



## Highlights of the quarter: COVID-19:

**MACRO ENVIRONMENT:** Nothing escapes the effects of a slump on the global, European and Spanish economy. In just 15 days, GDP has been down 3.8%. A closure of productive activity has triggered an unprecedented "shock" of demand. Everything will fall in remarkable numbers. A scenario is estimated for the total year of GDP fall around 12%-15%. The unemployment rate to March was 14.4%, and it can reach the 2012/13 levels. Another indicator is public and private indebtedness, which leads to increases the default rate. The hope and difference from the past liquidity crisis is that once the virus is neutralized we will be able to return to pre-COVID-19 levels.

**RESIDENTIAL:** The "shock" of demand resulting from the activity cessation of the productive sectors of the economy, will bring a significant destruction of employment, on the other hand, very sensitive to housing acquisition. Expenditure is reduced by shifting towards saving families. Prices at March reflect a year-on-year rate of 1.5%, although the number of signed trades has fallen by 17%. Given this scenario, it is likely, if the situation is normalizing, that the rent takes more prominence over buying.

**INDUSTRIAL & LOGISTICS:** It is the segment least adversely affected by the pandemic effects, as it fulfils the necessary mission of distribution and supply of goods. The consumption habits appeared by the effect of this virus will mark a before and after and probably many new ones will stay. The developments of logistics projects in the short term, are likely to cool up versus already completed spaces and will take special attention by the operators in the location of real estate (local) in cities that allow the distribution in times less than the hour, with the consequent reduction of costs.

**OFFICE:** Office spaces will mark a turning point in business structures. Telework has been forced to take leading role, although once neutralized the virus, will coexist with traditional systems. In the short term there may be some tension in rents and prices in secondary areas of cities such as Madrid; not so in PRIME and quality locations. Future projects, for the time being will wait.

**RETAIL:** It's the most punished segment by the closing of stores as well as the hotel segment. In this case, in addition to the hygiene and disinfection measures at the centers, the emergence of a treatment or vaccine that returns consumer confidence would be very helpful, which in April has fallen by 13.4 points from March.

**HOTELS:** Greatly affected by confinement and mobility restrictions due to COVID-19 which is likely 2020 to be a year of loss. The recovery, given the dates, will first be reactivated in holiday areas followed by urban areas. The European market in general could reach some recovery in 2021 even if RevPar levels in 2019 have to wait until 2022-23.

## The Vision Gloval

### RESEARCH AND BIG DATA

The real estate sector is a focused product for investors looking at the medium and long term. To carry out a stable and safe strategy over time, apart from the appropriate coverages, it is necessary to know the places and the Asset Class where it is decided to position itself. To do this, one of the useful tools that every investor, whether private or institutional, must control is to have a RESEARCH department that has the support of a frontline BIG DATA team. In Grupo Gloval, we have professionals with wide experience in Real Estate both in the residential and commercial Property areas focused on the national and international investor and covering the entire Spanish and Portuguese territory focused on the preparation of reports of economic analysis, investment, divestment and strategic.

Company. Gloval Advisory



## Scorecard

	Figure
<b>Macroeconomic framework</b>	
IT2020	
GDP (y/y)	● -3,8%
Affiliation to Social Security (YoY)	● 0,2%
Unemployment Rate	● 14,4%
Interest Rate to New Mortgage Credit TOTAL	● 2,4%
Fixed rate	● 2,8%
Floating rate	● 2,1%
Consumer Price Index (CPI) (YoY)	● 0,6%
The Consumer Confidence Index	● -29
Housing Affordability (years GDI) (3th Quarter)	● 7,28
Housing Affordability (% GDI) (3 th Quarter)	● 31,6%
<b>Real Estate Framework</b>	
Housing Price (YoY)	● 1,5%
Price-to-Income Ratio (Base 100=IT01) (3th Quarter)	● 106
New housing permits (YoY) (March20)	
Residential	● -7,7%
Non Residential	● -33,2%
Construction Completion Certificates (YoY) (March 20)	● 4,7%
Mortgage Credit (YoY)	● 1,4%
Transactions (y/y)	
Residential	● -17,2%
Retail	● 5,4%
Industrial & warehouses	● -19,1%
Offices	● -27,0%

y/y: Year on year. GDI: Disposable Income.

Figure 1:  
Real GDP and Housing Prices  
(yoy, 2007 - Q1. 2020)

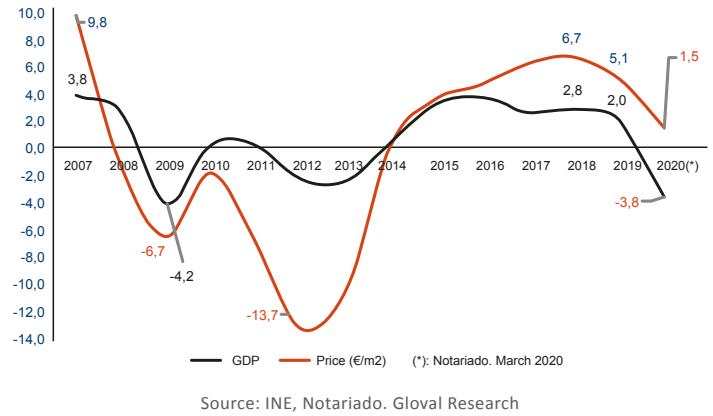


Figure 2:  
Real Estate Transactions. Urban Fields

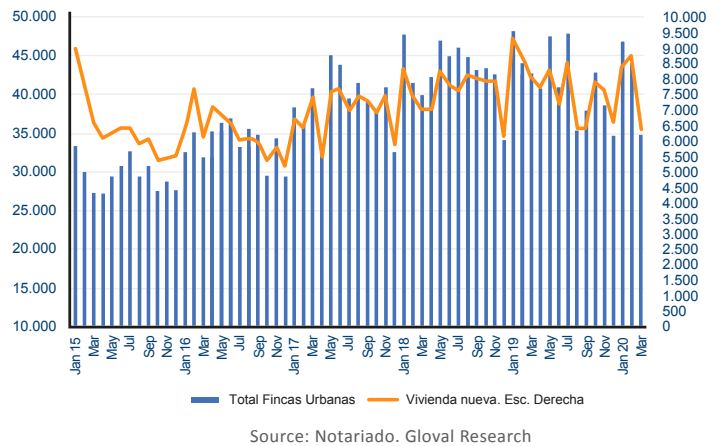


Figure 3:  
Consumer Confidence INDEX.  
Net Balance

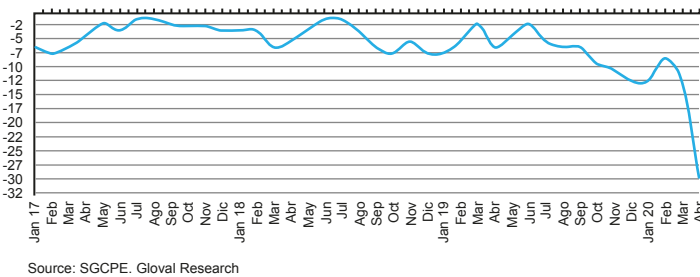
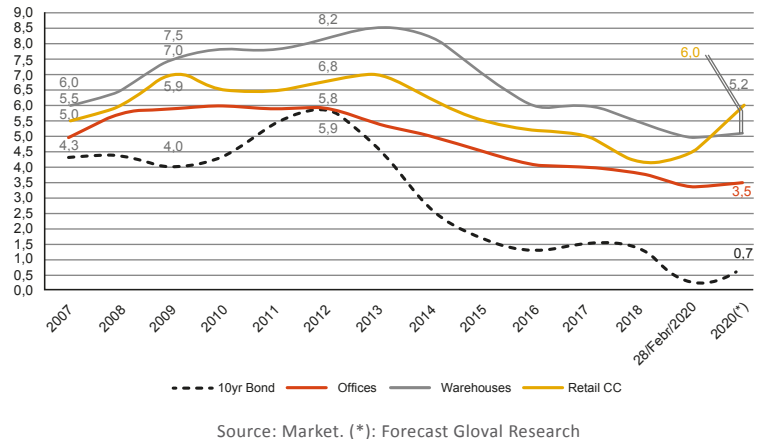


Figure 4:  
Prime yields in Real Estate vs Spanish  
10 years Bond yield



## Last MILE. Merger between distribution logistics and high street retail

The emergence of the global pandemic of COVID-19 has generated a disruption in economic activity with serious consequences, both for the system in general and for the income accounts of workers' wages companies.

One of the segments of the most affected real estate sector is retail, in all its conditions (High Street retail, Shopping Centers and Retail Parks). Confinement and hygiene and health measures have forced the total closure of them.

But, on the other hand, logistics is taking a major role in the distribution of goods and products to both supermarkets and confined households, which for a time have been subject to the "Phase Zero" imposed by the Government and which opens up to other phases as the situation is monitored.

In this scenario, an opportunity arises to improve the efficiency in costs and times for distribution logistics and, on the other hand, the activation of many commercial premises on the street and located in the city, without being in the Prime zone of the city, that would be needed as "last mile" assets, especially due to the increase in E-commerce, online orders and home delivery that improves the flow of deliveries from large logistics platforms outskirts the urban centers.

Premises that are empty or optional for parcel distribution at times less than an hour.

It's an interesting opportunity for both segments of the commercial real estate market. Occupations of premises that are otherwise complex to accomplish and the considerable reduction of transport costs, delivery times by logistics operators.

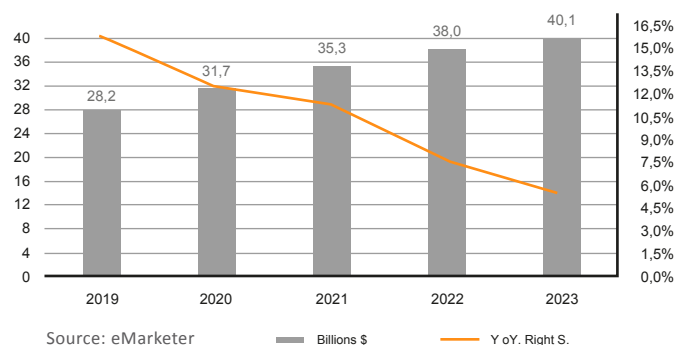
In addition to the logistics of the city-owned parcel, it would be used for reverse logistics, a model similar to that used by postal and express mail.

E-Commerce in Spain is growing unstoppable and still has a long way to go to position itself in an increasingly competitive and complex market.

E-commerce in 2019 had a worldwide turnover of 1,655 billion euros, and the trend is that by 2023 it will exceed 2,272 billion euros.

In Spain, 2017 recorded increases of more than 25% and in 2018 it exceeded 20%. According to data published by "eMarketer" in December 2019, the forecasts for this segment for the next financial years are shown in the following chart:

Figure 5:  
Retail Ecommerce Sales. Spain



For Spain is estimated a higher growth than other European countries given our line of more modest figures.



## Consequences COVID-19 in the Residential Segment. By GLOVAL ANALYTICS

Gloval Analytics has prepared three possible scenarios following the situation generated by COVID-19, especially oriented to the residential segment that are exposed as a summary.



### Scenarios Generation

#### V Scenario:

DURATION: 3 MONTHS  
 ECONOMY   
 SUPPLY   
 DEMAND 

Short term drop both in PIB as well as sector variables. Unemployment will increase during the short crisis management period, but it will snap back to pre-crisis level. Low interest rates and scarce profitable alternative assets on short to mid term periods will prompt a fast recovery of the real state sector.

#### U Scenario:

DURATION: 9 MONTHS  
 ECONOMY   
 SUPPLY   
 DEMAND 

Unemployment rate will suffer due to low over-time production. This will affect real state negatively. Variables will follow a similar path as the early 2008 crisis for three quarters. Then, they follow a similar path as the economic recovery during 2014.

#### L Scenario:

DURATION: 18 MONTHS  
 ECONOMY   
 SUPPLY   
 DEMAND 

Sustained low production and the international situation creates a strong shock. This is represented by economic variables following the 2008. A negative feedback loop gets induced, and the economic situation worsens overtime. Pre-crisis growth levels are not attained back in our study period.

## Consulting Area in GLOVAL

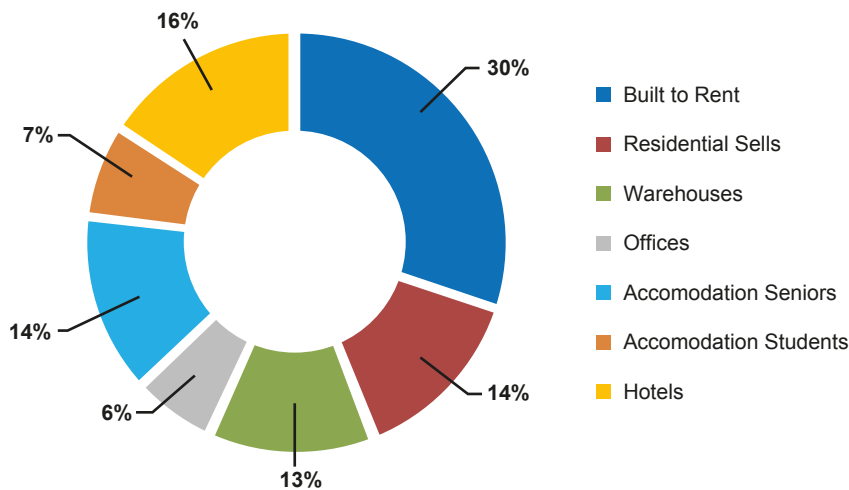
Committed with your ambition, GLOVAL CONSULTING, specialized company in accompaniment for the creation of value in real estate assets, offers a comprehensive project management service with the focus on the client.

The pulse of the market goes, increasingly, through the outsourcing and product bundling of services and in GLOVAL, we have experience and specialized equipment to develop all kinds of real estate assets, from the analysis of the opportunity and the study of its financial, urban and functional viability, to its complete execution and commissioning.

With a technical and business approach, our vision of Project Management services aims to meet all the needs and requirements of the client in the development and execution of their projects, assuming on many occasions the delegated promotion of assets as the closest ally of investors, patrimonialists and operators.

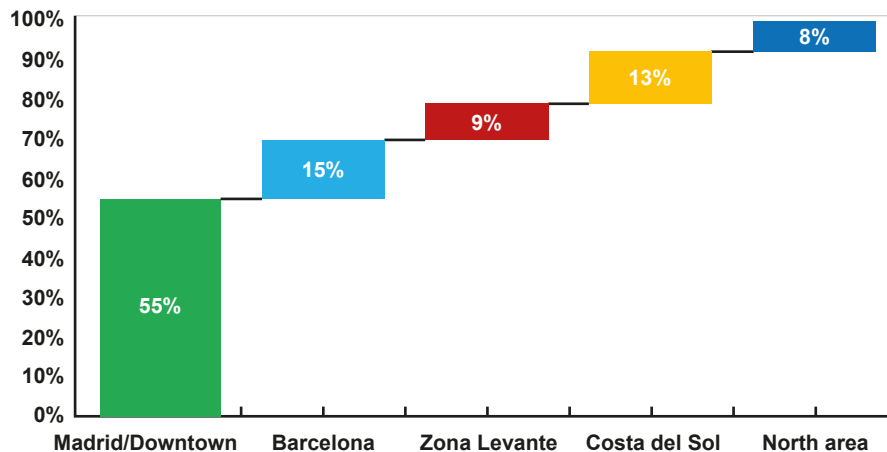
AT GLOVAL CONSULTING we take your projects as ours, setting for each project our level of intervention with a "custom suit" philosophy.

Figure 6:  
Work Performed by asset class



Source: Gloval Research

Figure 7:  
Distribution of works by area



Source: Gloval Research

