period on principal and interest.
- Hotel operators allowed to tax-deduct renovation costs up to 1.5 times the actual cost of the renovation.

⁷ The lowest in Thailand's history.

VIETNAM

Monetary

- The State Bank of Vietnam (SBV) cut its benchmark refinance rate in 100 basis points to 5%. The discount rate was also lowered to 3.5% and the overnight lending rate was reduced to 6%.
- Imposed caps on interest rates for Dong-denominated deposits and loans reduced by 25 to 50 basis points, subject to maturities.
- The SBV has instructed banks to lower the maximum Dong lending interest rate for short-term loans to 5.5%.
- SBV has requested commercial banks to delay, extend deadlines for, and reschedule debt payments as well as reduce interest rates and fees for affected businesses.

Fiscal

- A credit support package amounting to VND250T for businesses. A support package of VND30T from the Ministry of Finance was also extended to assist businesses and safeguard social security.
- The Vietnamese government has made several announcements relating to providing tax breaks and deferrals, including land-use fees for businesses. This is estimated to cost the government VND27T.
- Land rent fees have also been deferred for five months for those that lease directly from the government.
- The Government has a VND62T support package to support individuals facing difficulties from the COVID-19 pandemic. These includes unemployment payouts as well as enhanced benefits for revolution and war veterans and low-income households.



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