WEBCAST

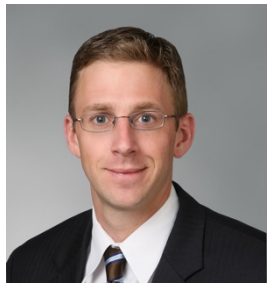
COVID-19: IMPLICATIONS FOR REAL ESTATE INVESTORS AND OCCUPIERS

MARCH 2020

CUSHMAN & WAKEFIELD

SPEAKERS

BRETT WHITE
Executive Chairman
& CEO



KEVIN THORPE
Chief Economist

CARLO BAREL
DI SANT'ALBANO
Chief Executive
Global Capital Markets
& Investor Services,
Chairman, EMEA

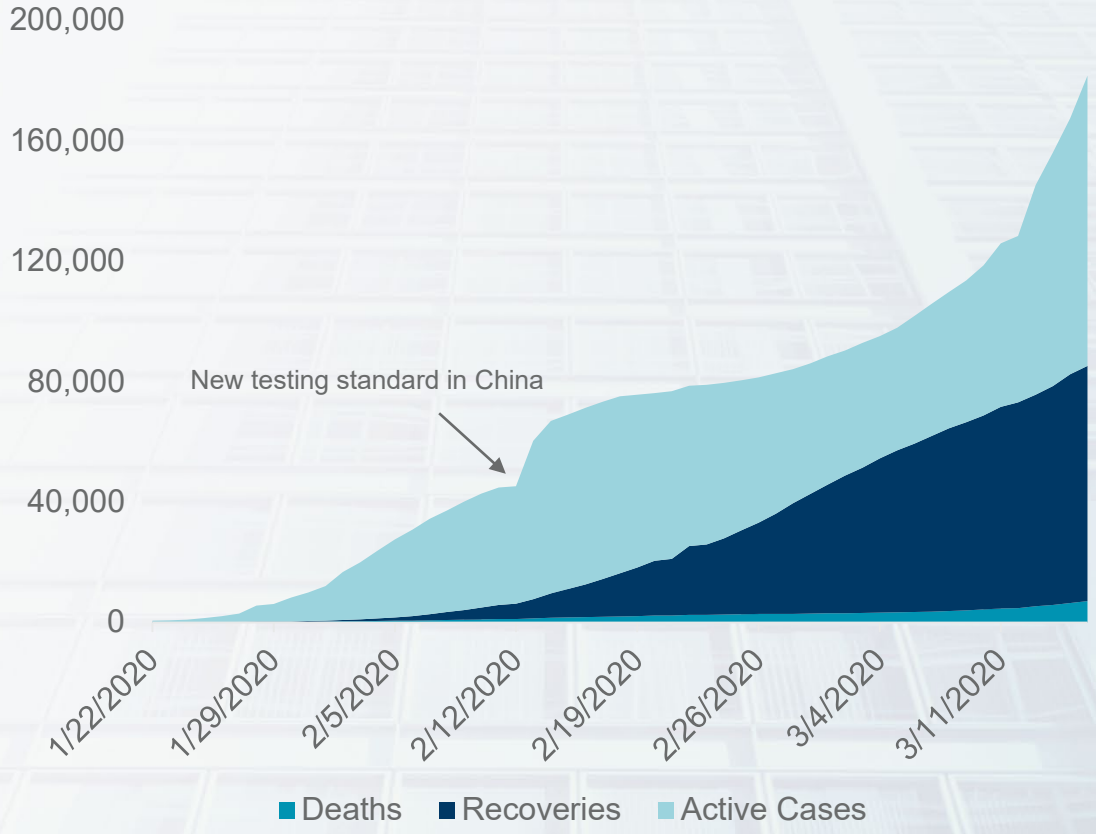
DOUG HARMON
Chairman
Capital Markets

STEVE QUICK
Chief Executive
Global Occupier
Services

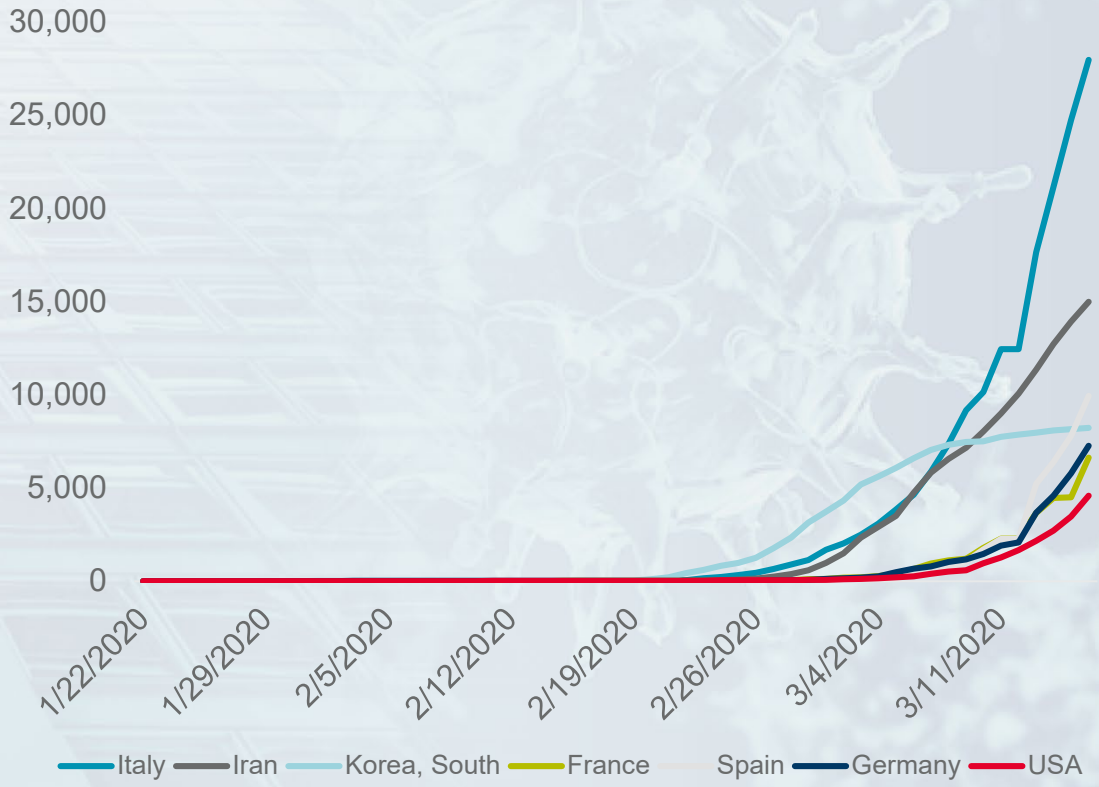
GLOBAL CORONAVIRUS TRACKER

As of 3/16/20

NUMBER OF GLOBAL INFECTIONS



NUMBER OF INFECTIONS, SELECT COUNTRIES



Source: Johns Hopkins University

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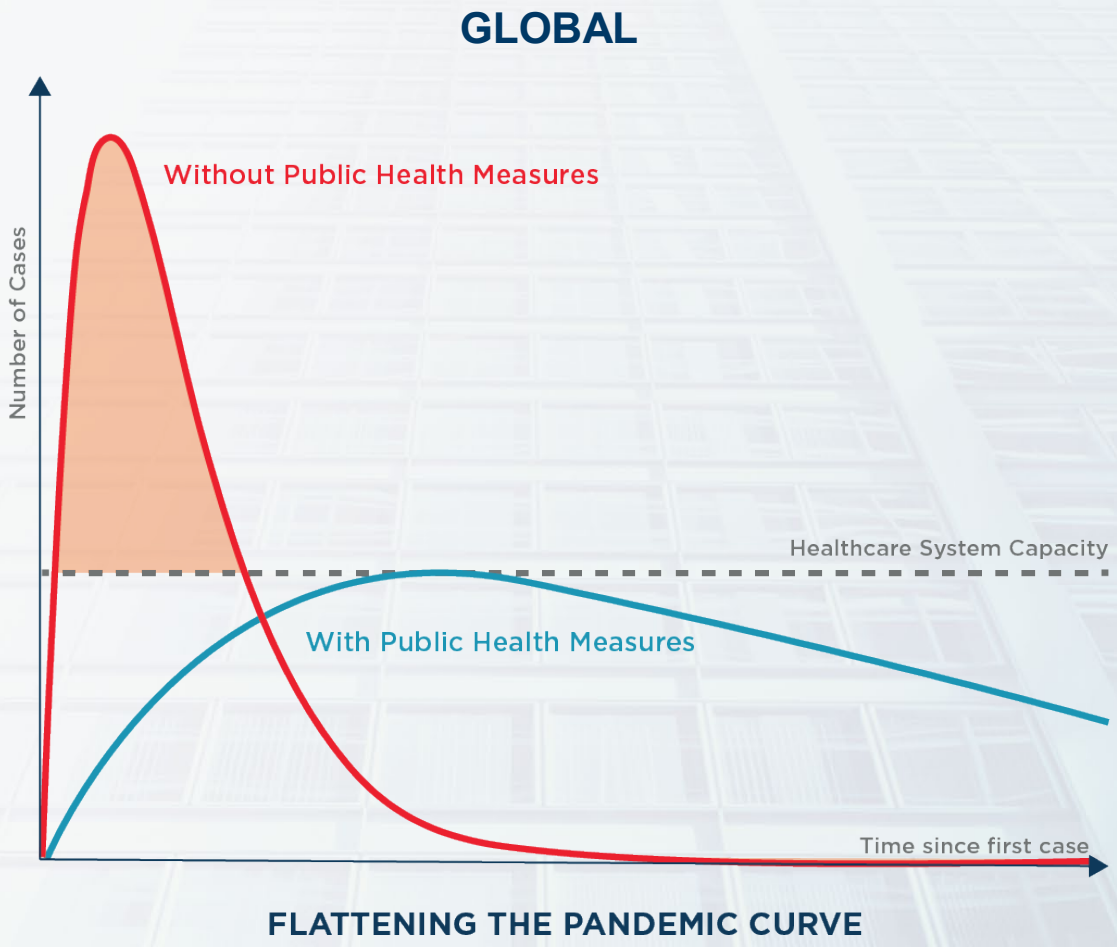
FLATTENING THE PANDEMIC CURVE



KEY MEASURES BEING TAKEN:

- Governments, businesses and communities taking action
- Travel restrictions
- Social distancing (voluntary and enforced)
  - 56+ countries have closed schools nationally
- Testing
- Scientific/medical community responding
- Medical trials/vaccine prototypes underway, use of prior antiviral treatments in interim

Source: Various media outlets, UNESCO

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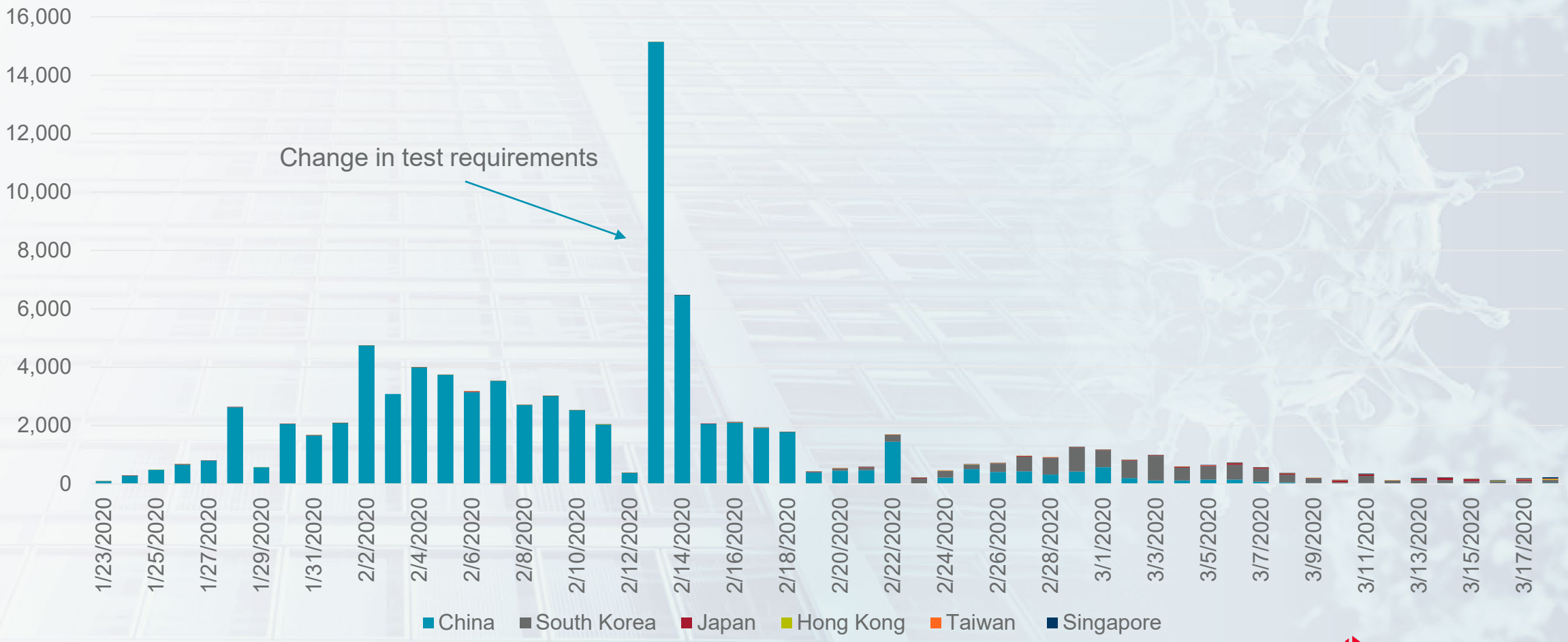
REASONS FOR OPTIMISM

Daily new reported cases, select countries in APAC region



Source: Johns Hopkins University

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ECONOMIC IMPACT

Forecasts are being revised sharply downwards. Consensus still assuming second half rebound, but increasingly tenuous.

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EQUITY MARKETS ENTER BEAR TERRITORY

Source: Federal Reserve, Wall Street Journal

GLOBAL STOCK INDICES

	WAS*	IS**	% CHG
DJIA	28,538.44	20,188.52	**-29.3%**
S&P 500	3,230.78	2,386.13	**-26.1%**
FTSE 100	7,542.4	5,151.08	**-31.7**
DAX	13,249.01	8,742.25	**-34.0%**
Nikkei 225	23,656.62	17,002.04	**-28.1%**
Heng Seng	28,189.75	23,063.57	**-18.2%**
Shanghai	3,050.12	2,789.25	**-8.6%**

*12/31/19

**3/16/2020

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GDP FORECASTS REVISED DOWN SHARPLY

2020 Real GDP Forecasts

GLOBAL SUMMARY

	JANUARY FORECASTS	LATEST FORECASTS	DIFFERENCE (BPS)
Global	2.5	0.5	
APAC Region	4.2	0.8	-340
China	6.0	1.0	-500
India	6.0	4.4	-160
Eurozone	1.1	-2.2	-330
Latin America	1.8	xx	xx
United States	1.8	-0.2	-200

Average probability of the U.S. economy being in recession within the next 12 months:

Source: Oxford Economics (3/20/20 baseline)

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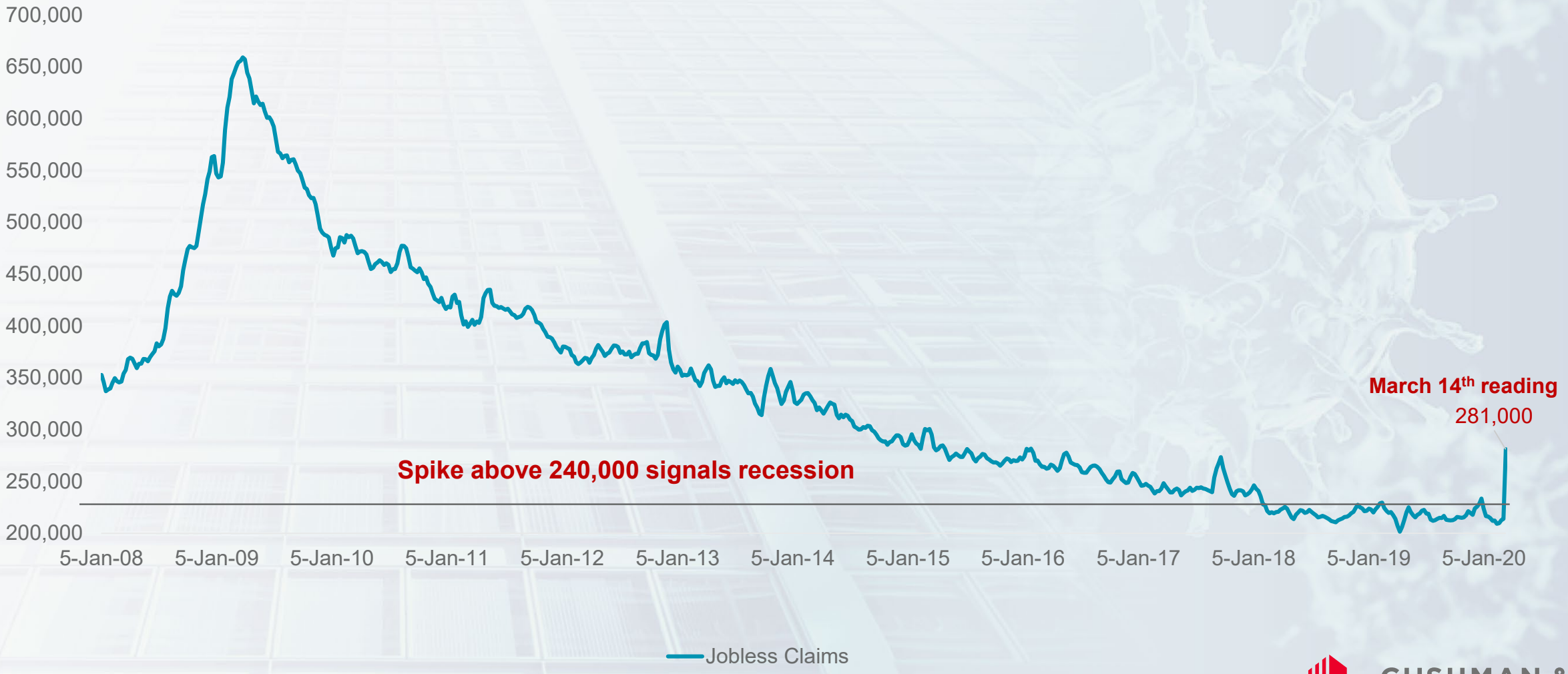
JOBLESS CLAIMS SIGNAL RECESSION IS HERE



Source: Bureau of Labor Statistics, Cushman & Wakefield Research

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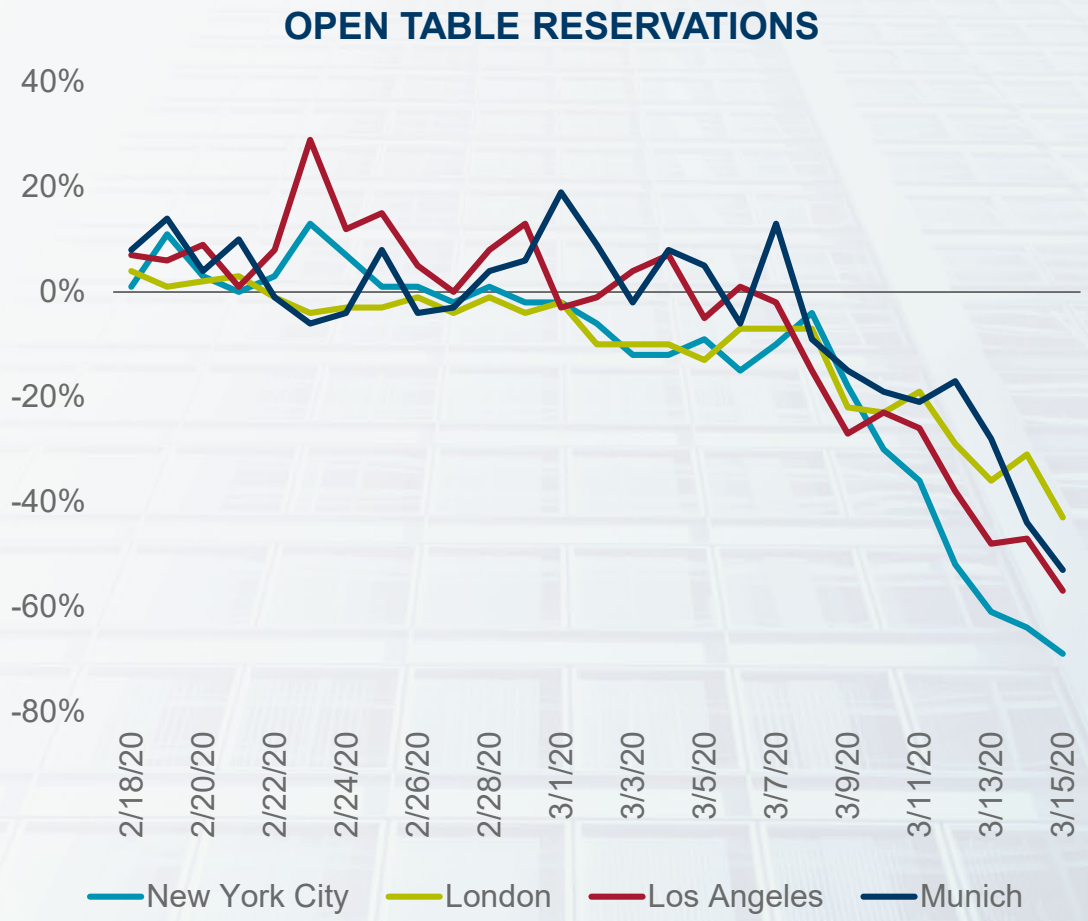
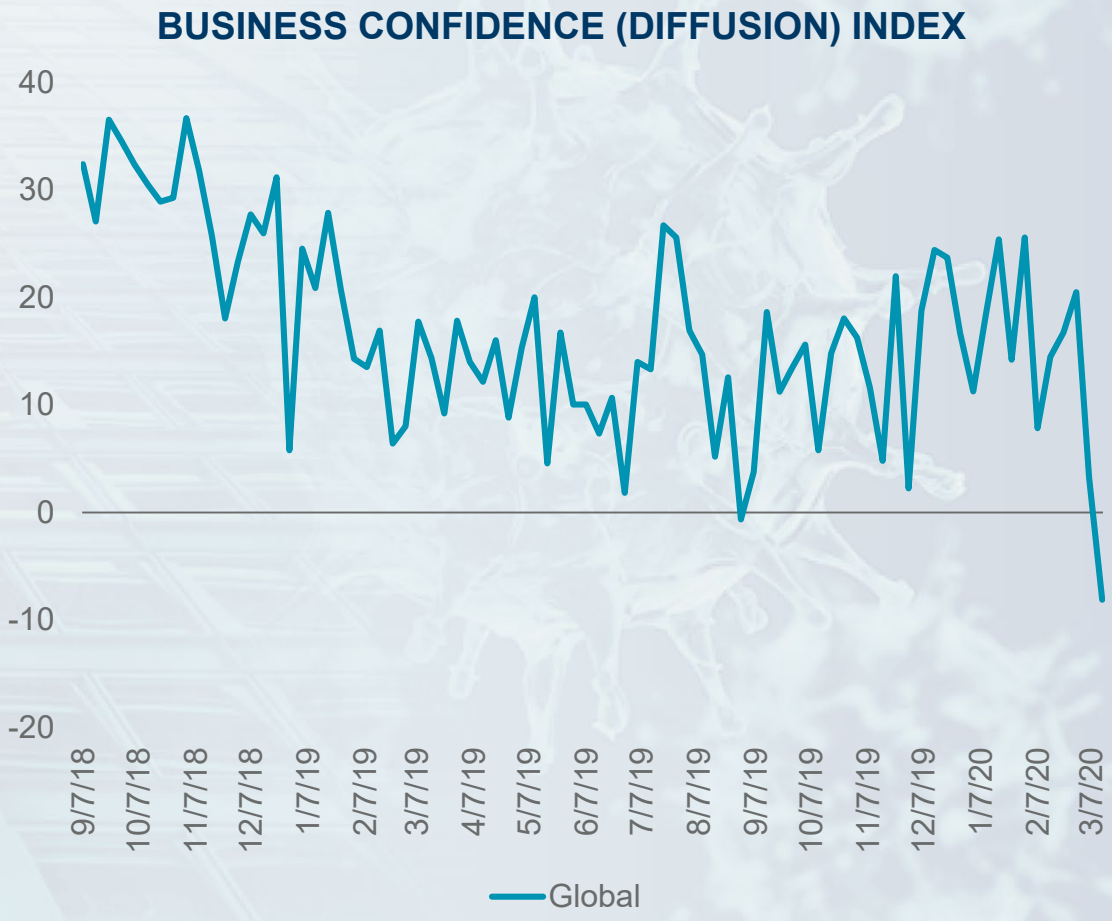
KEY INDICATORS: HIGH FREQUENCY DATA





Source: Open Table, Moody's Analytics

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NOT LIKE GFC OR 2001 – SOMETHING IN BETWEEN

Real Annual GDP Growth In Previous U.S. Recessions

Oxford Economics, Cushman & Wakefield Research, Goldman Sachs

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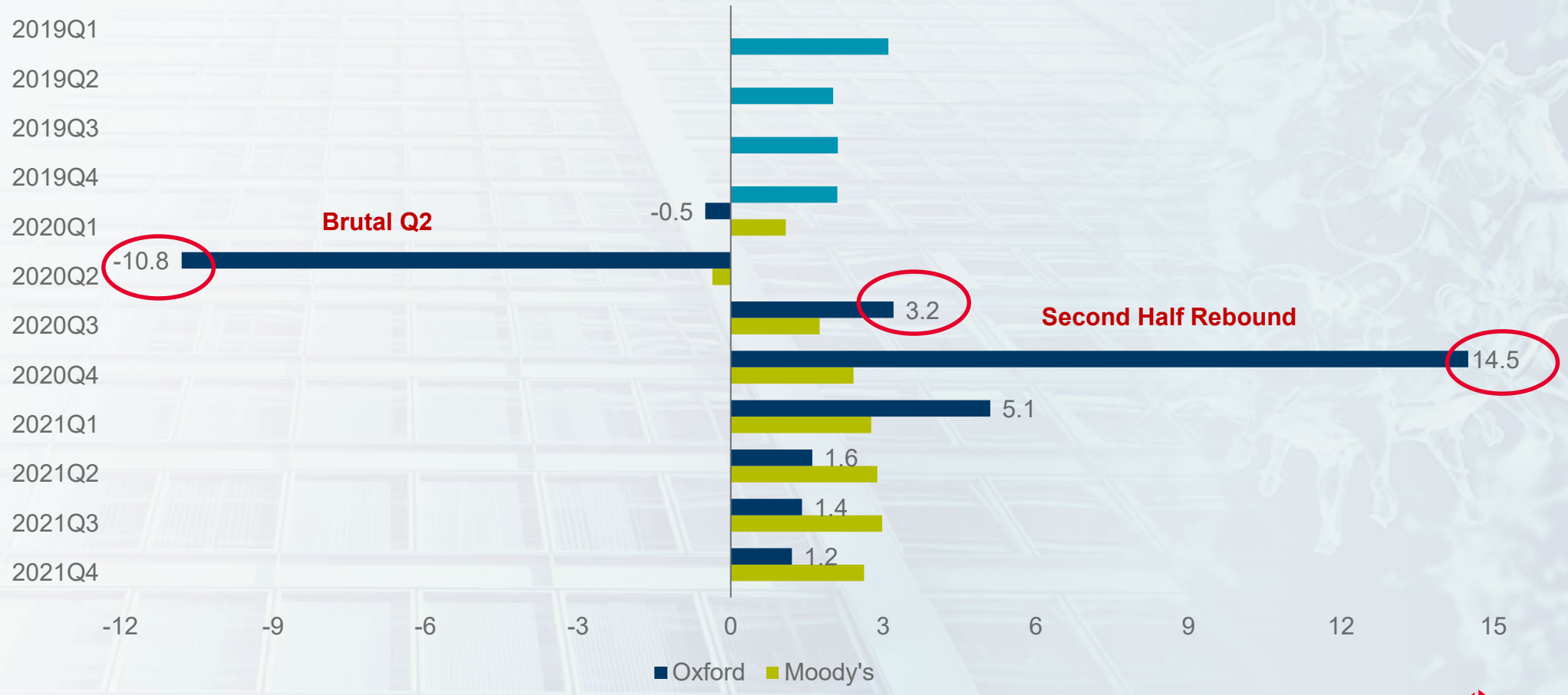
CONSENSUS CALLING FOR SECOND HALF REBOUND

U.S. Real GDP, Annualized Growth



Source: Moody's Analytics, Oxford Economics

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GOVERNMENT'S STEPPING UP SUPPORT

AMERICAS

1. Fed actions: ZIRP, up to $5.4T+ in liquidity, dollar swap lines, credit facilities.
2. U.S. Congress passed two bills passed (~$150B), ~$1T stimulus in the works; Canada passed $82B bill.
3. Banxico lowers rates and steps up liquidity measures.

ASIA PACIFIC

1. Coordinated easing across most central banks, including BOJ, Reserve Bank of India, Reserve Bank of Australia and the PBOC
2. Japan announces two packages totally ~$20B in fiscal aid to businesses and healthcare facilities.
3. China to invest $394B in infrastructure in addition to tax concessions, subsidies for healthcare/medical supply firms, and aid targeting SMEs.

EMEA

1. ECB ramps up €750B QE aimed at eurozone sovereign and corporate debt
2. Eurozone members ramping up fiscal policy (aid to SMEs, deferral of tax payments, guarantees, etc.)
3. BoE went to 0.1% and is extending £645B in liquidity, including £200B to corporates, plus other measures. UK announced extensive £30bn fiscal stimulus package aimed at business and households.

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Given that most CRE metrics are reported quarterly, there is not a lot of official data to gauge the impact of COVID-19 on property markets yet, but here's what we know…

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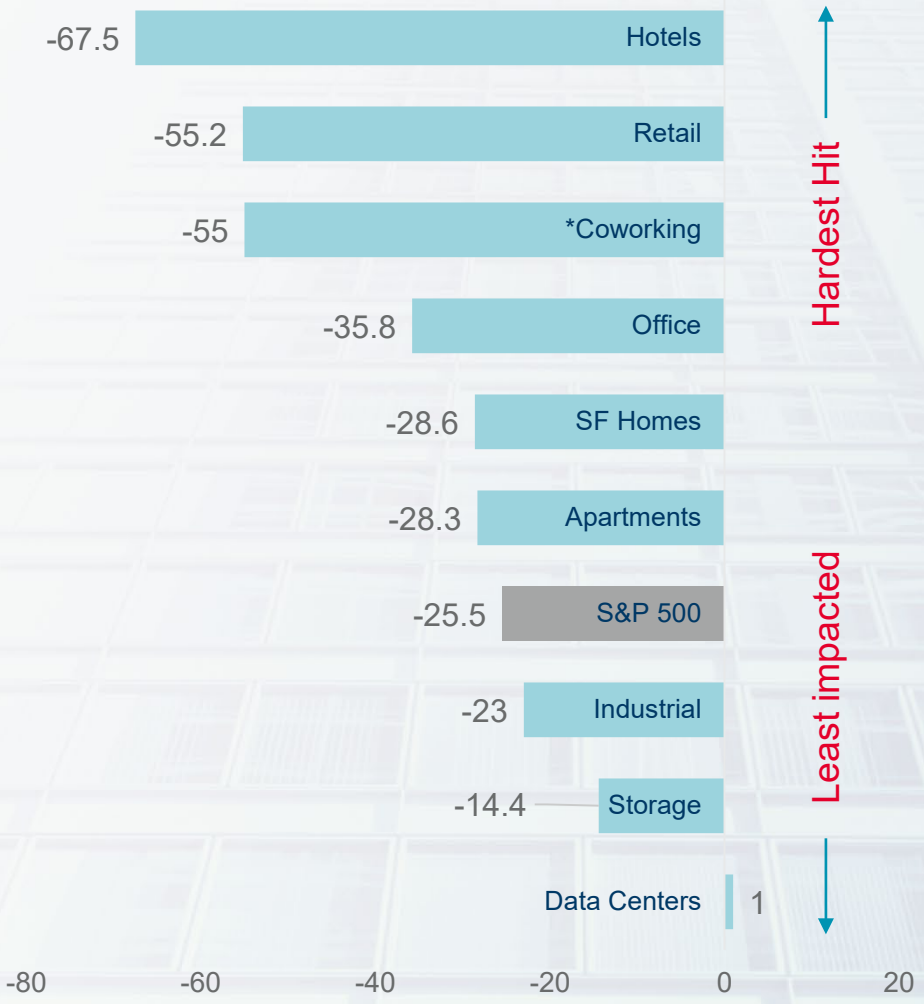
INTERPRETING REITS

Year-to-Date Total Return Performance: U.S. REITs (%)



Hotel Sector: Occupancy has fallen by 70% globally, Revpar down ~60%.

Retail: Social distancing – massive disruption. Strength in spots (e.g. grocery & pharma).

Coworking: Mixed bag, recession vulnerability but flexibility perhaps more appealing.

Office: Any sector that supports human interaction is exposed.

Housing: Uncertainty putting big pause on home sales.

Multifamily: More resilient, not immune. Enters crisis overbuilt if demand falls off.

Industrial: More resilient. Supply chain disruptions but even stronger shift to ecommerce.

Storage: More resilient, but not immune.

Data Centers: Stay at home economy, more data. Somewhat GDP agnostic.

Source: NAREIT, Cushman & Wakefield Research, *Estimate based on stock price trends of various coworking businesses

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HOT OFF THE PRESS

Preliminary U.S. Office Snapshot

DEMAND (NET ABSORPTION)

AS OF MARCH 20, 2020

	2019Q1	2020Q1	Direction
United States	4,301,989	-3,199,574	↓
Houston	244,475	-238,851	↓
Washington, DC	514,267	-200,427	↓
SF Bay Area*	777,473	-1,477,843	↓
Manhattan	-3,950,907	-915,760	↓
Boston	851,738	-382,892	↓
Los Angeles	421,751	-350,908	↓
Dallas	1,245,227	-71,831	↓
Chicago	965,936	230,041	↓
Denver	789,644	241,597	↓
Atlanta	598,006	926,842	↑

* Includes San Francisco and East Bay/Oakland Markets Only

SUPPLY (VACANCY)

AS OF MARCH 20, 2020

	2019Q1	2020Q1	Direction
United States	14.3	14.5	↑
Houston	20.9	23.5	↑
Washington, DC	13.3	15.8	↑
SF Bay Area*	8.7	9.2	↑
Manhattan	10.2	11.3	↑
Boston	9.9	9.2	↓
Los Angeles	12.9	13.5	↑
Dallas	19.2	18.5	↓
Chicago	18.5	17.9	↓
Denver	15.4	14.1	↓
Atlanta	15.4	18.1	↑

* Includes San Francisco and East Bay/Oakland Markets Only

Source: Cushman & Wakefield Research

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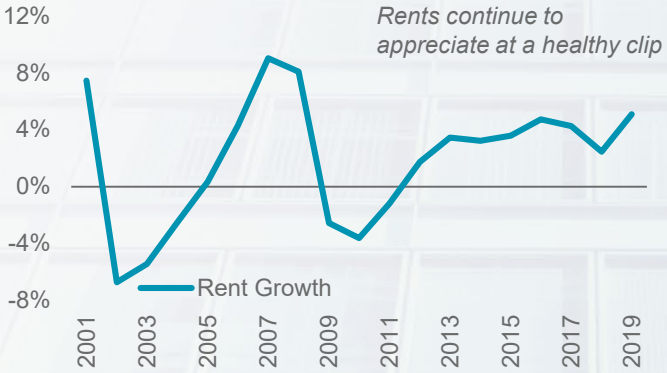
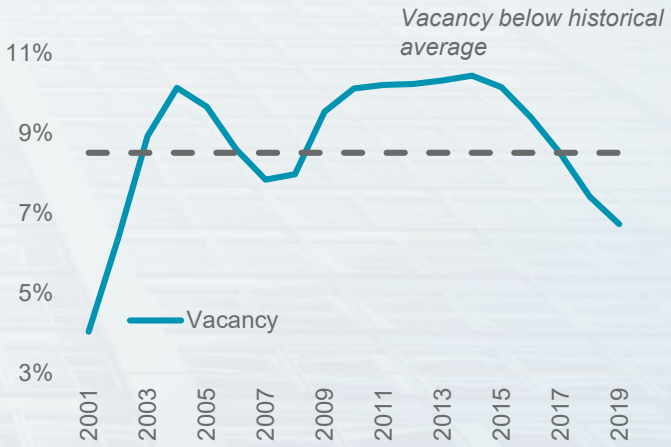
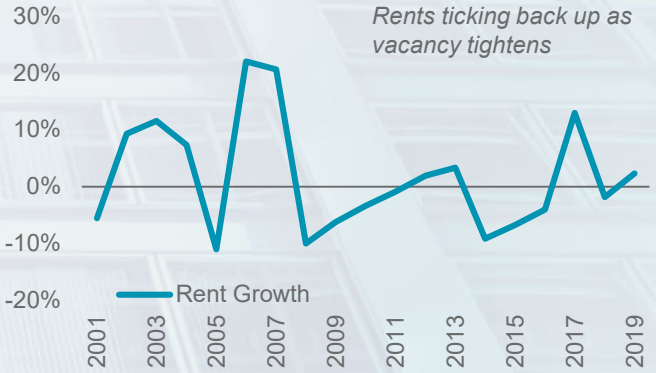
OFFICE LEASING FUNDAMENTALS ENTER CRISIS IN GOOD SHAPE

UNITED STATES

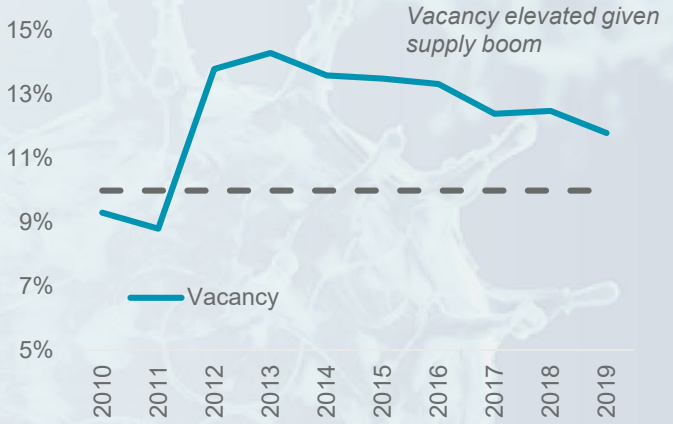


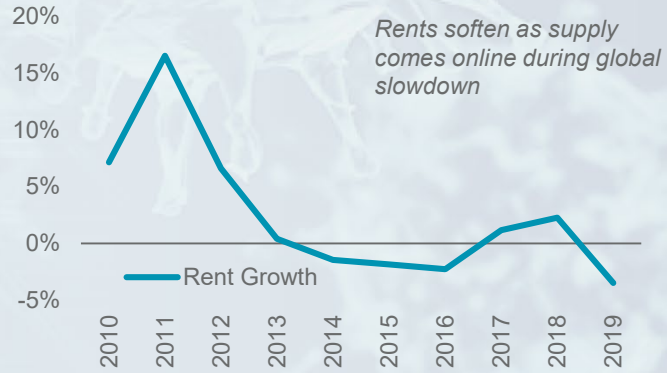
EUROPE





ASIA PACIFIC





Source: Cushman & Wakefield Research
Note: APAC rent growth based on median growth rate of all cities with data versus using an aggregate.

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OFFICE VACANCY AROUND THE WORLD

Ranked lowest to highest, select cities

AMERICAS

	METRO AREA	2019	HISTORICAL AVERAGE*
1	Vancouver	3.6%	7.2%
2	San Francisco	5.5%	10.5%
3	Toronto	5.9%	7.1%
4	Seattle	9.2%	13.2%
5	Boston	9.2%	11.9%
6	Orlando	9.3%	14.9%
7	Nashville	11.1%	10.6%
8	San Jose	9.7%	13.2%
9	Charlotte	10.1%	10.7%
10	Montreal	10.3%	10.3%
11	New York City	11.1%	9.1%
12	St. Louis	12.2%	14.3%
13	San Diego	13.0%	16.1%
14	Philadelphia	13.7%	14.5%
15	Los Angeles	13.2%	14.8%
16	Washington, DC	14.1%	11.4%
17	Denver	15.0%	15.0%
18	Phoenix	15.0%	18.4%
19	Atlanta	16.6%	18.2%
20	Minneapolis	17.4%	17.6%

EMEA

	METRO AREA	2019	HISTORICAL AVERAGE*
1	Berlin	1.6%	6.6%
2	Vienna	1.8%	5.4%
3	Munich	2.6%	6.9%
4	Luxembourg	3.0%	4.8%
5	Hamburg	3.2%	6.9%
6	Lisbon	4.0%	8.9%
7	Barcelona	4.2%	9.2%
8	Edinburgh	4.8%	9.0%
9	Paris	5.0%	6.3%
10	London	5.1%	5.8%
11	Prague	5.5%	10.4%
12	Oslo	5.5%	7.3%
13	The Hague	5.8%	12.2%
14	Kyiv	5.8%	11.5%
15	Stockholm	5.8%	10.8%
16	Amsterdam	5.9%	14.3%
17	Budapest	6.7%	16.3%
18	Frankfurt	6.9%	12.1%
19	Athens	7.5%	8.6%
20	Brussels	7.6%	9.8%

APAC

	METRO AREA	2019	HISTORICAL AVERAGE**
1	Tokyo	1.9%	4.7%
2	Melbourne	2.2%	5.3%
3	Singapore	2.5%	4.2%
4	Ho Chi Minh City	2.7%	10.5%
5	Sydney	3.1%	6.3%
6	Manila	3.7%	2.6%
7	Guangzhou	4.4%	10.8%
8	Bangkok	5.0%	10.4%
9	Pune	5.1%	12.8%
10	Bengaluru	5.6%	7.1%
11	Hyderabad	5.7%	10.3%
12	Taipei	5.9%	9.4%
13	Hanoi	7.7%	18.3%
14	Seoul	8.3%	8.5%
15	Hong Kong	8.4%	6.2%
16	Chennai	9.4%	12.5%
17	Brisbane	10.2%	8.5%
18	Beijing	10.2%	8.9%
19	Shenzhen	18.4%	10.6%
20	Shanghai	18.7%	10.6%

*Historical Average = 2005-2019, **2012-2019*
Source: Cushman & Wakefield Research

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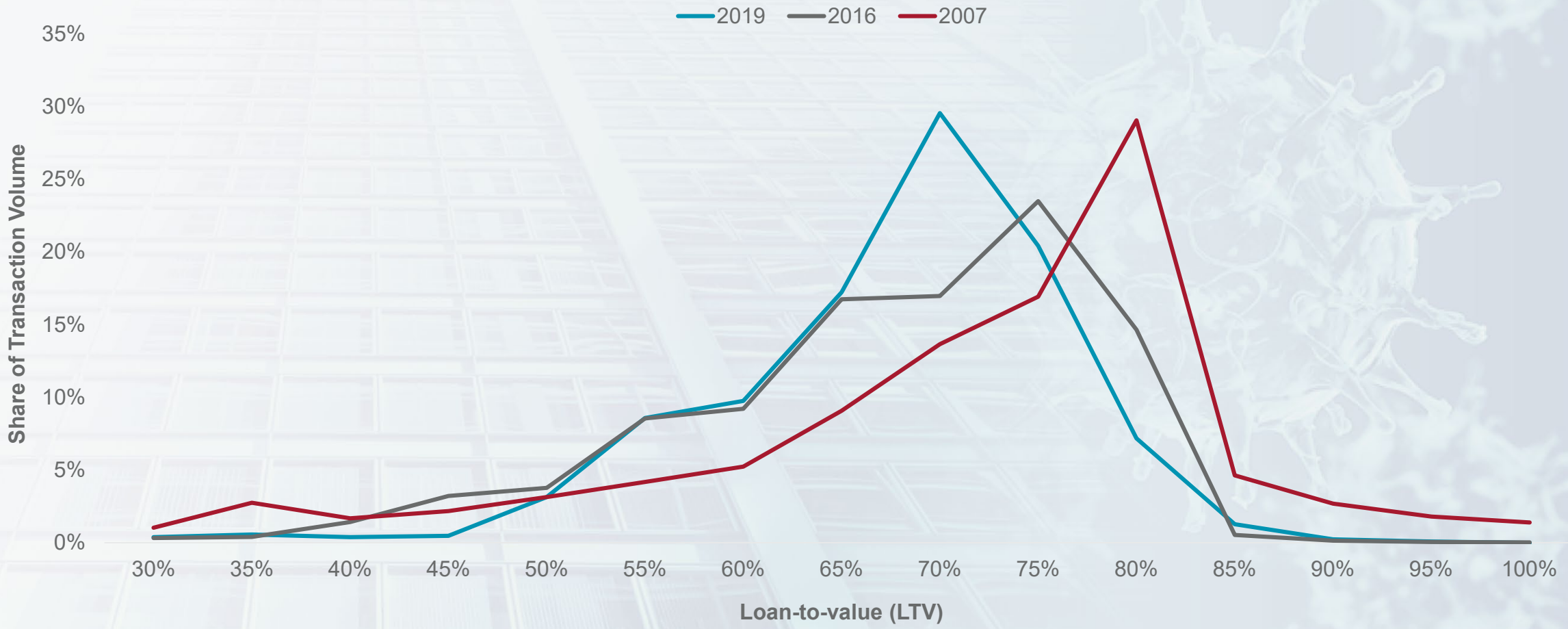
WITH FEW SIGNS OF EXCESSIVE RISK TAKING

Distribution of LTV's on U.S. Property Financings



Source: RCA, Cushman & Wakefield Research

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EARLY ASSESSMENT - SUMMARY

As of March 2020

ECONOMY

- The trajectory of COVID-19 and its impact is uncertain. No one knows precisely how this will play out.
- High probability of global recession in 2020. Data sending clear signals that we are in one.
- Q2 is expected to be ugly. US GDP -10%. Global – similar. No one knows…
- 2020H2 rebound still assumed. Strong Q4. No one knows…
- Unprecedented fiscal and monetary policy response. The world learned from GFC and is moving quickly.
- Hopeful signs emerging out of Asia Pacific. Experimental treatments, vaccinations – there is hope.
- 2021 – Most assume robust rebound both globally and in the US. Some calling for 4 or 5% GDP growth.

PROPERTY

- CRE enters crisis in better shape than past downturns, but not immune to COVID-19 impact
- Investors in wait and see mode. Some estimate sales will be down 30-40% in 2020.
  - Limited to no bids for hotels/retail assets
  - Healthy leverage, capital war chest support quicker transaction recovery compared to GFC
- Pricing likely to soften. Core to be relatively resilient, value-add to gap out.
- Construction deals hard to execute. Pipeline will slow.
- Occupiers equally in wait and see mode. Touring space has stopped or is way down.
- **Upside:** CRE sector comes out the other end with significant tailwinds and tons of opportunity.

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HIERARCHY OF PANDEMIC RESPONSE - INVESTOR

HIERARCHY OF PANDEMIC RESPONSE - OCCUPIER

Q&A

PLEASE USE THE CHAT BOX ON YOUR SCREEN TO POST QUESTIONS

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THANK YOU

- We are publishing regular updates at https://www.cushmanwakefield.com
- Beginning this week, a podcast series on keeping employees engaged during remote work
- Plans for regular webcasts like the one today
- Feedback and opportunity to continue the dialog via email immediately after this call

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